

# Corporate Social Responsibility Report 2015



**MIZRAHI TEFAHOT**

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## Message from the Bank Chairman President & CEO

### Dear readers,

We hereby present you with the third corporate social responsibility report by the Mizrahi-Tefahot Group Ltd. for 2015. This report covers, extensively and intensively, the action taken by the Group pursuant to its commitment to generate value for its stakeholders - customers, employees, suppliers, the community and the environment, based on our understanding that being a business which operates within and interacts with society - we are required to be accountable and to make an effort to benefit the community and the environment.

This document provides detailed information about action taken by the Group in 2015 on issues including: promoting customer interests, social and community involvement at the Group, creating a proper, accountable work environment for Group employees, environmental protection, maintaining proper corporate governance, ethics, risk management etc. These matters are foremost on the organizational agenda and form an integral part of our business core and organizational culture. In order to expand and intensify Bank activities related to social responsibility this year, we have decided to join the UN Global Impact initiative, which is a statement of commitment to promote and implement the UN's ten universal principles regarding human rights, employment, environment and anti-corruption.

Recognizing the invaluable unique added value of a professional, experienced human banker for the customer relationship, we continue to implement this year the service concept which best integrates man - the banker and the customer - and machine, with technology and digital channels, which are evolving at a rapid pace, taking a key role in improvement of the customer service experience - along with supporting the professional skills and human service level provided to the customer. In our research over the years, we have found that our customer satisfaction is the highest and they are happy and satisfied with how their needs are addressed by the Bank.

Mizrahi-Tefahot Group Ltd. is a major player in the real estate market and considers itself as taking part in construction of the Land of Israel. The Group also sees great importance in promoting small business, which is why we have increased lending to this segment in 2015 by 9.5% and have recruited thousands of new business customers. Expanding our business in the small business segment is a major target of the 2016 work plan as well. This reflects the privilege of taking part in strengthening the Israeli economy.

The Group sees the great importance of empowering its human capital; therefore we take action designed to empower, promote and develop the Bank's greatest and most important asset - its human capital. This campaign includes many activities, which are integrated with routine work and which are designed to create a more comfortable, pleasant work environment, to expand the knowledge and professional development of employees and to support relations between the Bank, its customers and employees.

As a business organization whose activities and achievements depend on the community in which it operates, the Bank sees itself as obligated to show involvement in the community, to support populations with special needs and to assist in development of social-oriented businesses. In 2015, the Bank continued to support various social organizations and institutions and to conduct ventures to benefit populations in need. These activities are carried out with involvement of Bank employees, their families and even Bank customers.

This report is another communication channel with our stakeholders, with the intention of fostering open, transparent dialogue on all of the issues contained therein. Our corporate social responsibility report is also available on the Bank's website and Facebook page - you are invited to comment on the activities described in this report.

We wish you a pleasant, beneficial read,

**Mr. Moshe Vidman**

Chairman of the Board of Directors

**Mr. Eldad Fresher**

Bank President & CEO

## Corporate social responsibility management at Mizrahi-Tefahot Group

This is the third corporate social responsibility report issued by Mizrahi-Tefahot Group, providing an overview of operations of the entire Group and subsidiaries in Israel and the Group's overseas affiliates in 2015. For us - this is the best reflection of our continued commitment to implementing corporate social responsibility and sustainability, along with full transparency to our stakeholders in a complete, annual report which covers each of the material aspects of our operations.

Our commitment to corporate responsibility across all Group units is based on understanding of issues raised from time to time by stakeholders and on our commitment to achieve our objectives. This area is managed in an orderly fashion, includes multiple entities across the organization and requires significant coordination and preparation, in order to lead processes with long-term impact.

In 2015, we continued to make progress in the following areas:

- ∞ We delivered training to all employees, designed to reinforce employee awareness of social responsibility at the Bank and to expose them to the Bank's activity in this area.
- ∞ We conducted a dialogue with stakeholders, whose outcome even influence the current report.
- ∞ We joined the UN's Global Compact initiative and we have committed to the principles which this initiative reflects.
- ∞ We reviewed other reporting frameworks in response to issues raised by investors.
- ∞ We incorporated social and environmental aspects in decision making processes across the Group.
- ∞ We set targets for corporate social responsibility and reviewed the achievement thereof, as will be presented in this report.
- ∞ We launched a campaign to promote recycling of bottles and electronic waste by employees - which was very well received.
- ∞ We intensified our presence in diverse population segments, continued

to open branches in general - and in the Arab and Jewish Orthodox populations in particular.

In 2015, we conducted diverse activities as part of the Social Responsibility Week events at the Bank: Financial training for employee family members, quiz on corporate social responsibility with prizes and a "fair" promoting products of social NGOs.

In 2016, we will revise the Group's materiality matrix, will validate it with management and the Board of Directors, will continue to monitor achievement of targets and will verify with stakeholders how we could improve in our activities and generate significant value for them.

For us, corporate social responsibility is a significant platform for how we operate - and we strive to implement it and to further improve every year. We would be glad to receive comments on this report and on our actions related to corporate social responsibility - from all stakeholders.

### Corporate social responsibility - for the environment and the community in which we live!

Sincerely yours,

**Ms. Tamar Saffer, Corporate Social Responsibility Officer**

#### For inquiries with regard to this report:

Ms. Tamar Saffer, Corporate Social Responsibility Officer  
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P.O. Box 3470, Ramat Gan



## About the third corporate social responsibility report

This report provides an overview of activity related to corporate social responsibility by Mizrahi-Tefahot Group in 2015. The report was compiled in conformity with the Supervisor of Banks' directive, whereby banking corporations should disclose matters of corporate social responsibility relevant to their operations, during a period of up to two years. This is the third report issued by the Group; it is issued about a year after the previous report was issued - in line with the Group's decision to report annually to stakeholders about its performance in this area. Previously issued reports included a report which covered Group operations in 2014 and a report which covered operations in 2012-2013.

This report covers Mizrahi-Tefahot Group in Israel and overseas. This overview covers performance of Bank Mizrahi Tefahot, Bank Yahav and three overseas affiliates of the Group: London, Los Angeles and Zurich (hereinafter: **"the Group"**). Any reference to the term **"the Bank"** refers to Bank Mizrahi-Tefahot, other Group entities and affiliates, excluding Bank Yahav.

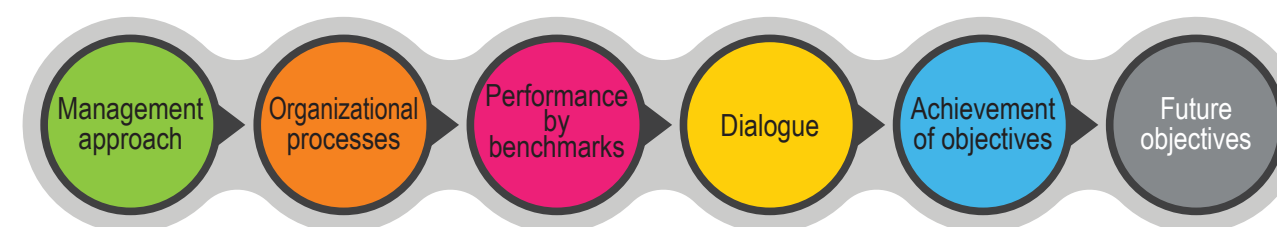
Operations of Group companies or of overseas Bank affiliates may deviate, to some degree, from the description provided in this report - but in any case are in line with principles of Bank policy. Should such deviation be material, specific disclosure is provided for such operations, in particular for Bank Yahav, which is explicitly noted.

Similar to the previous report, this report was also compiled in conformity with reporting guidelines of GRI (the Global Reporting Initiative) and it is compliant with the GRI G4 Sustainability Reporting Guidelines. The report is structured in conformity with the stakeholder model; for each material topic covered, this report elaborates the management approach, work processes, performance

against required benchmarks, a description of the dialogue with stakeholders on the topic, as well as future performance targets.

In the past year, the Group has joined the UN's Global Compact initiative. By signing on to this initiative, the organization is committed to ten global principles with regard to preventing corruption, responsible employment, human rights and environmental protection. As part of the Group's commitment, this report provides a response on how these topics are implemented by the Group and constitutes a periodic report to Global Compact about progress made on implementation (CoP - Communication on Progress). Although we officially joined this initiative in 2016, we are reporting on it starting with this report regarding 2015.

### Structure of report chapters for reporting on material issues only:



The process of compiling this report is assisted by the Corporate Social Responsibility and Sustainability Group of BDO Ziv Haft CPAs. Furthermore, all data reported in this report was externally audited by the Israeli Corporate Social Responsibility Institute. This combination of assistance and control allows the Group to ensure that information presented in this report properly reflects Group operations.

## Identifying material issues related to social responsibility

The materiality matrix specified by the Group, during its work on the previous sustainability report, also serves the organization for this report. However, in response to issues raised by stakeholders in proactive dialogue and specific feedback from suppliers and customers - this year we decided to expand our response on several specific issues (as listed below in this section).

The materiality matrix for reporting was compiled in conformity with GRI reporting guidelines in the G4 standard. In this work, the Group has defined the material topics for the Group and for its external stakeholders. This process was conducted in two parallel channels, integrated to allow us to create the materiality matrix and to focus on the 20 material issues.

### The process of identifying material issues for stakeholders

In order to specify the material issues for stakeholders, we used 4 representative secondary information sources:

- ∞ **BDO - Research into Material Issues in Israel's Banking Sector** - research conducted in June 2014 by the Corporate Social Responsibility Group of BDO Ziv Haft Consulting and Management. This research studied the material issued in Israel's banking sector, based on positions by 16 stakeholder representatives who represent environmental organizations, communities, employees, customers and suppliers.
- ∞ **GRI - (Global) Research into Material Issues in the Banking Sector** - research conducted in 2012 by GRI, with reference to various operating sectors. In each sector, GRI presents the issues which, according to stakeholders, should have a central place in reporting. In identifying the material issues, the Group relied on the study "What do stakeholders want to know? Banks, Diverse Financials and Insurance". This study reflects positions of international stakeholders, including NGOs, businesses and representatives of financial markets.

- ∞ **G&A - Research into Material Issues in Reporting by Leading World Banks** - The US Corporate Social Responsibility and Corporate Governance Institute (A&G) issued in 2014 research which studied the social responsibility reports by 1,246 companies in various sectors, compiled in conformity with GRI methodology. The analysis by the Institute allows the identification of issues which most frequently feature on reports by leading world banks.
- ∞ **SASB - Material Issues in Operations of Banks Related to Corporate Social Responsibility** - The Organization for Promotion of Responsible Investment in the USA (SASB) published in February 2014 the list of material issues in bank operations, from the viewpoint of their stakeholders. The organization issues standards and procedures for social reporting, for use by public companies. The process of identification of material issues, as conducted by the organization, was based on review of issues concerning regulation, consulting with experts in this area and a panel of stakeholders.

The outcome of this research was a list of material issues which impact stakeholders.

### The process of identifying material issues for the Group

In the process of identifying material issues for Mizrahi-Tefahot Group, meetings were held with groups of managers and employees (50 people in total). These representatives rated all of the social responsibility issues (based on specific aspects defined by GRI), by their importance for Group operations, on a scale from 1 to 5. The outcome of this stage was a list of material issues for Group operations.

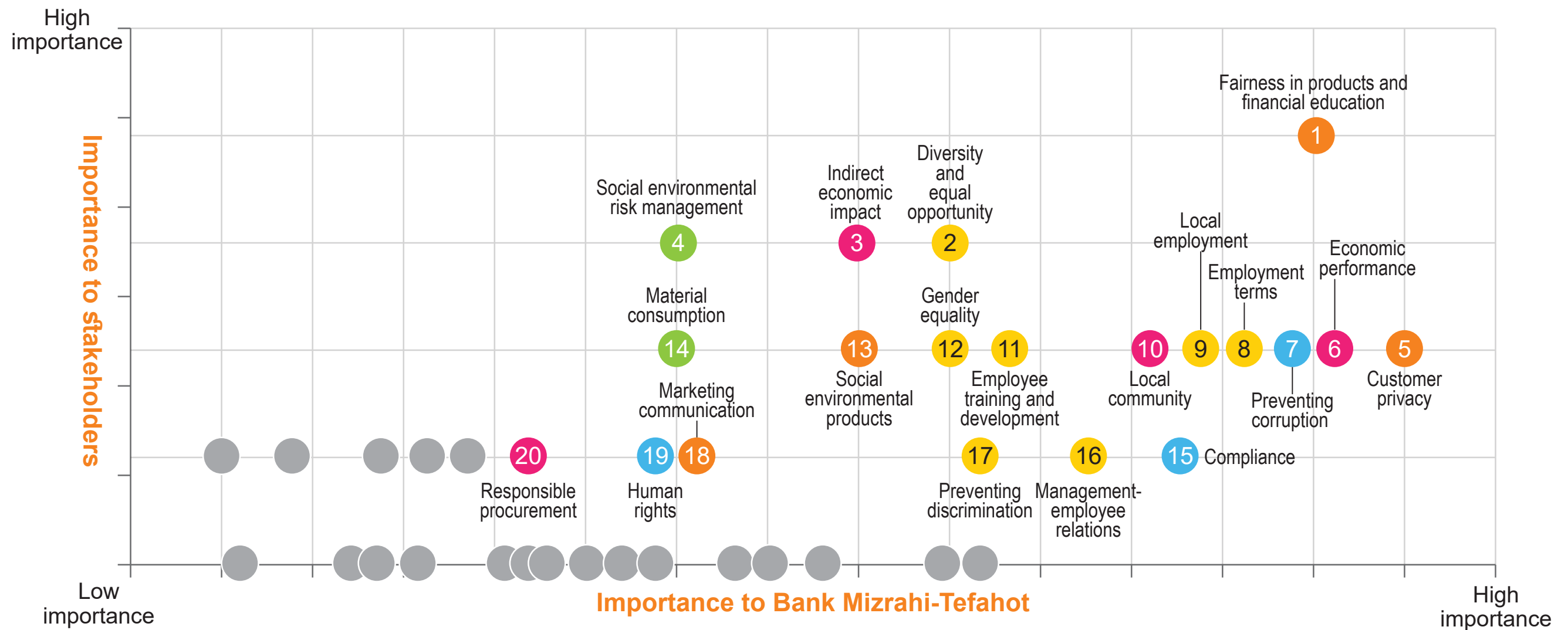


## Identifying material issues

Weighting and cross-referencing the issues has resulted in 20 material issues selected for reporting. These are issues rated 3 or higher by Group employees and managers and also rated important by one or more external entities.

The Group's materiality matrix, listing the 20 issues which the Group selected for reporting:

**Materiality matrix - Bank Mizrahi-Tefahot 2015**



\* Numbers in the matrix reflect the materiality grade of the topic

20 material aspects identified	Benchmarks	Materiality (position on chart)	Reporting limits	Report chapter	Report issue
Fairness in products and financial education (Product and service labeling)	G4-PR3-5	1	Within the organization	<b>Customers and Us</b>	Fairness and transparency to customers and promotion of financial education
Customer privacy	G4-PR8	5	Within the organization		Ensuring customer privacy
Environmental and social products (Product portfolio)	G4-FS6-8	13	Within the organization		Development of environmental and social products
Marketing communications	G4-PR6-7	18	Within the organization		Responsible marketing and advertising
Local communities	G4-SO1-2 G4-FS13-14	10	<b>Inside and outside the organization</b>	<b>The community, suppliers and Us</b>	Impact on Israeli society through involvement and volunteer work
Economic performance	G4-EC1-4	6	Within the organization		Maintaining financial robustness
Responsible procurement practices	G4-EC9	20	<b>Inside and outside the organization</b>		Responsible supply chain management
Indirect economic impacts	G4-EC7-8	3	<b>Inside and outside the organization</b>		Impact on Israeli society through charitable donation and sponsorship
Diversity and equal opportunity	G4-LA12	2	Within the organization	<b>The Bank and employees</b>	Diversity, equality and avoiding discrimination in employment
Equal Remuneration for men and women	G4-LA13	12	Within the organization		
Non-discrimination	G4-HR3	17	Within the organization		
Employment terms	G4-LA1-3	8	Within the organization		Promoting fair work environment and employment terms
Local employment (Market presence)	G4-EC5-6	9	Within the organization		
Employee training and education	G4-LA9-11	11	Within the organization		Staff training and development
Labor / management relations	G4-LA4	16	Within the organization	Labor / management relations	
Consumption of materials	G4-EN1-2	14	Within the organization	<b>The environment and Us</b>	Reducing resource consumption
Social and environmental risk management (Audit)		4	Within the organization		Environmental risk management in lending
Compliance	G4-PR9	15	Within the organization	<b>Corporate governance</b>	Commitment to regulatory compliance
			Within the organization		Stable corporate governance
			Within the organization		Risk management and business continuity
Human rights (Investment)	G4-HR1-2	19	Within the organization		Preserving human rights
Anti-corruption	G4-SO3-5	7	Within the organization	Preventing corruption	



## What do stakeholders think of our corporate social responsibility report?

Over the past year, in order to review and validate positions of stakeholders with regard to matters reported by the Bank, the Group took action as follows:

### Review of supplier positions with regard to Bank reporting 2015

The Bank is in constant work relationships with suppliers, hence the importance of hearing their perception and expectations on matters which, in their opinion, the Bank should report from corporate social responsibility aspects. This survey of several suppliers showed that the suppliers were interested in more extensive reporting on five major topics in the Bank's report on corporate social responsibility (listed in order of importance):

- ∞ **Bank policy on transparency and strict payment terms to suppliers**
- ∞ **Review of ethical issues in supplier operations (prevention of corruption and bribery, code of conduct)**
- ∞ **Review of social issues in supplier operations (minimum wage for employees, proper employment terms, maintaining human rights)**
- ∞ **Minimum requirements posed by the Bank for suppliers (including requirements with regard to health and safety, compliance with laws, permits and licenses)**
- ∞ **Preference for suppliers who employ under-privileged employees (segments under-represented in the labor market)**

These comments were taken into consideration in compiling this report and will be further elaborated in the Bank's next report on this matter.

### Review of customer positions with regard to Bank reporting 2015

a similar survey was conducted among 504 Bank customers, to review their positions with regard to the Bank's corporate social responsibility reports. This

customer survey showed that customers were interested in more extensive reporting on seven major topics in the Bank's report on corporate social responsibility (listed in order of importance):

- ∞ **Action taken by the Bank to protect customer privacy**
- ∞ **Promotion of banking services which do not require attending the branch in person**
- ∞ **Comprehensive information about risks / rewards of investment alternatives**
- ∞ **Promoting processes to prevent corruption**
- ∞ **Various channels for customer contact - whether complaints or praise**
- ∞ **Information about accessible branches and ATMs**
- ∞ **Action taken by the Bank to address environmental and social risk arising from lending by the Bank**

These comments were taken into consideration in compiling this report and would be further elaborated in the Bank's next report on this matter.

### Review of positions of all Bank stakeholders 2016

In 2016, BDO's Corporate Responsibility and Sustainability Group conducted a review of stakeholder positions with regard to the corporate social responsibility reports issued by the top five banks. In the dialogue with stakeholders, 23 major topics in bank reports were raised and referred to by stakeholders - in terms of required improvement in information and in manner of reporting, in terms of raising matters of great importance which are not part of the corporate social responsibility reports.

The Group decided to refer to the matters raised in this stakeholder dialogue in this report, hence the reference to some of the comments made by stakeholders. However, due to the proximity of this process and the issue date of the corporate social responsibility report, Mizrahi-Tefahot Group did not create a new matrix and would revise its materiality matrix as required in the Group's next report, to be issued in 2016.

## About Mizrahi-Tefahot Group

### Our commitment:

The Bank, being a leading financial institution in the Israeli economy, attaches great importance to generating direct and indirect value to stakeholders by virtue of its activities. This value is reflected by Bank contribution to economic growth, by providing banking solutions to individual and business customers, by the commitment to empowering the community in areas where we do business, by strict adherence to fair remuneration of Bank employees and managers, by providing employment to thousands of employees and by duly paying taxes to the State - along with creating value for investors.

The Bank believes that its capacity to generate economic value to its shareholders and social value to its stakeholders would ensure the Bank's long-term success. Thus, the Bank is acting to properly prepare for future challenges and for business continuity for critical services under various scenarios and in providing service to customers even in emergencies, in as much as possible. Bank operations with regard to business continuity aspects are incorporated in a specific policy.



Bank Mizrahi-Tefahot was among the first banks established in Israel. The Bank was incorporated as a public company in 1923, named "Bank HaMizrahi Ltd." and was granted a business license in 1924. The Bank was founded at the initiative of the World Mizrahi Center, in order to facilitate the financing of settlement, construction, manufacturing, labor and commercial activities of the new settlers in the Land of Israel. In 1969, the Bank merged with Bank HaPoel HaMizrahi Ltd. and was renamed United Mizrahi Bank Ltd. In 1983, within the framework of the arrangement formulated between the Israeli Government and the Banks, the shares of the Bank were transferred to the control of the State through a securities company that was established for this purpose. In the years 1995 and 1997, the Bank was privatized in two stages, and was transferred to control of the present controlling shareholders. In 2005, following the merger of United Mizrahi Bank Ltd. and Tefahot Israel Mortgage Bank Ltd., the merged entity was renamed "Bank Mizrahi-Tefahot Ltd." As of 2015, the Bank Board of Directors is headed by Mr. Moshe Vidman and the Bank President is Mr. Eldad Fresher.

## Group and Bank operations

The Bank Group operates in Israel and overseas. The Bank Group is engaged in commercial banking (business and retail) as well as mortgage activities in Israel. In addition to its banking operations, the Group is engaged in various operations related to the capital market, including: Consultancy for capital market activities, management of securities portfolios for customers, pension advisory service, trust services, distribution of mutual funds, operation of provident funds and insurance incidental to mortgages.

As of December 31, 2015, the Bank operates in Israel through 177 branches, business centers and affiliates nation-wide (including 45 Bank Yahav branches). Bank HQ and management reside in Ramat Gan, Israel. Bank operations in Israel are supported by business centers and professional departments at

Bank headquarters, which specialize by sector. The Bank also offers "Mizrahi-Tefahot LIVE", which operates through six direct branches. This unique banking method allows customers to be served by a personal banker, using only direct channels without requiring customers to visit the branch in person.

### Our commitment to operating in global markets:

The Bank's international operations include a subsidiary in Switzerland, branches in the USA (Los Angeles) and in the UK (London). These affiliates employ both Israeli and local staff. In all areas of operation, including at its overseas affiliates, the Bank adheres to equal pay to employees in conformity with local employment laws and consequently also complies with the binding minimum pay.

Mizrahi-Tefahot Group is one of the top 5 bank groups in Israel. Below is the Bank Group share out of the Top 5 groups (based on financial statements as of December 31, 2015):

	Group share out of the Top 5 bank groups
Loans to the public	17.6%
Deposits from the public	15.1%
Balance sheet total	15.1%
Shareholder equity	13.0%

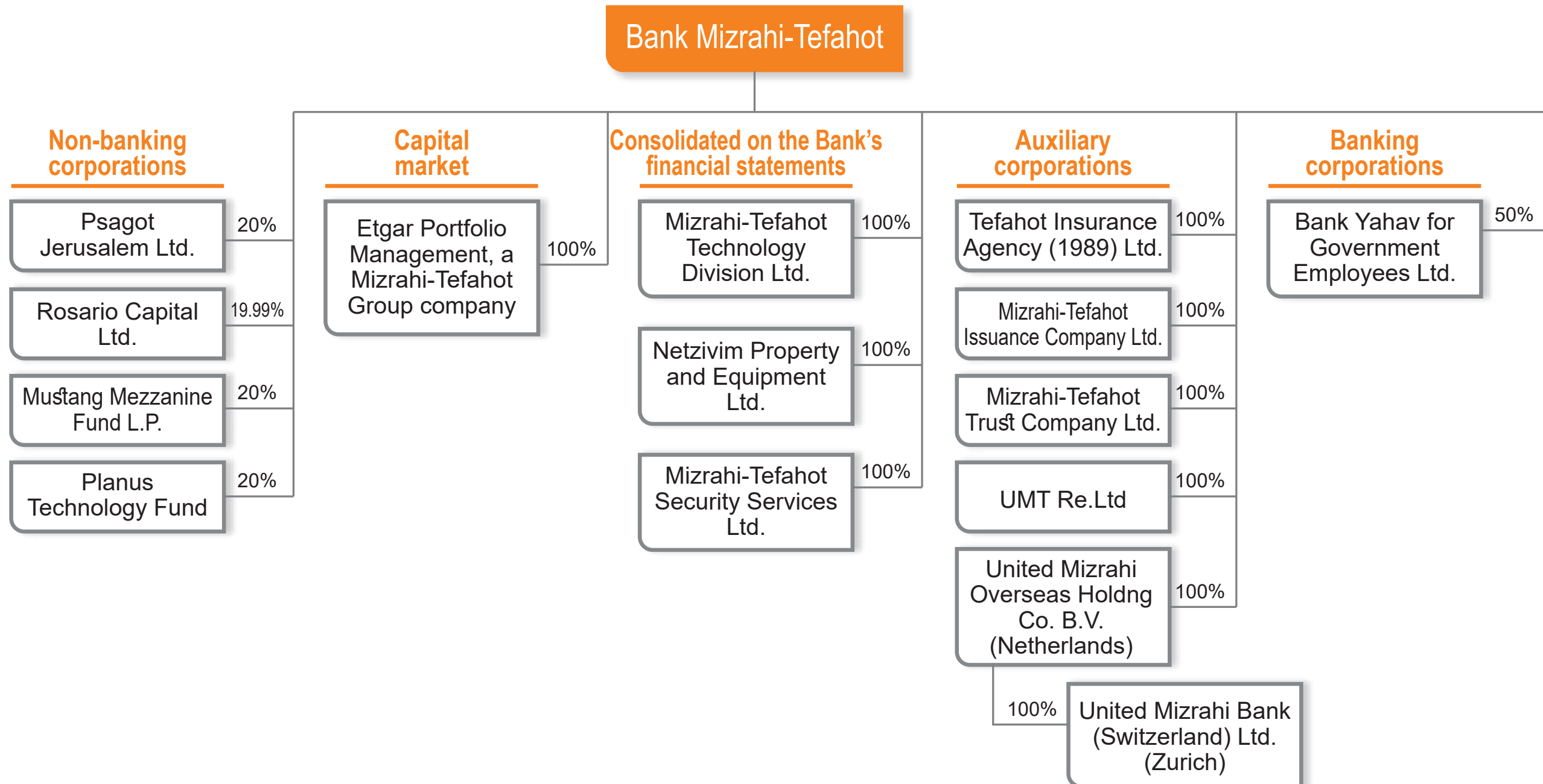
## Holding structure and control

To the best of the knowledge of the Bank and the Board of Directors, the holding stakes of controlling shareholders of the Bank, as of December 31, 2015, are as follows:

	Holder	No. of shares	% of capital and voting rights
Wertheim Group	M.W.Z. (Holdings) Ltd.	20,585,785	8.88
	F & W (Registered Partnership)	30,172,844	13.01
	<b>Total - Wertheim Group</b>	<b>50,758,629</b>	<b>21.89</b>
Ofer Group	C.A.B.M. Ltd.	7,138,594	3.08
	L.A.B.M. (Holdings) Ltd.	7,814,717	3.37
	A.A.B.M. Ltd.	15,313,435	6.60
	Ofer Investments Ltd.	14,461,819	6.24
	Ofer Sahaf Ltd.	7,477,642	3.22
	<b>Total - Ofer Group</b>	<b>52,206,207</b>	<b>22.51</b>
	<b>Total holding stake of controlling shareholders</b>	<b>102,964,836</b>	<b>44.40</b>
<b>Total shares issued by the Bank</b>		<b>231,880,324*</b>	<b>100.0%</b>

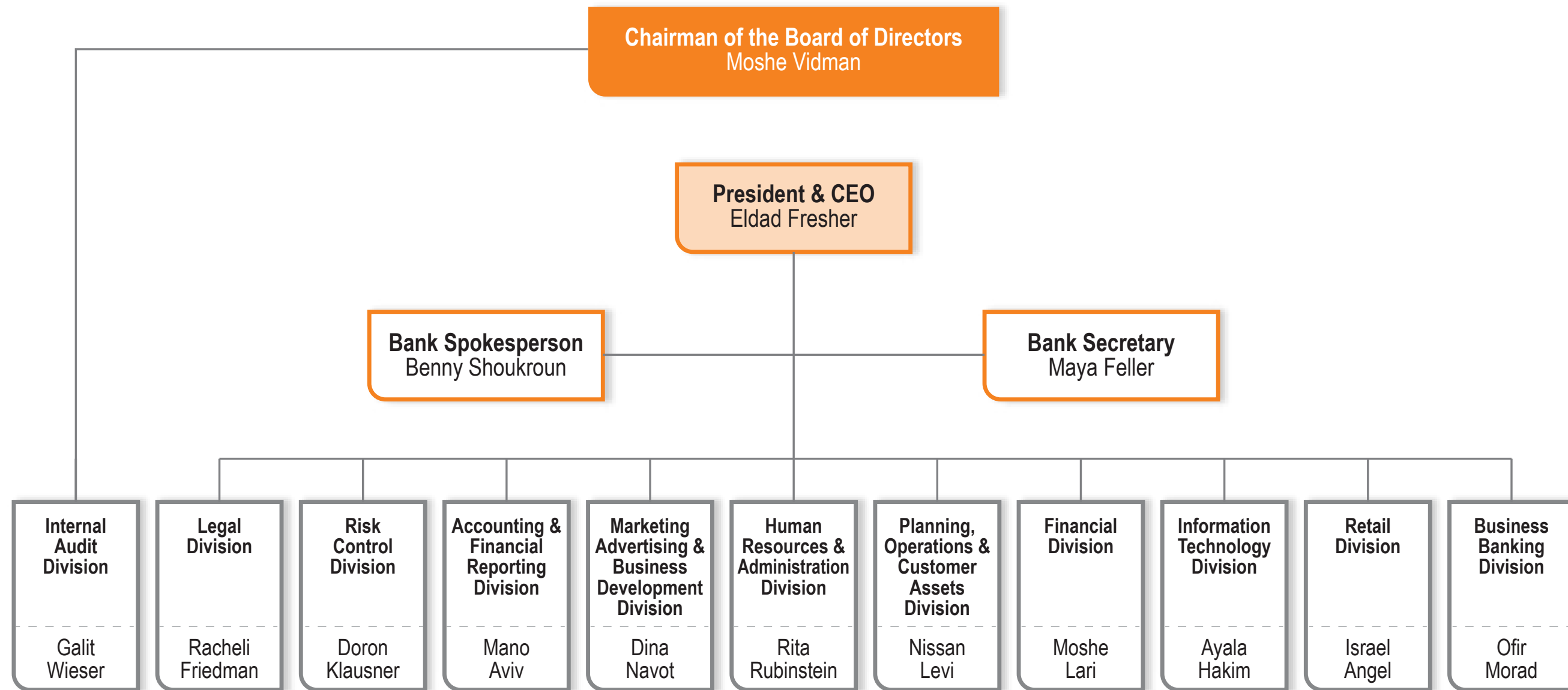
\* Excludes 2,500,000 dormant shares bought back by the Bank in 2009

Below is the holding structure of key Group entities:



## Organizational structure

The Bank consists of ten divisions, reporting to the Bank President. The Internal Audit Division reports directly to the Chairman of the Board of Directors. The following chart shows the Bank organization as of 12/31/2015.



## Financial performance in 2015<sup>①</sup>

In 2015, Bank revenues amounted to NIS 5,392 million and operating expenses (including payroll) amounted to NIS 3,226 million. "Retained economic value" in this year amounted to NIS 1,283 million.

Financial performance (NIS in millions)	2015	2014 <sup>②</sup>	2013 <sup>②</sup>	2012 <sup>②</sup>
<b>Interest and non-interest revenues</b>	5,392	4,987	4,963	4,787
Of which: Interest expenses to debenture holders	392	556	786	710
<b>Operating and other expenses</b>	3,226	3,039	2,951	2,807
Of which: Salary and benefits	1,944	1,866	1,823	1,704
<b>Provision for taxes</b>	761	657	593	594
<b>Dividend distribution</b>	122 <sup>④</sup>	-	75	-
<b>Retained economic value<sup>③</sup></b>	1,283	1,291	1,344	1,386
<b>Net profit for the Bank</b>	<b>1,134</b>	<b>1,092</b>	<b>1,083</b>	<b>1,060</b>

<sup>①</sup> This report is not a financial statement. The Bank reports its audited financial information in its annual financial statements, which are prepared in conformity with generally accepted accounting policies in Israel (Israeli GAAP) and in conformity with Public Reporting Directives of the Supervisor of Banks.

<sup>②</sup> Financial information has been re-stated. For more information see Notes 1.C.1 and 1.C.2 to the financial statements as of December 31, 2015.

<sup>③</sup> Total interest and non-interest revenues before expenses with respect to credit losses, net of operating expenses, provision for taxes and dividend distributions. This represents the economic value generated by the Bank, net of the economic value distributed to various stakeholders.

<sup>④</sup> This amount includes a NIS 36 million dividend declared on February 24, 2016 with respect to earnings in 2015; this dividend was distributed in 2016.

## Government support

In 2015, the Bank received no subsidies, tax relief, awards, incentives or other economic benefits from the Government. Furthermore, the Bank received no economic aid from export credit agencies.



## Awards and recognition

### In 2015, Mizrahi-Tefahot was awarded these prestigious marketing awards:

- ∞ In 2015, Mizrahi-Tefahot was recognized for the second time in a row as an Israeli Superbrand by the international Superbrands organization, active in 70 countries around the world. The Superbrand title is the most coveted, prestigious international title in branding, awarded to brands and managers for outstanding marketing and managerial performance to an international standard. This prestigious title is evidence of the strength of ties between the brand and consumers in the country and of the fact that the brand provides consumers with more tangible and emotional benefits compared to other brands.
- ∞ Mizrahi-Tefahot's capital market website was awarded in the 2015 WEBI competition conducted by "People and Computers" - Israel's most prestigious competition for online presence. This award is proof, yet again, that an unrelenting professional approach and maintaining brand values in the online world, too, are a winning formula - appreciated by web users as well as by competition judges.
- ∞ The "Let us meet at Mizrahi-Tefahot" activity was awarded the international Effie award for 2015 - a prestigious award for marketing effectiveness, in the category "Social activity for the community".
- ∞ The Joy campaign has earned the Bank two awards:
  1. The Effie award in the category "Finance - 2015 Marketing Effectiveness Award" for the Joy campaign, which challenges the status quo in operations of the banking system and a commitment to act to benefit customers and to maintain their high satisfaction level.
  2. The INNOVATE 2015 award from the Innovation Forum, in the category "Money and finance", for the innovative marketing campaign for 2015.

The Joy campaign was recognized for being innovative, different and challenging the status quo of banking system activities directed at customers.







# Customers and Us

### Customers and Us in 2015 - Overview

**142 stations** ▲  
Increase in number of self-service stations nation-wide

**6 LIVE branches**  
Offering personal banker services during most hours

**177 service locations**  
Nationwide, from Kiryat Shmona to Eilat

**4 dedicated branches for foreign residents**  
providing service to foreign residents

**NIS 159 billion**  
Total loans to the public

**NIS 758 million** ▲  
Increase in total loans for social endeavors

**NIS 430 million** ▲  
Increase in total loans to the renewable energy segment

**Rated 8.8 out of 10** customer  
This year too, the Bank maintained the high level of customer satisfaction with their bankers.

**Intensified activities in the Jewish Orthodox and Arab sectors**

**Awards won**  
In 2015, the Bank won the following awards:  
WEBI  
Effie  
INNOVATE

**Also from your cellphone**  
Upgrade to the cellular application, which allows you to do more from your cellphone

**Dedicated application for trading on the capital market**

**Website for mortgage transactions**

New in 2015 ★



## Group commitment to its customers

gnitca ,sremotsuc sti lla fo sseccus ot dettimmoc si puorG tohafaT-iharziM sihT .stnemges gnitarepo sti fo lla ni emit revo meht rof eulav etareneg ot slennahc fo egnar a gnitaerc yb dna tcludnoc riah yb detcelfer si tnemtimmoc dna ecivres gnidivorp rof products customized to the needs of every customer. It also requires listening to customer needs, preserving their privacy and a commitment to providing professional tools for customer success.

### Responding to customers in various operating segments

The Bank conducts its operations in six major operating segments: households, small business, private banking, commercial banking, business banking and financial management. Operations in these segments include all areas of banking operations including classic banking activity (loans and deposits), securities activity for customers, activity in derivative instruments as well as unique banking services for specified needs. Operations of the various segments are conducted via Bank branches, trading rooms, Business Centers, Bank HQ departments, subsidiaries in Israel and overseas affiliates.

These operating segments are designed to provide optimal solutions for the unique needs of customers in each segment, with specific professional focus on their needs.

Loans to the public, net by operating segment (NIS in millions) are as follows:

Operating segment	2015	2014	Change (in %)
<b>Mortgages</b>	100,949	91,581	10.2
<b>Households</b>	22,074	20,462	7.9
<b>Small business</b>	9,871	9,018	9.5
<b>Total - retail</b>	<b>132,894</b>	<b>121,061</b>	<b>9.8</b>
<b>Private banking</b>	934	1,051	-11.1
<b>Commercial banking</b>	4,484	4,240	5.8
<b>Business banking</b>	20,892	21,217	-1.5
<b>Total - business and other</b>	<b>26,310</b>	<b>26,508</b>	<b>0.7</b>
<b>Total</b>	<b>159,204</b>	<b>147,569</b>	<b>7.9</b>



Segment	Target audience	Activity
<b>Household segment</b>	individual small customers and mortgage customers	The Retail Division provides appropriate banking services and financial products to segment customers, including mortgage-related services.
<b>Small Business Segment</b>	small companies and small business customers, having an indebtedness level of less than NIS 6 million, sales of less than NIS 30 million and liquid asset balance of less than NIS 10 million.	Banking services and financial products, including commercial banking services as required, are provided to segment customers. Segment customers are served by the Retail Division.
<b>Private Banking Segment</b>	Primarily individual customers with liquid assets (mostly short-term deposits and investments in securities) over NIS 1 million.	The Bank offers customers in this segment access to unique products and services in capital management activity, advisory service and investment management. Segment customers are served by the Private Banking and International Operations sector of the Financial Division.
<b>Commercial Banking Segment</b>	Medium-sized private and public companies (middle market) - medium indebtedness between NIS 6-25 million, sales between NIS 30-120 million or liquid asset balance between NIS 10-40 million.	Customers are primarily served by the business sector, through three business centers nation-wide. Segment customers are served by the Business Banking Division. Significant segment customers operating in the real estate sector are served by the Construction and Real Estate sector of the Business Division, which specializes in provision of dedicated services to this sector.
<b>Business Banking Segment</b>	Major corporations in various economic sectors in Israel, which are the Bank's largest business customers, with credit over NIS 25 million, sales over NIS 120 million or liquid asset balance over NIS 40 million.	Segment customers are served by the Corporate Sector and by the Real Estate Sector of the Business Division. This sector provides its customers with all the banking and financial services they require. Significant segment customers operating in the real estate sector are served by the Construction and Real Estate sector of the Business Division, which specializes in provision of dedicated services to this sector.
<b>Financial Management Segment and trading room</b>	Operations in this segment include management of assets and liabilities, management of exposure to market risk, management of the nostro portfolio and liquidity management as well as trading room operations in the financial and capital markets.	Segment customers are served, as needed, by the Financial Division. Except for investments in non-banking corporations, which are under the responsibility of the business division.

The main products offered by the Bank's different operating segments are:

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





## Wide banking deployment

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

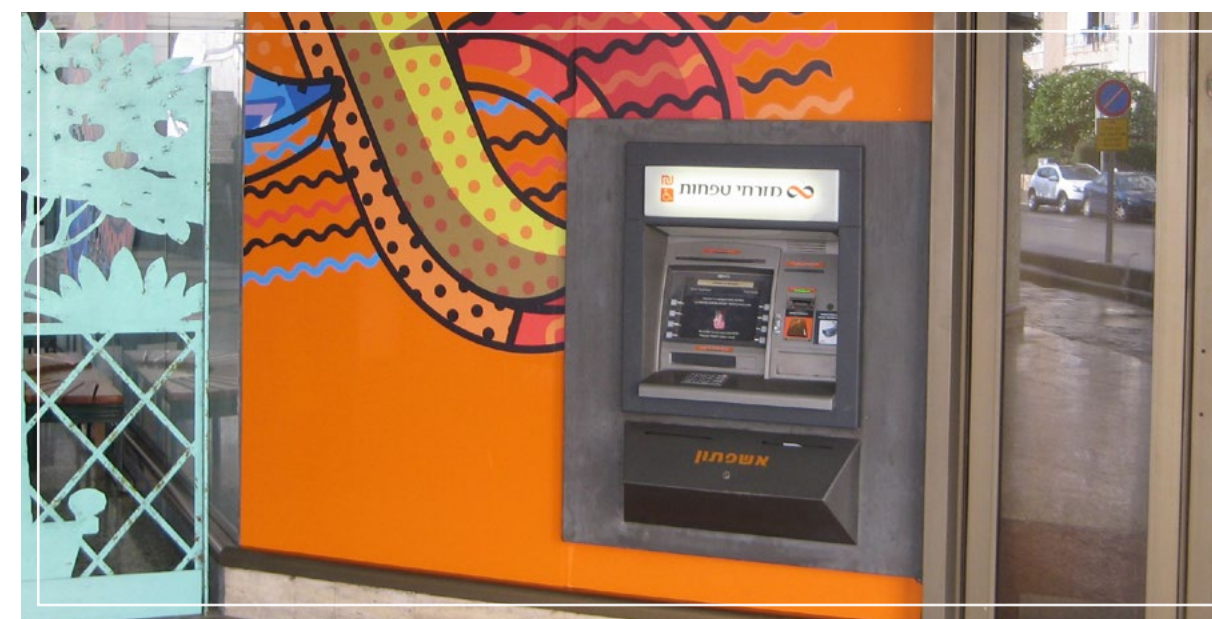
### Channels for provision of banking service

As of December 31, 2015, Mizrahi-Tefahot Group offers its customers banking services through a range of channels:

- ∞ **177 service locations nation-wide** - The basis for making services accessible to the general public is through Group branches deployed nation-wide. Branches are primarily aimed at providing professional, high-quality service to customers of all banking segments, close to the location where the service is required (residence or place of business). The Group operates an extensive nation-wide branch network; as of the end of 2015, the Group had 177 business centers, branches and affiliates - including 45 Bank Yahav branches. In 2015, the Bank opened three new points of sale and consolidated several others with major branches located nearby, following the mapping of bank customer needs and in order to improve service to customers.
- ∞ **6 LIVE branches which offer personal banker services** - Other than physical branches, Mizrahi-Tefahot operates six LIVE branches, which offer customers a personal banker, available by phone most hours of the day - based on the Bank's unique Hybrid Banking concept. At Mizrahi-Tefahot's LIVE branches, all banking activity takes place, at any time and from any place, by phone, SMS and email. Customers are also given the option of getting service at any of the branches. Furthermore, if needed,

customers may use a courier service (at no charge, up to three times per year) - saving them the need to get to the branch to collect credit cards, checkbooks etc.

- ∞ **142 self-service stations** - the Group provides customers with service stations which allow them to conduct transactions and obtain information about accounts in the commercial sector and in the mortgage sector - using self-service, 24 hours a day - even when the branch is closed. At the end of 2015, branches offered 142 service stations (compared to 132 in 2014), 142 branches offered check deposit service at these stations and 48 branches offered on-the-spot checkbook printing.
- ∞ **181 self-service ATMs** - At the end of 2015, the Group had 181 ATMs (compared to 164 at the end of 2014), including 48 Bank Yahav ATMs.
- ∞ **Four dedicated branches for foreign residents** - The Group has 4 private banking branches dedicated to providing service to foreign residents who have a bank account in Israel (international private banking). These branches provide a wide range of customer services: account management, loans, mortgages and investments. These branches provide service in various languages, based on understanding the needs of foreign resident customers.





## Customer - Bank communication channels

Hybrid Banking is an optimal combination of personal and digital banking, allowing all customers direct access to their personal banker at the branch by using a range of communication channels. This unique, innovative service concept puts to use technological advances in the banking world, to create an immediate, direct link between the customer and their personal banker at the branch. This concept was extended to the mortgage segment as well. The Bank also offers customers a range of communication channels:

∞ **Mizrahi-Tefahot app - service on your cell phone** - the account management app allows customers to obtain information and to conduct a range of transactions on their cell phone, with no need to visit the branch nor to use the PC. In 2015, we redesigned the app and significantly expanded the range of transactions which the Bank provides on mobile devices. The app allows you to:

- ∞ **Contact a Hybrid Banking banker** - when corresponding with a banker you can attach files or view files sent by the banker.
- ∞ **Conveniently monitor checks** - you may view images of checks cashed from or deposited to your account.
- ∞ **Fully control your account from anywhere** - view credit facilities in your account.
- ∞ **Quickly and conveniently obtain a loan** - you may instantly take out a loan and view your existing loans (in Israeli currency).
- ∞ **Quickly and instantly trade from your cell phone** - trade securities: buy, sell, modify and cancel instructions.
- ∞ **Check deposit** - this service allows Bank customers to deposit a check using the app for account management, by scanning the check and with no need to physically deposit the check. Currently, in conformity

with Bank of Israel directives, this service is only provided for checks drawn on Mizrahi-Tefahot and in future, this service would be expanded to allow for deposit of checks drawn on other banks.

- ∞ **Viewing of savings information** - viewing of information about savings in the app for account management, similar to the way in which information is displayed from the term deposit system (PAKAM / PAHAK).
- ∞ **Viewing of Leumi Card information** - as part of the Bank's cooperation with Leumi Card, information for these credit cards is not displayed on the website and in the account management app. This allows Bank customers to receive in their account the complete information about all of their bank credit cards - by any issuer.





Customers and Us

The community and Us

Our employees

The environment and Us

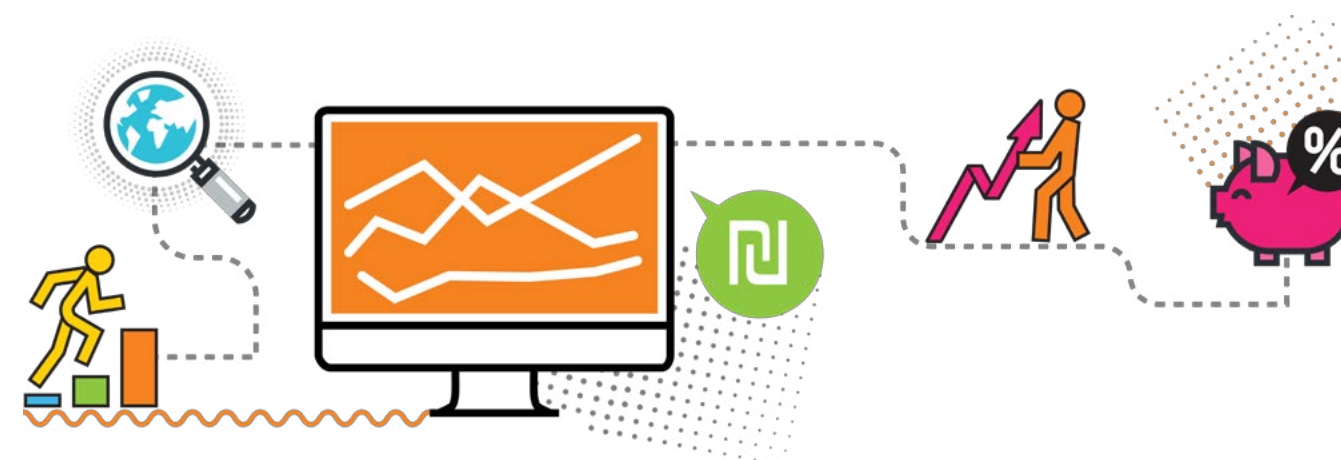
Corporate Governance

∞ **Capital market website** - Mizrahi-Tefahot Group believes in combining personal, human service and technology; this is why the Group has created an advanced website in technology, functionality and professional aspects, which incorporates methods for contacting a personal, human, professional banker. Thus the Group has created a unique venue - both advanced and human. The website offers a range of innovative tools which support customer activity in the capital market. The website provides extensive information about financial assets and has been upgraded so as to allow customers to efficiently conduct transactions on their own - along with an option to contact a banker or advisor. The website is a unique, innovative venue, customized for needs of retail customers as well as professional customers - who trade on the capital market. **The website offers, inter alia, the following actions:**

- ∞ Obtain current, accessible, well-organized information available at any time.
- ∞ Get updates through real-time monitoring of leading benchmarks; get news and information customized for each individual customer - based on their investments portfolio.
- ∞ Better decision making with help from a range of decision-support tools, such as: Simulators, comparing securities, technical analysis and heat maps for leading benchmarks, an index for finding securities and a simple, convenient search facility available anywhere on the website, as well as economic news and extensive, current information provided to customers at no cost.

∞ **Capital market app** - in order to round up the trading experience and to provide maximum convenience to our customers who are active in the capital market, in 2015 we launched an app dedicated to the capital market, which allows customers to benefit from the online usage experience and use of tools in the portal, which are appropriate for a mobile device. This app provides extensive information about the market and about securities from Israel or from overseas, in addition to the customer's own information, listing instructions given and carried out for both buy and sell transactions. This app, in addition to the account management app, is available for Apple and Android devices and is available to all customers at no charge. The app allows customers to do the following:

- ∞ Get market data without a login and individual authentication.
- ∞ Easily find securities using an index for quick searching.
- ∞ Get current, accessible, well-organized and available information and optional trading in various types of securities, including derivatives.
- ∞ A range of decision-support tools.
- ∞ This website was awarded first prize in the Customer Experience category in the 2015 WEBI competition conducted by "People and Computers" - Israel's most prestigious competition for online presence.







∞ **New Tefahot transaction website** - given the evolution of the digital trend, there was more of a need to create an appropriate digital venue for the leading bank specializing in mortgages, based on content and added value. In 2015, Mizrahi-Tefahot launched a new transaction website for Tefahot customers, providing mortgage customers of the Bank with extensive information about their mortgage with the Bank as well as other information about their residential environment. This website is available to all mortgage customers of the Bank - and mortgage customers who have a checking account with Mizrahi-Tefahot can view content directly from the transaction website of their bank account or from Mizrahi-Tefahot's account management app.

**The new transaction website offers these benefits and innovations:**

- ∞ **Easy authentication and accessibility** - the website can be accessed using your ID and bank account number, with no need to remember a special password.
- ∞ **Receiving information and alerts** - receive detailed information about your mortgage and view different tracks; receive real-time alerts and marketing offers.
- ∞ **Receive extensive information about the surroundings of your property** - market analysis, house prices, overview of past transactions, map of the surroundings down to the neighborhood level with various information layers overlaid (schools, public buildings, cellular antennas etc.) - in cooperation with the MADLAN content website.
- ∞ **One stop for all information** - customers with a checking account and a mortgage from Mizrahi-Tefahot can see their entire finances on a single website.

∞ **Additional information services provided by the Bank:**

- ∞ **Conducting transactions without human assistance** - This 24-hour a day service offers you computer-based information in response to frequently-asked queries. Transactions may be conducted around the clock.
- ∞ **Email box** - Receiving Bank notifications of account activity in a personal notification mailbox via the Bank's website.
- ∞ **Real time updates via cell phone** - Banking and financial information disseminated by cell phone, including informational SMS messages customized for business customers.
- ∞ **Direct connection to the Bank's servers** - A system enabling direct connection to the Bank's computer, not through the Internet, and consequently - faster execution of transactions on your home PC.
- ∞ **Information by fax** - Provides current banking information about the customer account on a range of subjects, at the frequency specified by the customer.
- ∞ **Updates on progress of the mortgage process by email and SMS** - the "Tefahot GPS" service allows customers in the course of taking out a mortgage to know, at every moment, the stage reached on processing their mortgage application.

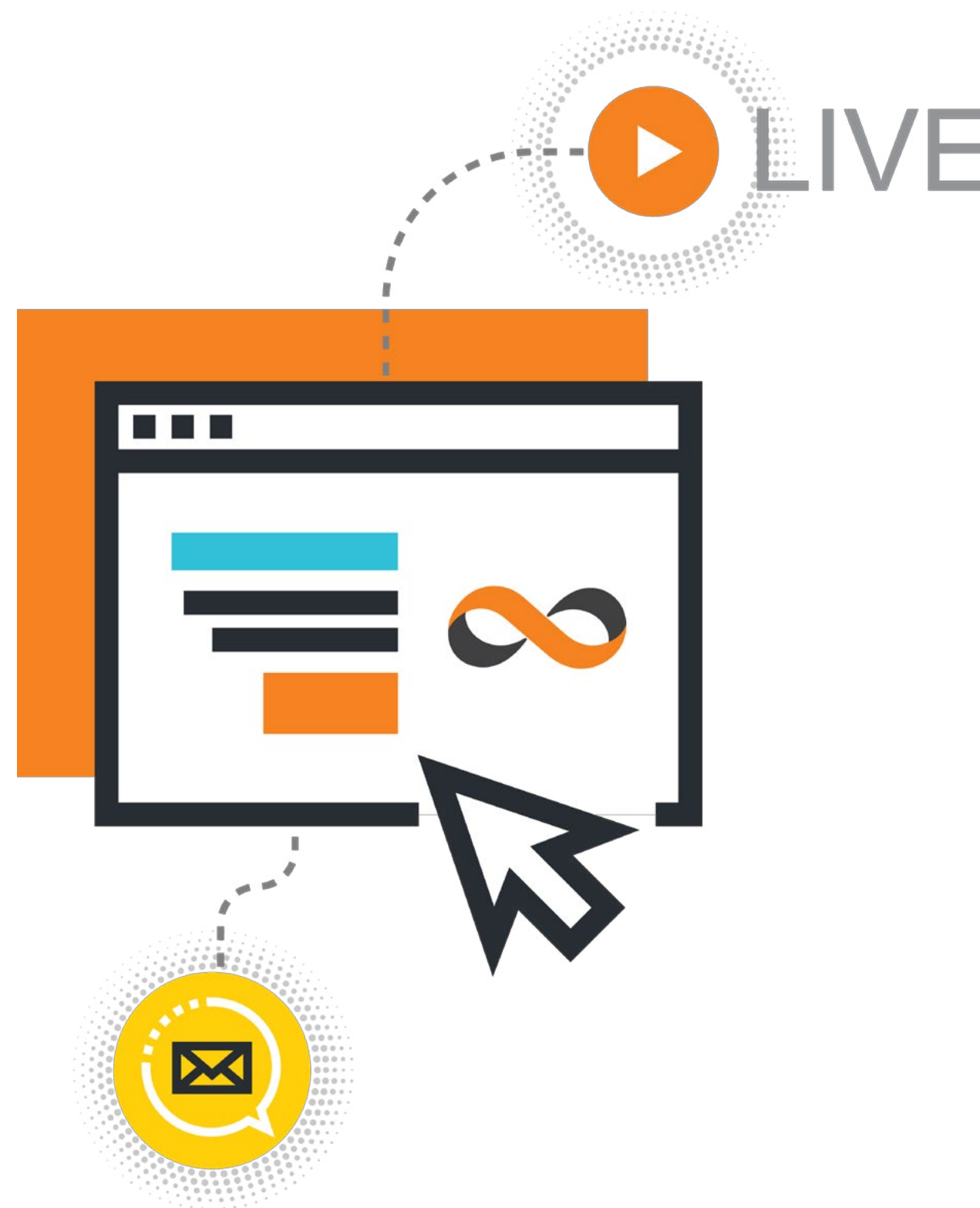


## Communication channels between the Bank and potential customers

In 2015, the Bank of Israel first allowed a bank account to be opened directly online, with no need to visit the bank for physical authentication. Instead, the Bank of Israel allowed customers to be authenticated by video conferencing with a banker.

In 2015, Bank Mizrahi-Tefahot launched its online account opening. Preparations for this move included significant development of the Bank website, acquisition and deployment of a video chat system and synchronization of queues between different systems - to provide optimal service to potential customers. Some of the milestones in putting this process in place include: Verification that the account opening process would provide an optimal user experience with strict information security and safeguarding customer privacy.

Potential customers who wish to open an account with the Bank are directed to our LIVE model, due to its unique nature which allows customers to complete most of their banking transactions in a virtual manner. In this model, designated bankers have been trained and special workstations have been placed, equipped with cameras for customer authentication on the video call. This new service was deployed through a unique training campaign for bankers.





## Fairness, transparency and accessibility

### Our commitment

In 2005, after the merger of Bank HaMizrahi with Tefahot, the Bank set a clear goal to lead a new banking agenda. To this end, the Bank formed the "human" banking vision - whereby good banking service starts with professional, innovative banking which sees the customer, understands the customer and speaks to the customer in their own language. Thus, the Bank's unique Hybrid Banking concept harnesses the global technological development in the world of banking to achieve an optimal combination of human and digital banking, allowing all customers direct access to their personal banker at the branch by using a range of communication channels.

Bank customers are a key pillar of a Bank's success; hence the Bank attaches great importance to ensuring customer satisfaction, based on understanding their needs. The Bank also strives to create an optimal customer experience, providing knowledge for informed use of banking and financial tools.

In order to realize this concept, the Bank acts on several levels:

∞ **Dialogue and listening** - conducting a constant, on-going dialogue with customers is a key tool, at the heart of the concept, allowing for a successful implementation of the concept. The Bank conducts regular public opinion

and satisfaction surveys, monitors the internet and provides a website and a Facebook page for gathering customer feedback.

- ∞ **Adapting products and services to the customer** - adapting products and services to customer needs and making them more accessible to customers and to the general public, with understanding of the unique attributes of customers in different segments of Israeli society.
- ∞ **Fairness and transparency** - maintaining a fair relationship with customers, ensuring full transparency with regard to information which the Bank is required to provide to customers with regard to its services. The Bank also ensures respectful, non-abusive marketing messages, in conformity with statutory provisions and with Proper Conduct of Banking Business regulations of the Bank of Israel.
- ∞ **Promoting financial education** - the Bank strives to equip its customers with tools for appropriate financial behavior, including tools for economic empowerment and for correct budget management.
- ∞ **Making services accessible to disabled customers** - the Bank is acting to make all its facilities physically accessible and to adapt its banking services for the disabled.

The issues of fairness and transparency to customers and promotion of financial education are handled by the Bank's Retail division and the Marketing, Advertising and Business Development Division. Promoting financial education is also handled at the Bank by the "Mizrahi-Tefahot in the Community" unit of the Organizational Development and Training Department of the Human Resources and Administration Division.



## Fairness, transparency and satisfaction

Mizrahi-Tefahot Group always provides updates to customers about new products and services, along with periodic marketing information. In doing so, the Bank provides full disclosure of all its operations.

Thus, for example, the Bank issues customized newsletters to customers in different segments with banking offers in different areas including deposits paying attractive interest, quarterly macro-economic reviews, lifestyle articles, financial articles etc. The Bank also offers promotions and non-banking activities and promotions for members of the Bank's loyalty club. In order to achieve the above, the Bank has invested in making information on the Bank website accessible - by upgrading its customer relationship system and by adding applications in support of this activity.

The Bank ensures that all its publications, including agreements with customers, are in conformity with statutory requirements, respectful and non-abusive and customized for the various populations and their beliefs. As part of the Internal Audit work plan, audits are also conducted of information with regard to various products and services offered to customers. These audits include sampling of customer agreements. In case of any need to revise such agreements, including with regard to full disclosure and fees, this issue is reflected in the Audit Report. In 2015, the Group received no fines or warnings concerning non-compliance with voluntary regulations and codes for marking of goods and services.

In 2015, for the first time and in response to the Bank of Israel's Directive no. 425, Mizrahi-Tefahot generated a banking ID for all individual customers. This ID includes information about all of the customer's assets and liabilities with the Bank, total income and expenditure during the year and a summary of

current activity in their account. In late February 2016, the banking ID was sent to all customers - either to the mailbox in their Bank account or to their home address.

Mizrahi-Tefahot has emphasized making the output accessible for Bank customers. When this report was sent to customers, it was accompanied by a general information sheet about the nature of the banking ID along with a reminder about personal banking services - the name and contact information of the customer's own banker.

In support of this new campaign, the Bank had prepared training aids for bankers: detailed courseware, training aid and user guide. There was also marketing material disseminated across the Bank as a reminder for this campaign - concurrently with material disseminated to customers.



## Monitoring customer satisfaction

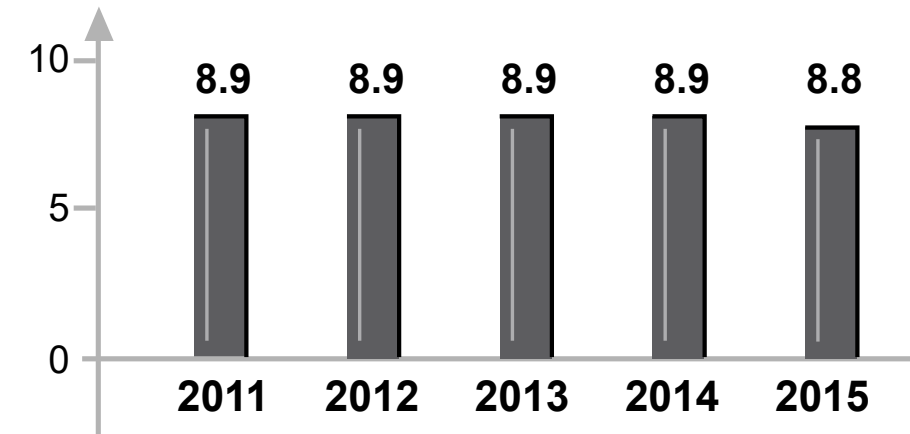
In order to assess Bank customer satisfaction and to maintain a high level of satisfaction, the Bank conducts quantitative satisfaction surveys and focus groups among customers. Some of the Bank's focus groups apply NLP (or Neuro Linguistic Programming). In this methodology, the meeting with the audience simulates a casual living-room conversation, or a meeting without any barriers in a host home - which allows for an open, intimate conversation and an optimal connection with participants which removes any barriers. A Bank team is present at the meeting but does not take an active role - and only identifies as such and takes part in the conversation in the latter part of the meeting. This methodology allows the Bank to create a direct link with consumers and customers, in order to better understand their needs.

Based on the outcome of surveys and focus groups, the Bank adjusts its operations with its customers. The Bank also conducts other surveys which review the perception of the Bank by Bank customers and by customers of other banks, surveys of interested persons, employee survey and surveys which look at the customer experience when contacting the Bank. Evidently, Bank customers maintain a very high level of satisfaction over time

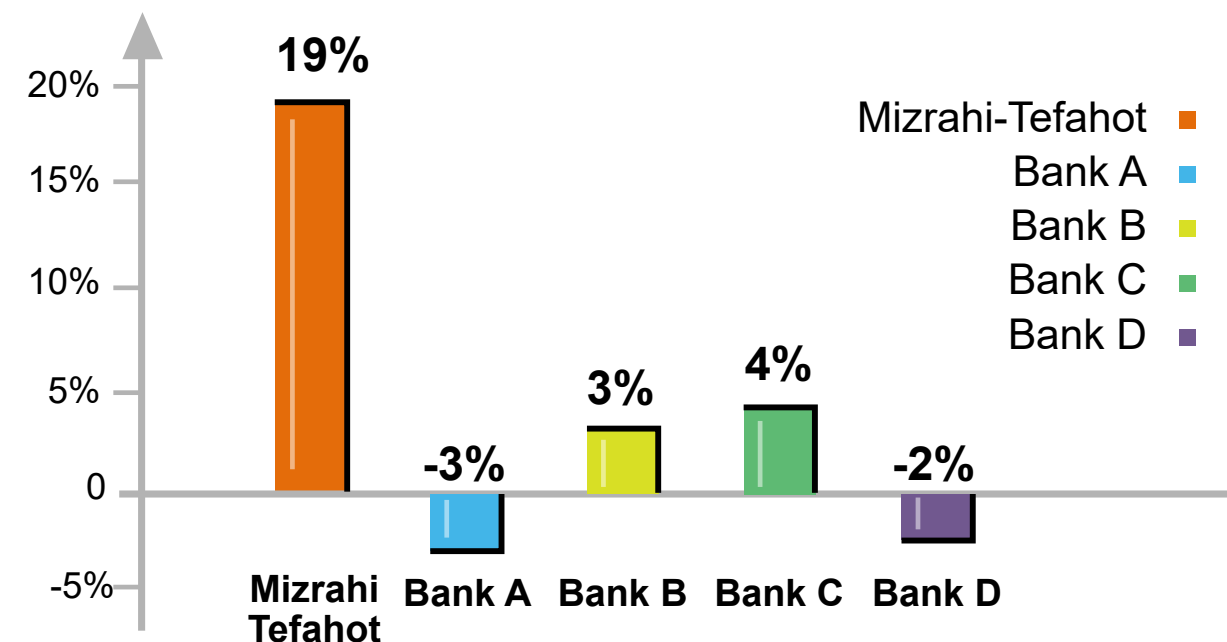


The 2015 customer satisfaction survey conducted by the Brandman Institute made these findings:

**∞ Satisfaction with the banker is very high and stable over time - rated 8.8 out of 10.**



**∞ Net Promoter Score (NPS) indicates high satisfaction with Bank Mizrahi-Tefahot, at a large distance from competitors - the difference between the percentage of customers who recommend joining the Bank (ratings of 9-10) against the percentage of those who criticize the Bank (ratings of 1-6) is 19%.**





The Bank is also rated high by its customers (8.5 out of 10) for the following:

- ∞ Bankers are happy to provide service.
- ∞ Positive atmosphere at the branch.
- ∞ Bankers care about you being satisfied.

## Providing bankers with tools to improve the quality of service

The banker's task calendar is the tool listing all of the banker's tasks for the business day. Most of the regular customer-facing tasks are listed in the calendar, ranked by urgency.

In 2015, the task calendar was completely revised in both form and function, in order to better align it with the concept of complete customer care. The calendar concept was modified in terms of viewing tasks - from a task-centered viewpoint to a customer-centered viewpoint, with relevant tasks listed for the banker under each customer, for optimal handling given the customer needs.

## Adapting products and services to customer needs

As part of the policy to promote customer interests, the Group sees great importance in creating products and services which meet the changing needs of its customers. At the basis of this approach is the understanding, that the financial world addresses various audiences with varied needs. As part of this area, the Group acts, inter alia, to promote small businesses and to adapt services and marketing messages to various target audiences. The Group also strives to create savings options adapted to the various needs of its customers, based on their financial situation. The Group offers deposits and savings plans appropriate for different populations and different life stages of customers.

The process of adapting the product to needs of a specific customer segment is based on information received from bankers, who reflect customer needs and from surveys, research and analysis conducted by the Bank. Any new product

development is reviewed in light of the Code of Ethics, as defined in the Bank's master policy. After studying the needs, the Bank forms a product in response to the relevant segment's need. Thus, for example, the Bank offers special benefits to customers in different age brackets, including youngsters (14-18 years of age), young girls doing their National Service, soldiers and veterans, Yeshiva students, university students, couples about to be married, retirees, new immigrants, customers from the Arab sector, the Jewish Orthodox sector etc.

Based on understanding the constant change over the customer's life - both anticipated and un-anticipated - the Bank strives to expand its product offering in response to these changing needs. Thus, for example, the "Instant Loan" product allows Bank customers to obtain a loan paid directly into their account, immediately and without requiring them to go to the branch. This loan is provided without any early repayment fee, so the customer may choose to repay the loan at any time. The Bank regularly promotes this product to customers through the call center and through dedicated campaigns during typically associated with higher expenses and consumption (such as holidays and vacations).

The Bank strives to adapt its product language to be better understood by customers. An example of this is the use of fruit names in the catalogue of deposits offered to customers. To this end, all deposits were categorized by nine key attributes (investment horizon, liquidity etc.) and each category was named for a different fruit.

In 2015, due to the persistent low interest rate environment, the Bank continued to develop multiple deposit products adapted for customer needs in such times. The Bank identified the retail customers' greatest need to be liquidity, due to the extremely low interest rate environment. In a period when investment in most low-risk financial assets is running low, the typical retail customer seeks an investment option offering a reasonable return and needs funds to be liquid.

Thus, the Bank developed and offered its customers additional Pomegranate deposits, which offer very high liquidity along with relatively high interest if the



liquidity option is not exercised (or is partially exercised). These deposits have been highly successful, with strong demand from Bank customers - and from customers of other banks who have joined the Bank in order to benefit from such deposits, which are appropriate for this period and which provide real value to customers.

### Focus on mortgage customers

Taking out a mortgage is a significant step for customers, who assume a commitment for the next three decades - without knowing what tomorrow hold. In the mortgage origination process - while the customer is facing feelings of confusion, fear and concern - they commit to monthly payments of a significant amount out of their income over the years. Over the years, customers face issues such as a growing family, leaving their employer, illness, unexpected expenses etc.

In order to help customers plan for the future and handle un-expected changes, Mizrahi-Tefahot has launched its "Mortgage on Hold" product. This product allows the customer to occasionally put their mortgage payments on hold, in order to make life easier for them in periods when expenses are higher or income is lower. The customer can benefit from a 1-3 months respite in mortgage payments (principal, interest and linkage differentials) once every year. All it takes is a notification to the Bank two weeks before the monthly payment date that you would like this service - and your deferred mortgage payments accumulate and are added over the remaining term of the mortgage. This product provides relief to customers by allowing them to control their mortgage and adapt it to the changing needs in their lives.





## Focus on the Arab sector

In 2015, as part of a long-term program, the Bank expanded its operations focused on the Arab sector. As part of this program, two branches were opened in Arab towns: Um El Fahem and Kfar Yasif - in addition to existing branches in Nazareth, in Ma'alot-Tarshicha and branches in mixed cities (such as: Yafo, Akko, Ramleh etc.) In addition, a marketing campaign in Arabic was targeted at customers in this sector, customized for their needs. As part of this campaign, the Bank launched a marketing website in Arabic, translated brochures in branches, selected a presenter for this sector and published diverse publications over the year in different media. Furthermore, in 2015 the Bank included activities focused on the Arab sector in its "Let us meet at Mizrahi-Tefahot" program, with content and speakers customized for this sector. As part of this program, 4 activities took place in Nazareth and Kfar Yasif.

In 2015, for the first time, the Bank addressed the Arab sector as part of its "Fruit Language" strategy.



## Focus on the Jewish Orthodox sector

The marketing message is also customized for the Jewish Orthodox sector. Thus, the marketing language is adapted for the needs and values of this sector. The Jewish Orthodox sector has been addressed through a range of channels, such as Orthodox press, radio, billboards and posters in cities identified with this segment. In 2015, the Bank started addressing this audience through online and mobile websites which target this sector. In addition to focused contact on dedicated media, the Bank intensified its contact with the Jewish-Orthodox population through new branch openings. In 2015, the Bank opened the Cahanman affiliate in Bney Brak.

In addition - as part of the campaign to expand business in the Jewish-Orthodox sector - the Bank developed and communicated relevant mortgage products; thus, in addition to personalized mortgage tracks customized for the customer and their finances, the Bank has developed products based on in-depth knowledge of life patterns in this sector and with consideration to financial information about the young couple or their parents and to their repayment capacity.







- ∞ **"WORT" loan** - A general-purpose loan of up to NIS 50,000, extended to parents of the engaged couple for financing wedding expenses and for providing the couple with all they need to get a head start in life. This long-term loan is provided to parents and is secured by a lien on their property.
- ∞ **Dowry loan** - A housing loan which allows the parents-in-law who wish to help their children buy their own apartment, to pledge their property and to obtain a loan for financing the young couple's apartment.
- ∞ **Split loan** - a split mortgage allows the parents to contribute towards the couple's mortgage payment. The payment may be split among three parties: The couple, parents of the groom and parents of the bride - with payments made from three separate bank accounts.

### Debtor assistance

The Special Customer Sector of the Business Division, charged with debt collection from customers and with management of controlled accounts, acts in line with Bank policy which requires a considerate attitude towards the customer's circumstances - and even more so for customers who face financial hardship. Consequently, the Bank strictly provides respectful, sensitive service to all Bank customers - and in particular to under-privileged populations. The Bank also invests considerable effort in order to reach agreement which is feasible for debtors.

In order to promote agreements with debtors, representatives of the Special Customer Sector and attorneys representing the Bank meet with customers, conduct joint campaigns with the Enforcement and Collection Authority and

review applications for agreements from both debtors and relief organizations. This was in addition to the Bank's constant contact with organizations providing assistance, including Pa'amonim and Yadid, for debt re-structuring.

In general, prior to assigning a customer to be handled by the Special Customer Sector, they are assigned to the Bank's nation-wide Collection Center. The Collection Center proactively contacts customers who are in arrears or who have accrued debt. Bankers at the Collection Center are extensively trained in aiding customers who face challenges in meeting their obligations, in order to reach agreement with the Bank, in line with their capacity, in order to eliminate their debt and to return customers to the regular repayment schedule. As part of their collection efforts, the bankers are instructed to handle customers with empathy and to discover, at the outset, the source of the hardship which the customer is facing and what is the reason for their payments being in arrears.

### Assistance for abused women

The Bank participates in an initiative by the Banking Association (in cooperation with the Bank of Israel) and in the "Voluntary banking treaty for financial relief for abused women who stay in shelters and in half-way housing". As part of this initiative, the Bank helps women in shelters for abused women - through a special contact person who can provide a real-time solution for any banking issue which may arise or may help in procuring special approval. In 2015, the Bank received multiple applications from women staying in a shelter for abused women - and these applications are handled by the special contact person.



## Accessibility

### Service accessibility for disabled persons

Mizrahi-Tefahot and Bank Yahav act to make Group services accessible for disabled persons, thus allowing anyone who so wished to become a customer of the Group. Physical accessibility of branches and service stations allows any person to receive service at service locations across a wide geographic territory.

Following the regulations requiring accessibility of information and services to the public, in conjunction with the Equal Rights to Disabled Persons Act - the Group set a goal in 2013 to make the Bank accessible by end of 2017. To achieve this goal, the Group continued this year to make its facilities accessible and to adapt its services for persons with disabilities.

### Making facilities physically accessible

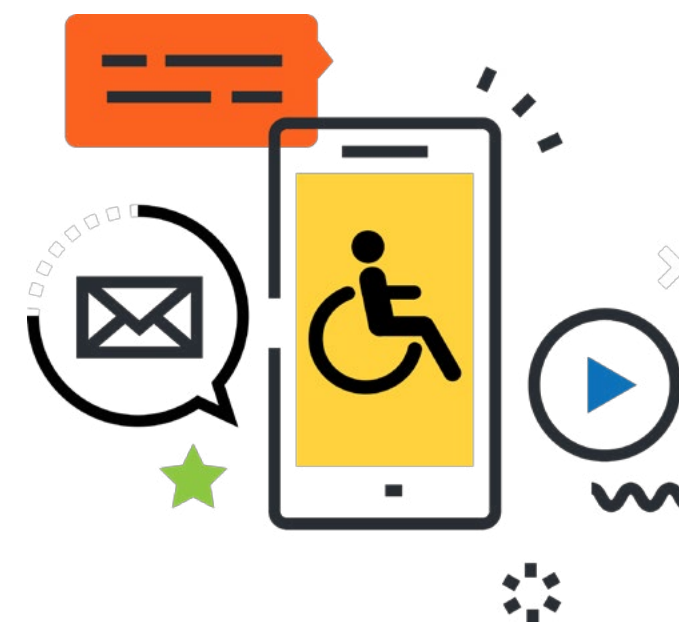
- ∞ **Making branches accessible** - As of the end of 2015, some 90 Mizrahi-Tefahot branches (or 70% of Bank branches) and 21 Bank Yahav branches nation-wide have been made accessible to those with disabilities, both the building and related facilities.
- ∞ **ATM accessibility** - As of the end of 2015, Bank Mizrahi-Tefahot operated 181 ATMs. Most of the Bank ATMs are accessible in terms of height. Further adaptations were made in 2015: Installation of an earphone connection component, keyboard training for use by the sight-impaired and addition of vocal instructions for operation of the ATM (through an earphone). Furthermore, an English interface has been partially deployed to ATMs in order to make services accessible to new immigrants and tourists. In addition to English, the Bank has expanded its activity in Arabic.
- ∞ **Service station accessibility** - The Group is promoting several initiatives to improve accessibility of service stations in operation throughout Israel. At all branches, checks may be deposited at service stations and at 48

branches, check books may be immediately printed. Keyboards of the new service stations are positioned at an appropriate height, allowing a person in a wheel chair to use the service station. Other adaptations would be completed in conformity with regulations of the Equal Rights to Disabled Persons Act.

### Making services accessible

The transition to use of virtual direct channels, including the internet, social networks, telephone and others - allows customers to have access to various services at any time and from any place, without actually visiting the branch. During this year, the Group acted to make its services accessible, in conformity with the Equal Rights to Disabled Persons Act. In addition to improving accessibility for those with disabilities, the Bank is also improving accessibility for others, including speakers of foreign languages and those with low access to technology, such as the elderly population.

**Making the Group website accessible** - The Bank Mizrahi-Tefahot website was further made accessible in 2015. Bank Yahav has completed making some of its online applications accessible (marketing applications) and is preparing to make its other online applications (transaction websites) accessible.



## Ensuring customer privacy

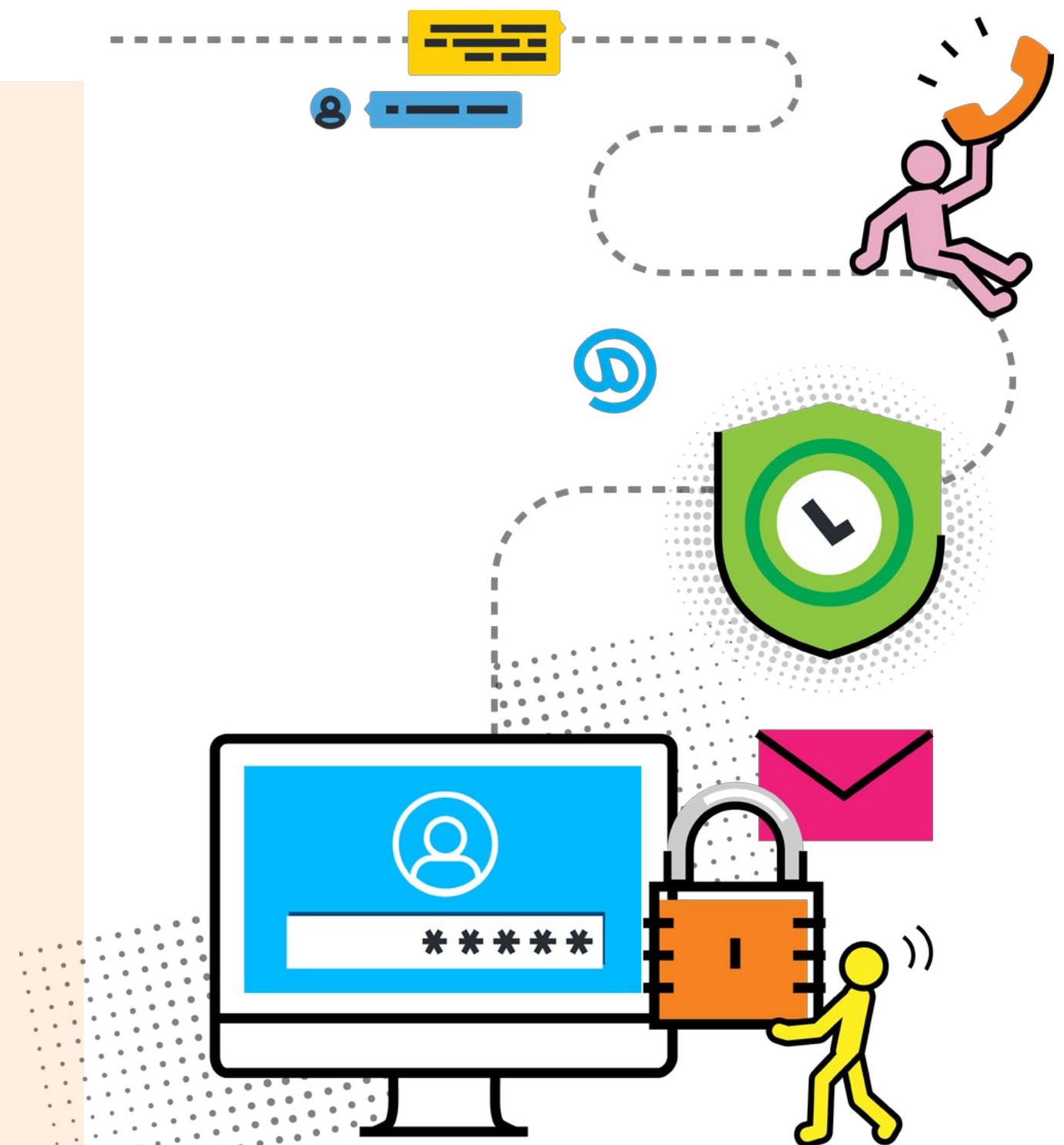
The Bank sees great importance in preserving customer privacy. To this end, the Bank has specified its information security and cyber strategy and policy, which have been approved by Bank management and by the Board of Directors, in line with Bank of Israel requirements. This policy includes the commitment by Bank management with regard to ensuring the availability, privacy, integrity and reliability of information systems and assets of the Bank and its customers, with emphasis on maintaining customer privacy and banking confidentiality. The Bank's outsourcing policy ensures that where the Bank has elected to conduct business with customers through a third party (outsourcing), the supplier ensures confidentiality, as stipulated by Bank policy. Implementation of this policy includes an integrated, proactive strategy and is achieved through a supporting organizational structure.

The Bank manages customer privacy at these levels:

- ∞ **Risk mapping** - The Bank regularly conducts mapping, analysis, management and assessment of all risk factors facing the Bank.
- ∞ **Gathering and processing information** - The Bank gathers and processes intelligence information.
- ∞ **Risk mitigation** - The Bank applies processes and technologies for risk hedging and mitigation.

The Risk Control Division is tasked with co-ordination, direction, enforcement, control of effectiveness of security systems and reporting on these issues. The Technology Division also deploys and operates defense perimeters and technological means to monitor events in real time and to provide a response to information security events by the cyber situation room.

The Risk Control Division is tasked with implementing policy in this area, providing direction to various Bank departments and supervising the execution thereof. The Hybrid Banking sector of the Bank is certified under the information security management standard ISO 27001.





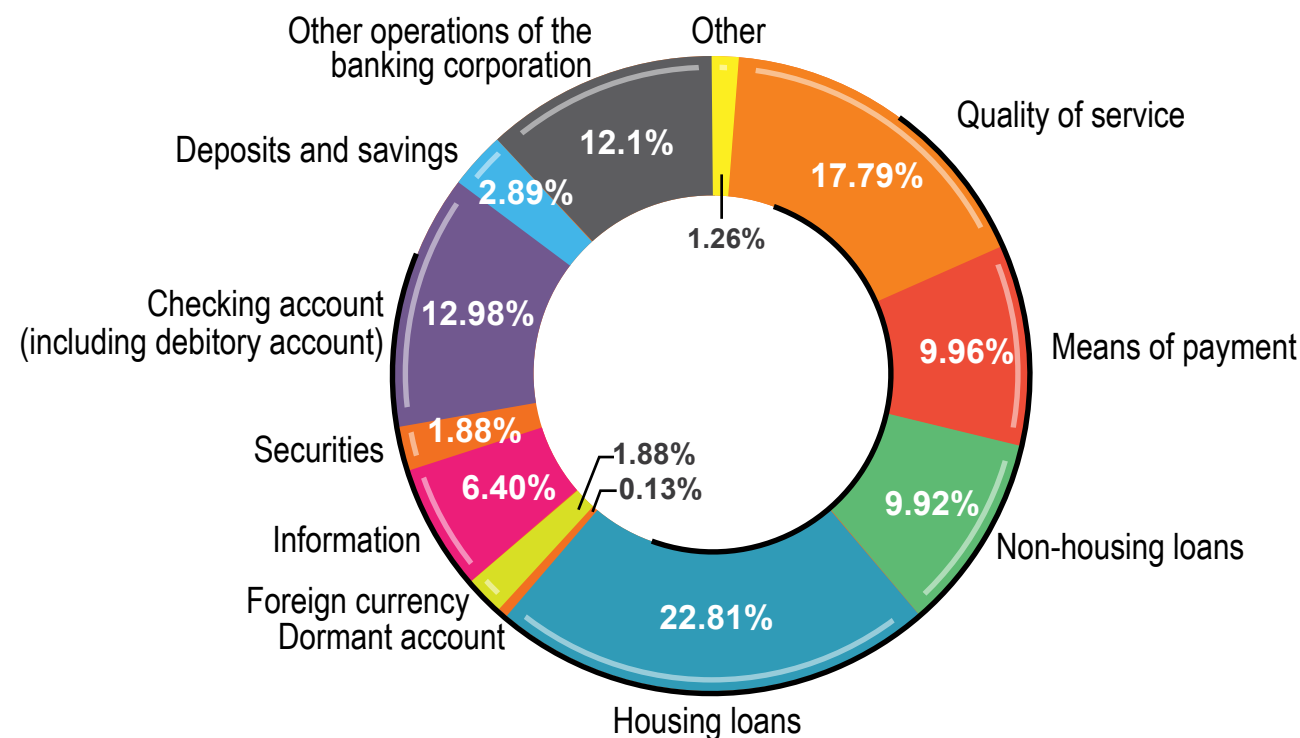
Activity concerning information security and action to ensure customer privacy is focused, inter alia, on the following aspects:

- ∞ Counter-capabilities: **Development of advanced counter-capabilities for facing cyber threats.**
- ∞ **Confidentiality and privacy:** Ensuring that customer privacy and banking confidentiality are maintained.
- ∞ **Risk management:** Including monitoring, analysis, processing, risk assessment, response and control.
- ∞ **Awareness and information:** Regular activity designed to enhance awareness of Group employees, managers, customers and suppliers to various information security threats. Bank employees receive information security and cyber defense news flashes every fortnight, reporting events in Israel and overseas, training is provided to new hires and presentations are made at management meetings. This is designed to enhance awareness of events and to underline the personal responsibilities of all employees and managers for safeguarding customer privacy.
- ∞ **Ensuring customer privacy:** Contact channels between the Bank and customers include: email, SMS messages, Facebook and online or mobile surveys. For each of these channels, customers are instructed not to include their personal information in the text. Moreover, the Bank's security policy stipulates that whenever a customer is sent a link to any website, a prominent warning should be displayed to the customer, warning them not to type their password or any personal information.

### Measurement and handling of customer contacts

Customer contacts with the Bank: The Bank regularly measures customer complaints and contacts, reviews the cases, learns lessons and acts as needed. Below is a summary of Bank contacts in 2015:

### Composition of complaints made to the Bank in 2015



In 2015, the Bank of Israel Directive 308A became effective, which governs the topics used for classification. There is also mandatory reporting to the Bank of Israel and to the public (on the Bank website) with regard to the various classifications.

- ∞ **Complaints about breach of privacy** - In 2015, the Group received two justified complaints about breach of privacy (one each at Bank Mizrahi-Tefahot and Bank Yahav), as well as 8 complaints found to be un-justified.
- ∞ **Complaints about accessibility** - In 2015, the Group received 4 complaints about accessibility - all found to be un-justified.
- ∞ **Complaints about discrimination** - In 2015, 3 complaints were received about discrimination based on ethnic background - all found to be un-justified.



## Development of environmental and social products

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

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

The Business Banking Division and the Retail Division are in charge of this effort at the Bank and provide loans for development of environmental and social products, as applicable to Bank customers.

### Loans to the public

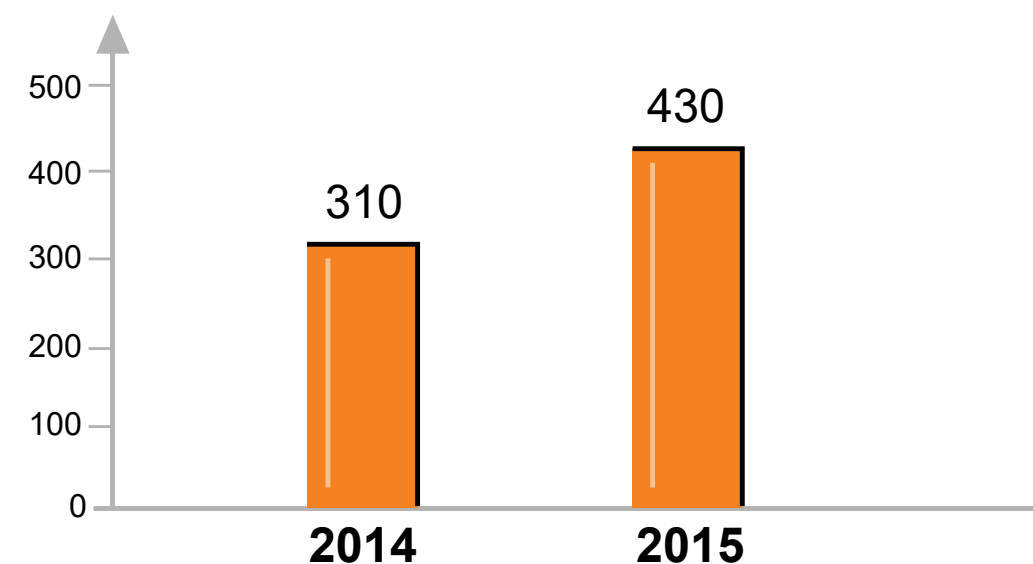
The Bank provides service to customers in multiple operating segments; one of the Bank's key operations is lending. Total net loans to the public at the Bank in 2015 amounted to NIS 159,204 million, compared to NIS 147,569 million in 2014.

### Environmental lending

The Bank acts to promote environmental loans to Bank customers in these areas:

- ∞ **Promoting solar credit** - Total loans approved for the renewable energy segment in 2015 amounted to NIS 430 million, compared to NIS 310 million in 2014.

Total loans for the renewable energy segment, NIS in millions



- ∞ **Incorporation of environmental considerations in extending loans to companies with environmental implications** - The Bank has an environmental risk management policy in place, as part of the approval of credit policy documents. The Bank's policy documents include dedicated environmental risks policies, including methodology for identification, assessment and handling of environmental risk.

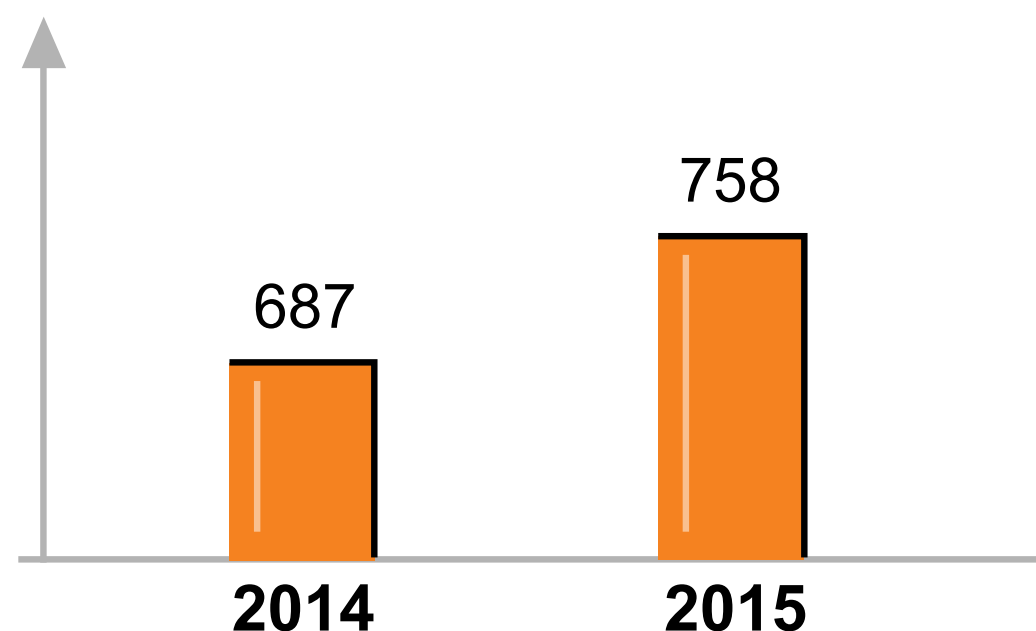


## Social lending

The Bank acts to promote social lending to its customers in several areas; in 2015, the Bank provided NIS 758 million to promote social causes as follows: (In 2014, this amount was NIS 687 million.)

- ∞ **Loans to small businesses: "The Northern-Southern Fund"** - The Bank promotes small and medium businesses in the Northern and Southern regions, by turning these regions into attraction hubs, by creating employment, increasing revenues and improving quality of life. To this end, the Bank allocated through 2015 loans amounting to NIS 672 million, of which NIS 27 million in 2015 alone.
- ∞ **The Foundation for Small and Medium Businesses** - The Bank was awarded a tender for providing loans guaranteed by the State and has started providing these loans in May 2012. To this end, the Bank allocated through 2015 loans amounting to NIS 1,862 million, of which NIS 731 million in 2015 alone. This is compared to NIS 584 million allocated in 2014.

Total social lending, NIS in millions



## Other action promoted by the Bank in this regard:

- ∞ **Retaining interest for Holocaust survivors who receive reparations** - A plan for retaining a uniform, attractive interest rate for customers (Holocaust survivors who receive reparations) and allowing such deposits to be renewed indefinitely, as opposed to other products where renewal is limited.
- ∞ **Bridge loans for customers with liquidity issues** - Providing bridge loans against customer deposits with the Bank, for terms of 3 months or longer, so as to offer such customers both liquidity and security.
- ∞ **Changes to product offering based on macro-economic changes** - As part of processes designed to map and assess social and environmental risk for major business lines at the Bank, the Bank has changed its product mix, in line with macro-economic changes. As part of the control process for implementation of social agreements with Bank customers and business partners, the Bank regularly monitors at the department / sector / division level and reports to management on branch performance, subject to guidelines and directives as to the recommended product mix.



## Implementation and deployment of this issue

Training to employees on product adaptation: In order to improve employee capacity to implement the Bank's social and environmental policies, the Bank conducts regular training, special-purpose workshops for officers at branches as well as field tours by headquarters representatives. These events emphasize the range of products available at the Bank and their adaptation for customer needs. The key message is reaching the optimal solution for both the customer and the Bank. In conjunction with customer relations, transactions incorporate, when relevant, elements related to environmental risk aspects from both the legal and business aspects.



לא משנה אם אתה

**עסק גדול או עסק קטן**

מגיעה לך הלוואה בערבות המדינה!





## Responsible marketing and advertising

### Our commitment:

The Bank adheres to clear standards with regard to marketing communications, advertising, sales promotion and sponsorship. These standards form part of marketing procedures and are reviewed annually or more often as required. In conformity with marketing procedures, all messages made public on behalf of the Bank are in compliance with legal requirements and with these principles: Avoiding contentious issues in Israeli society; respectful and non-abusive advertising. The Bank adapts its messages for various segments of the population, so as to align with their norms and cultural values.

These messages reflect the Bank's guiding principles for its current operations - reliability, loyalty, maintaining human dignity, professional integrity and commitment to the customer. The Marketing, Advertising and Business Development Division is tasked with responsible marketing and advertising by the Bank.

The Group's marketing operations include messages disseminated to the public at large. Being a leading entity in Israel's economy, the Group strives to convey messages which generate value for the Group, while ensuring that these messages are respectful of all segments of Israeli society.

The Group ensures that its advertising adheres to the rules of ethics and advertising rules of the Second Authority. Furthermore, the Group does not sell products which are banned or forbidden. In 2015, there were no recorded events of non-compliance with regulation or code with regard to marketing communications.







## Dialogue with customers

The Group's primary channel of communication with its customers are bankers in branches. The Group maintains contact with customers through other channels as well: by telephone, email, mail, internet, app, social media, conferences and workshops. The Group also conducts focus groups among its customers, or customers of other banks, and also conducts surveys concerning deposits and other products as well as image and satisfaction surveys. The Group maintains a dialogue with its strategic business audience through conferences, courses, customer meetings and event sponsorship. Bank Mizrahi-Tefahot offers a website and a Facebook page where answers may be found on various topics.

**As part of the Bank's dialogue with its customers, the Bank conducts the following:**

### ∞ "Let us meet at Mizrahi-Tefahot"

The "Let us meet at Mizrahi-Tefahot" community activity consists of regularly scheduled meetings held at major Bank branches. At these meetings, Bank branches become neighborhood meeting venues where diverse activities for adults and for children are held, led by well-known facilitators. These meetings take place during the evening, offering a relaxed atmosphere and inviting all neighborhood residents - customers of any bank - at no cost.

In 2015, 130 meetings took place at 23 major branches around Israel, including one branch located in a Jewish-Orthodox neighborhood and branches focused on the Arab sector - with content customized for these target audiences. All of these activities were attended by over 7,800 participants - Bank customers and those of other banks. This year, for the first time, the "Let us meet at Mizrahi-Tefahot" program was linked to the Bank's Joy strategy - by launching Joy Week: Five days of constant activity, which offered 23 activities for adults and children - all centered on Joy.

The various activities are very popular with the community - as reflected by the number of participants. In order to ensure that these meetings are beneficial

both to the Bank and to participants, the participants fill out a feedback form at the end of every such meeting. Findings of these feedback forms indicate very high satisfaction with these activities (rated 4.62 out of 5).

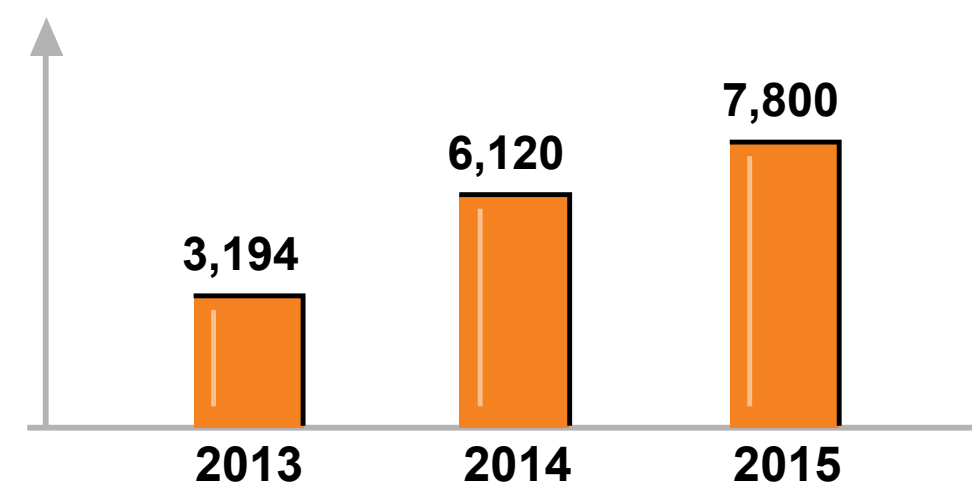
Also in 2015, 33 meetings took place on financial topics, which enriched the community and provided tools in these areas: savings, mortgages and on investing in the capital market. These activities were attended by 1,240 people.

**The following Bank branches have conducted "Let us meet at Mizrahi-Tefahot" activities in 2015:**



- |   |  |   |  |   |   |
|---|--|---|--|---|---|
| <p><b>Northern</b></p> <ul style="list-style-type: none"> <li>• Krayon</li> <li>• Neve Sheanan</li> <li>• Tveria</li> <li>• Kfar Yasif</li> <li>• Nazareth</li> </ul> | <p><b>Southern</b></p> <ul style="list-style-type: none"> <li>• Kiryat Malachi</li> <li>• Barnea Ashkelon</li> <li>• Rehovot</li> <li>• Netivot</li> </ul> | <p><b>Central</b></p> <ul style="list-style-type: none"> <li>• Kikar HaMedina</li> <li>• Lev Dizengoff</li> <li>• Ramat Aviv</li> </ul> | <p><b>Dan</b></p> <ul style="list-style-type: none"> <li>• Kfar Ganim</li> <li>• Merom Naveh</li> <li>• Bar Ilan</li> <li>• Rosh HaAyin</li> <li>• Tarfon</li> </ul> | <p><b>Sharon</b></p> <ul style="list-style-type: none"> <li>• Ir Yamim</li> <li>• Raanana</li> <li>• Kfar Saba</li> <li>• Industrial Zone</li> <li>• Kanyon Orot</li> </ul> | <p><b>Yehuda</b></p> <ul style="list-style-type: none"> <li>• Alon Shevut</li> <li>• Jerusalem Business Center</li> </ul> |
|---|--|---|--|---|---|

**Total attendees in "Let us meet at Mizrahi-Tefahot" lectures**





### ∞ "As-you-wish promotion"

In order to offer customers the promotions they like the most, customers were asked which promotions they would like. Based on the responses received, the Bank adapted its promotions. There are also lateral promotions for Bank customers and improved accessibility thanks to an upgrade to the club website.



### ∞ Business customer conferences

These are held in regions or in branches, with Bank customers and potential customers invited to attend. The objective of these meetings is to provide enrichment in relevant content domains, to expose Bank products appropriate for the target audience and to allow attendees to network.

### ∞ Customer meetings and events at the Business Division

Before Passover, a large conference is held for 1,000 current and potential customers. There were also several conferences for a smaller audience of customers.

### ∞ Customer opinion surveys

The Group acts to conduct a dialogue through surveys using text messages, focus groups on various topics, product-related surveys and satisfaction surveys. Customers who are not satisfied are referred to the branch manager for handling. Bank branches also feature "I care" boxes, which allow all employees to propose ideas for providing better service to customers.

### ∞ Dialogue on social networks

The Bank believes that listening to customers' desires and providing a solution for their needs support the long-term view required for the Bank's success. In order to realize this concept, the Bank invests considerable effort in monitoring and responding to the online discourse about Bank services (on social networks and blogs) concerning the Bank. The Bank also uses software to identify web user comments about the Bank. This way, the Bank can reach accurate, pin-point precision with regard to the content - for a continuous learning process, based on customer reactions. This Bank activity allows the Bank to improve several processes:

- ∞ **Understanding how the Bank is perceived by customers:** Listen on real-time, on-going basis to consumer discourse (our current and future customers), which assists the Bank in gaining an insight into customers and understanding how they perceive the Bank, its products and services.
- ∞ **Improvement of learning processes:** Identifying this online discourse concerning the Bank, allows the Bank to respond to it in real time and to constantly learn lessons in rapid fashion. The Bank's potential responses include: provide high-quality service to dissatisfied customer, provide efficient marketing information to potential customers or create content to assist the Marketing Department.

- ∞ **Insights concerning product innovation:** The internet provides the largest, most efficient focus group for research. Learning from online discourse assists the process of marketing information mining with regard to customer needs.
- ∞ **Immediate feedback:** Monitoring online discourse provides current, available information about consumer preferences during concept development or product improvement, as well as during product launch.
- ∞ **Evaluate the success of marketing campaigns:** Public responses and online discourse allow the Bank to evaluate the success of marketing campaigns and the duration of their impact, in addition to

regular surveys which evaluate effectiveness. Based on the outcome of dialogue with customers, the Bank prepares for adapting its products and services.

#### ∞ Customer feedback by cell phone

In 2015, the Bank launched a dialogue with Bank customers through cell phone-based feedback. The Bank uses this channel to contact customers a short time after any interaction with the Bank (visit to the branch, telephone inquiry etc.) - in order to inquire about their satisfaction with the service. Customers who are dis-satisfied are referred to a Customer Experience Manager at the Bank, who provides the response needed - in line with the content of their feedback.





# Targets

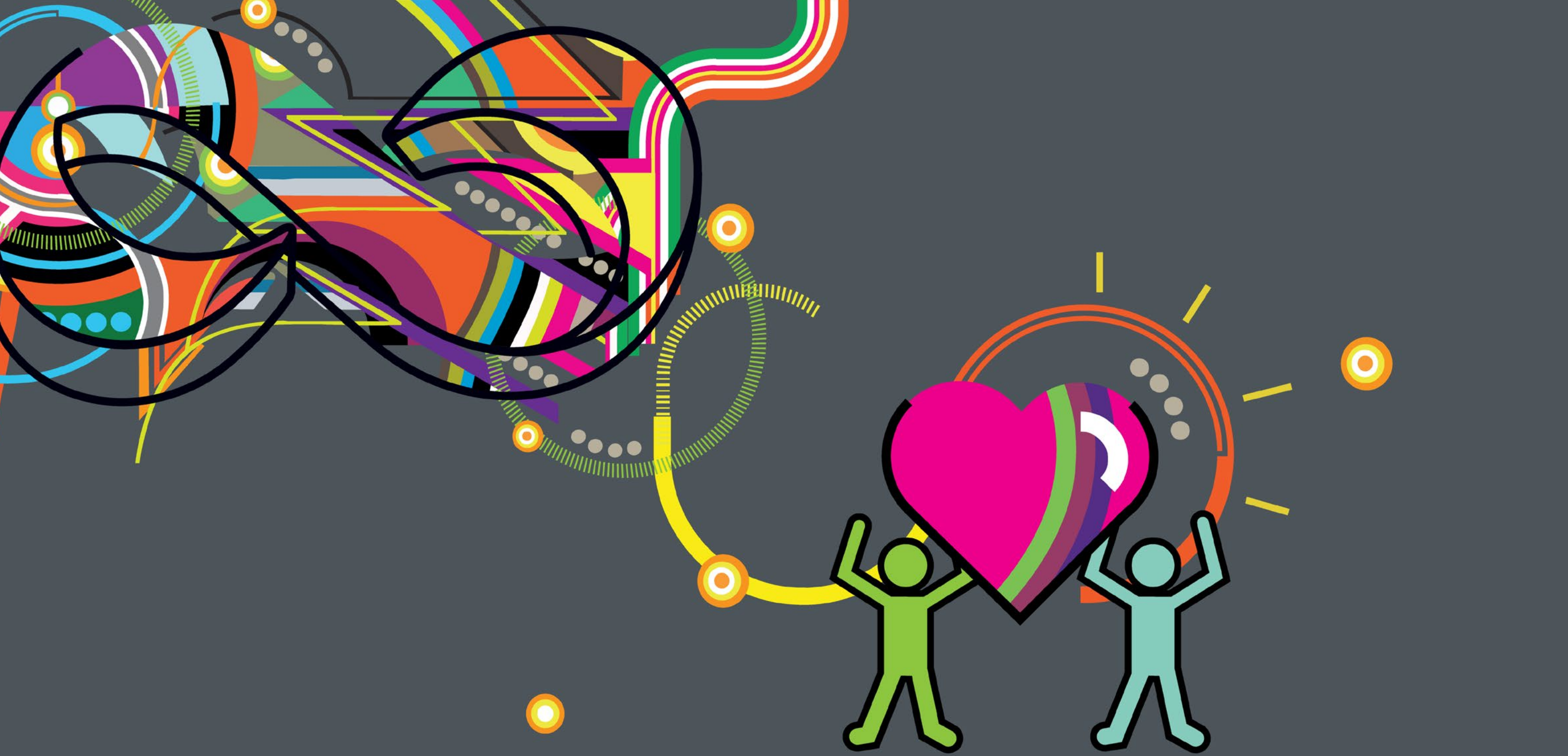
## Achievement of 2015 targets

Target	Status
Further improvement to accessibility of all branches in Israel (expected completion - end of 2017).	Done
Further hardware and interface adjustments to ATMS are expected in 2015.	Done
Further deploy the topic of accessibility among Group employees.	Done
Maintain high level of satisfaction of Group customers.	Done
Adapt products and make them accessible for other segments.	Done
Continue providing optimal service when handling complaints.	Done
Continue to formulate work processes and complete tools for identifying loans which carry environmental risk.	Done
Impart the topic of environmental risk to other relevant departments and employees, through custom training.	Done
Further review of environmental risk upon loan origination to customers with significant environmental aspects.	Done
Further assistance to be provided by the Bank to businesses and organizations which promote social causes.	Done

## Next steps with customers: Targets for 2016

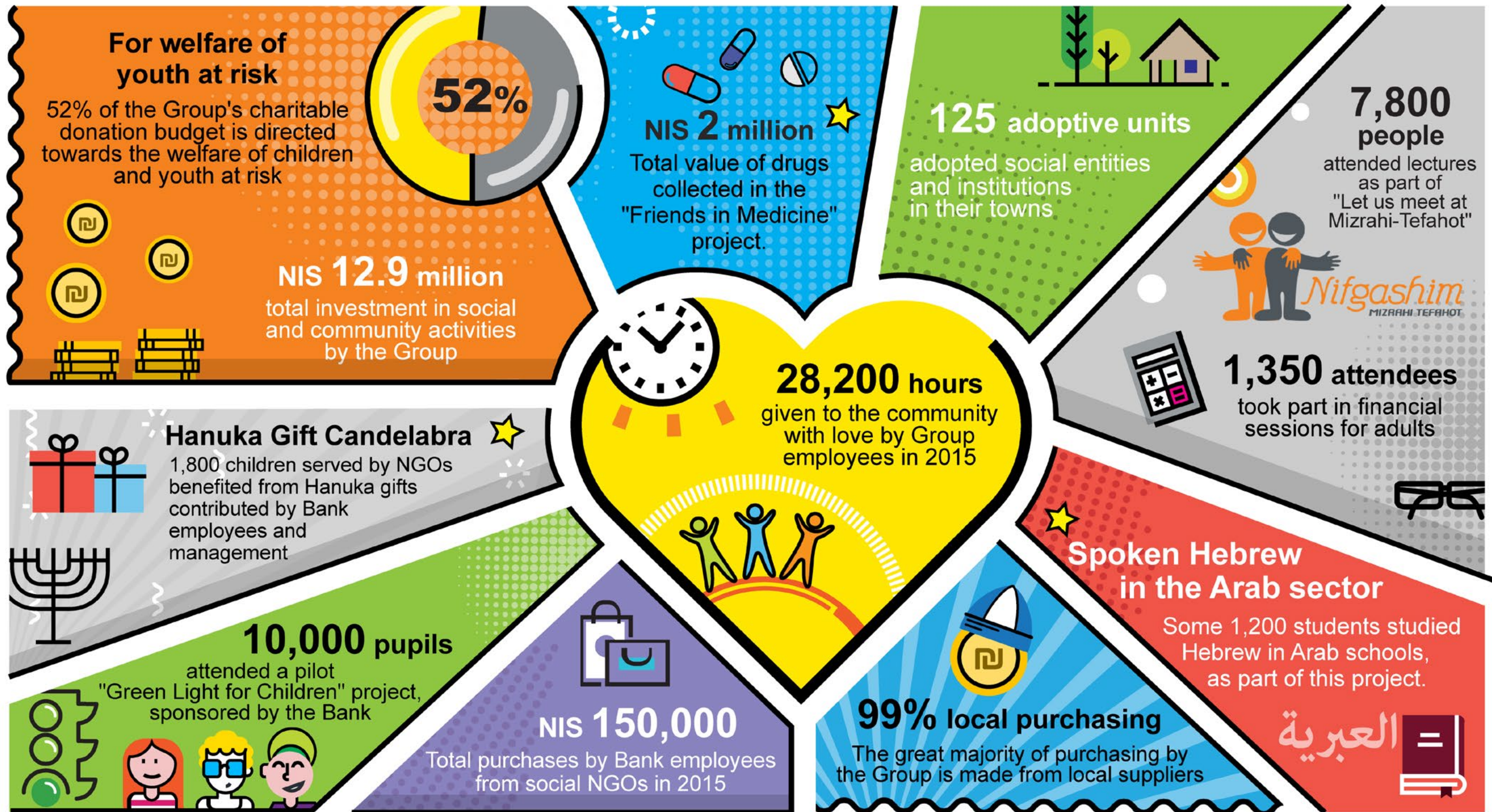
- ∞ Further improvement to accessibility of all branches in Israel (expected completion - end of 2017).
- ∞ Making the Bank Mizrahi-Tefahot website accessible in conformity with relevant regulations by end of 2016.
- ∞ Further hardware and interface adjustments to ATMS are expected in 2016.
- ∞ Further deploy the topic of accessibility among Group employees.
- ∞ Maintain high level of satisfaction of Group customers.
- ∞ Continue providing optimal service when handling complaints.
- ∞ Further assistance to be provided by the Bank to businesses and organizations which promote social causes.
- ∞ Increase in number of activities and participants in "Let us meet at Mizrahi-Tefahot"
- ∞ Expansion of "Let us meet at Mizrahi-Tefahot" activities to specific sectors - Jewish-Orthodox, Arab and retirees.





**The community  
and Us**

## The community and Us in 2015 - overview



New in 2015



## Impact on Israeli society through involvement and volunteer work

### Our commitment:

As a business entity whose business relies on the community in which it operates, the Bank is committed to be involved with and to invest in the community. The Bank is working to realize its community involvement in a manner that expresses its strength, engages the Bank's employees in active volunteer activity and leverages its physical, financial and human abilities and resources by means of "Mizrahi-Tefahot in the Community". This community engagement is carried out accompanied by a constant dialogue and realization of broad initiatives with community partners throughout Israel, engagement of employees and managers, geographic and other diversification of activities utilizing the Bank's nation-wide presence, through partnerships and with internal and external communication of the Bank's community involvement.

The Bank is primarily focused on two specific social areas, to which it funnels most of the charitable donation and volunteer activity by the Bank and its employees:

- A. **Promoting under-privileged children and youth;**
- B. **Supporting NGOs and businesses who promote social causes and employ persons with special needs.**

The Bank's involvement in these areas is reflected by various activities:

- ∞ **Involvement of employees and their families in the community** - contribution to the community has become a key objective for Bank employees, and management provides incentives to employees to participate in this activity.
- ∞ **Involvement in broad projects to help youth at risk and persons with disabilities** - The Bank and its employees are involved in projects which empower youth at risk and promote volunteer activities with youth - as well as in projects which assist NGOs that employ persons with special needs.
- ∞ **Investment in financial education** - supporting and increasing financial awareness among youth, customers and the public at large.
- ∞ **Including stakeholders in community involvement** - The Bank sees great importance in including its customers in community activities, by including them in decision making on targets for charitable donations by the Bank to NGOs and by including them in various projects initiated by the Bank, such as collection of medications, participating in runs etc.
- ∞ **Investment through charitable donations, sponsorship and equipment** - The Bank donates furniture, electric appliances and PCs to various NGOs, after reviewing their financial statements and their compliance with rules for proper management.

Community involvement is handled at the Bank by the Mizrahi-Tefahot in the Community unit of the Organizational Development and Training Department of the Human Resources and Administration Division.

## Adoptive units

Some 125 Bank branches and headquarters departments are in constant contact with various social organizations in their towns, that act on behalf of under-privileged children and youth. This adoption includes regular activities to provide assistance and mentoring by volunteer employees, birthday parties, unique activities in advance of holidays, using creative craft kits sent by "Mizrahi-Tefahot in the Community" and centralized activities for children welfare by region all across Israel.

## Involvement in projects to promote welfare of children and youth

As part of Bank policy to assist and promote teenagers, the Bank participates in these projects:

- ∞ "Green light for children"- The Bank has sponsored the "Green light for children" project, which provides training on road safety to elementary school students. In 2015, this program was piloted at 50 schools, with 10,000 participating students. In 2016, training is planned to be delivered at 250 schools nation-wide.
- ∞ **"ZAZIM" - youth movements for the community** - The objective of this project, in co-operation with the Youth Movement Council, is to encourage youth movement participants to volunteer for society and their community. In this project, which was started in 2012, youngsters submit proposals for involvement projects in community work, which would be supported by the Bank. Out of the 300 proposals submitted, the Bank selected 54 projects to support. Bank employees take part in the selected projects - providing advice and assistance in implementation for selected projects as part of their community volunteering.
- ∞ **Co-operation with Shenkar College:**
  - ∞ **"Shenkar Flowers"** - Promoting teenagers with artistic skills from a low socio-economic background, training them over the school year, through students from Shenkar College.

- ∞ **"Summer School"** - Summer camp for 60 children on welfare in Ramat Gan, led by art students at the College, in which the children receive training on banknotes from a Bank representative.





- ∞ **"Latet Youth"** - Since 2012, the Bank has partnered in an educational program for social entrepreneurship, volunteer work and empowerment of youth, especially those of limited means, in co-operation with the NGO named Latet. The program consists of 110 volunteer-based projects. Bank employees provide advice and assistance to youngsters in forming their venture and do volunteer work in the community.
- ∞ **"Tour De Trom" bicycle rally** - This initiative, launched eight years ago, has become a tradition at the Bank. This project is held in cooperation with the ILAN NGO sports center - designed to raise funds for ILAN children. In 2015, some 140 employees took place in the rally.



- ∞ **"Hanuka gift candelabra"** - This unique project allowed 1,800 children served by social NGOs to benefit from Hanuka gifts purchased by 500 Bank employees - contribution from Bank employees and management.



- ∞ **Youth team for the Mathematics Olympic Games** - The Bank sponsored the youth team competing at the Mathematics Olympic Games, as part of its support to promote excellence among teenagers.

## Summary of activities in major Bank operations

The Bank has two major centers where headquarters units operate - in Lod and in Ramat Gan.

1. **Community activity in Lod** - The Bank and its employees are active and involved with significant social funding and action in Lod, through the following projects:

- ∞ **"Holylood"** - The Bank has sponsored a festival of films by youth, written and produced by high-school students in Lod. The films were screened as part of the "Holylood" film festival, held in the city for the first time.
- ∞ **Pre-school center** - The Bank has contributed towards creating a pre-school center, serving the Arab and Jewish populations who live close to the Chicago Youth Center in the city.
- ∞ **"Connecting with Holocaust survivors"** - In Lod, there are 5,000 Holocaust survivors who do not receive the rights they are entitled to by law. Some 15 Bank employees have volunteered for this project and have received training on this matter. The volunteers visited Holocaust survivors at home, helping them to exercise their eligibility to receive their lawful rights.
- ∞ **"Melodica"** - The Bank sponsors the Melodica social club, which provides social activities to teenagers in Lod. During the year, films were screened at the club for neighborhood residents.
- ∞ **"Volunteering for the community"** - Bank employees take part in various community activities and join volunteer organizations in after school study clubs, in providing financial training to youngsters (The Money Road project) and in other municipal events, such as the Bar Mitzva project for 13 year old boys, the Purim festival and the Lod Race.



2. **Community involvement in Ramat Gan.**

- ∞ All welfare clubs in Ramat Gan are adopted and assisted by Bank departments located at the Bank's central building in this city.
- ∞ In Hanuka, all children attending these clubs enjoyed a holiday activity at the Ramat Gan Theater.



## Support for NGOs and businesses that promote social causes

The Bank supports businesses that promote social causes in these key areas:

### 1. Support for NGOs that employ persons with special needs, designed to boost their revenues

- ∞ **"Added Value" website** - The Bank launched the Added Value website - an online platform for products and services produced by 200 NGOs and social and environmental organizations. This platform provides a unique store front for hundreds of social and environmental organizations, helping them gain exposure of their products and services to the public at large - both individuals and businesses. The objective of this venture is to connect potential customers and social organizations.
- ∞ **Buying gifts and giveaways from NGOs** - The Bank also buys gifts and other giveaways through these various NGOs and in the holiday season, employees are invited to purchase select products at sales events held at Bank headquarters and through the Bank's intranet website. Total purchasing in 2015 amounted to NIS 150,000 (compared to NIS 130,000 in 2014).
- ∞ **"Added Value - Gifts etc." shop** - The Bank sponsored this shop, located in the Dizengoff Center mall in Tel Aviv. This shop sells products, gift items and gifts made by people with special needs. The shop is sponsored by the Bank and is managed by the "All Good" NGO, employing the mentally destitute as sales staff - in order to provide them with training for a job on the free market.
- ∞ **"Heart-felt creation for the community"** - Since 2010, the "Heart-felt creation for the community" fair has been held during the holiday of Sucot, supported by the Bank. At this fair, located at Mamila Boulevard, some 30

NGOs that employ people with special needs offer their products to tens of thousands of visitors.

- ∞ **"Voting is influencing" project** - The Bank's "Voting is influencing" project invited Bank employees to vote for NGOs which employ and assist at-risk youth, which are listed on the "Added Value" website. The five NGOs selected by Bank employees received a financial contributions for holding joint projects with the Bank.
  - ∞ **"Repeating Story"** - The Bank has joined the "All Good" NGO on a joint project which operates a venture for book lending to Bank employees through an online library. As part of this venture, a library was created at the building by a recovering employee of the "All Good" NGO.
  - ∞ **Sponsoring of NGOs taking part in gift fairs for employees and suppliers** - The Bank sponsors NGOs that present their products at fairs targeted at companies seeking to buy holiday gifts for their employees.
- ### 2. Support for social businesses
- ∞ **"Business with value" project** - The Bank's social venture program, together with the IVN Foundation supporting social businesses and NGOs which promote populations with special needs. Advertising in newspapers called on start-up social businesses to apply to take part in this venture and to benefit from a financial grant from the Bank and from professional assistance from experienced businessmen. In 2015, some 75 businesses and NGOs responded to this call to action, of which five NGOs were selected to receive professional assistance from Bank employees and business advisors on the following topics: Writing a business plan, organizational development, marketing, human resource management etc. as well as a financial bonus for enlarging their business, in conformity with the business plan.

## Promoting financial education and training of business owners

The Bank sees great importance in promoting financial education among the public at large, which is the reason for multiple activities:

∞ **"Money Road" training kit** - A program which provides youth with training on financial issues. This kit is available on the Bank website, to assist a wider audience of teachers, instructors, counselors etc. to learn the content of this package and to train youngsters in the content listed in this package. In 2014, the "Money Road" training kit was translated into Arabic in order to make it easier for Arab youth to study this program. This activity was in co-operation with the Israel Association of Community Centers, with assistance from a Bank employee from the Arab sector. In 2015, the program pilot was conducted, to provide training to Arab youths in 8 Arab towns. Lessons were learned from this pilot for placing the kit in Arabic on the Bank website.

Furthermore, in 2015 "Money Road" kit training was delivered by students who received tuition scholarships from the Bank, in exchange for training groups of youths at high schools and as part of the Tachlit project - national service for youth at risk, who were not drafted into the military.

∞ **Reinforce financial education for students and relations with institutions of higher education** - The Bank intensified links with institutions of higher education, by co-operating with the Management College in establishing a banking track, sponsored by the Bank, delivering lectures to students by volunteer employees and managers and by providing scholarships for students at several universities and colleges in financial fields of study.

As part of the link with Sapir College, the Bank expanded training of school students in Sderot by students who received scholarships from the Bank.



∞ **Trainee Student project** - As part of the Bank's involvement and investment in the community, the Bank operates multiple initiatives whereby the Bank employs students during their studies, in order to make it easier for them to find a job later on:

∞ **"New immigrants together"** - Including students of Ethiopian origin in Bank work during the summer vacation.

∞ **"Aluma" NGO, Herzlia Interdisciplinary Center and the Management College** - include students in practical work at the Bank during their studies.

∞ In 2015, the Bank sponsored the financial advisory center for students at Tel Chai College "Breathe Easy - Tel Chai College". This center employs students who have received a tuition scholarship and financial training from the Bank.

- ∞ **Creation of the Mizrahi-Tefahot Small Business College in cooperation with the Israeli Management Center ("MIL")** - the Small Business College, operated by the Bank together with the Israeli Management Center ("MIL") offers two courses: a marketing course and a financial course. Each course consists of five sessions. In 2015, 12 courses were given, attended by 205 participants.



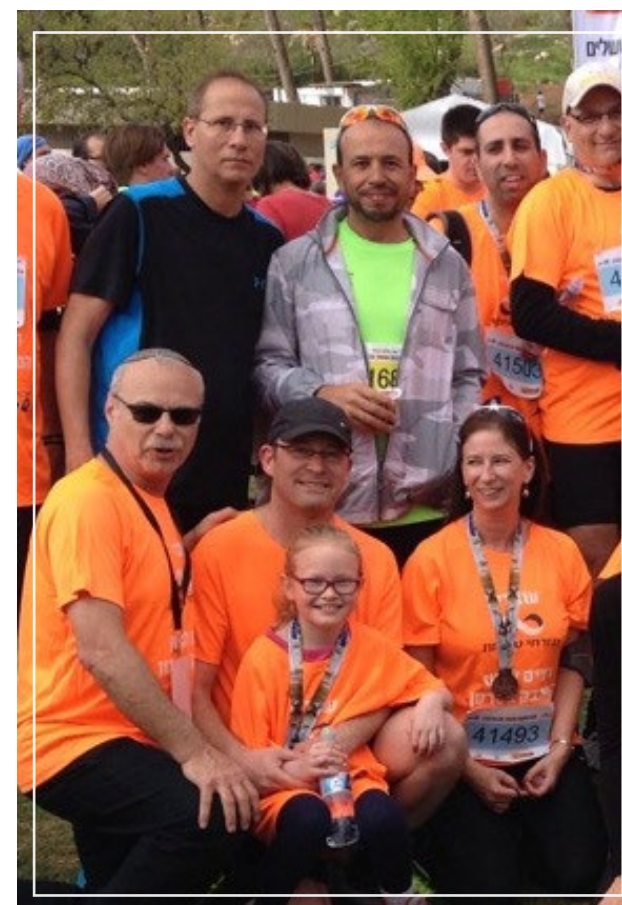
- ∞ **Getting to know the business world** - In 2015, the Bank held two regional conferences, including one for the Arab sector, for Bank customers and potential customers, designed to help them in getting to know the business world and to gain exposure to Bank services related to credit (such as the State Fund) and in other areas. There were also two regional conferences for business advisors. These conferences were attended by 670 current and potential customers.

- ∞ **Sessions on financial topics, as part of the "Let us meet at Mizrahi-Tefahot" program** - In 2015, the Bank offered 33 sessions at no cost, held at Bank branches all around Israel, which included lectures on savings, retirement advice, mortgages and on investing in the capital market. These sessions were held at branches in the evening time, offering a relaxed, pleasant atmosphere. These sessions were held as part of the "Let us meet at Mizrahi-Tefahot" project, where Bank branches are turned into neighborhood meeting places which host diverse activities. In 2015, a total of 1,240 people attended meetings on financial topics.
- ∞ **Seminar for NGO managers** - A seminar was held, attended by 50 NGO managers. This seminar provides tools for proper financial management of the NGO.
- ∞ **Seminar for employee family members who run a business** - This was delivered as part of the Social Responsibility Week activity. This event was attended by 50 people. The seminar was designated for family members of Bank employees, who own small or medium businesses, focused on issues of business management. This seminar, at which the Bank President & CEO was present, provided richer business knowledge to family members in areas of finance and marketing. The presentations were delivered by senior Bank managers as well as by external lecturers.
- ∞ **"A Different Lesson" at Bank Yahav** - In 2015, 171 Bank Yahav employees volunteered to provide 20 courses all around Israel, together with "A Different Lesson" NGO, to provide financial education and tools for under-privileged children.

## Including employee families in activities for the community

This year as well, "Mizrahi-Tefahot in the Community" invited family members of employees to take part and to be partners in activities for the community:

- ∞ **Popular race at the Jerusalem Marathon** - This race is sponsored by the Bank in co-operation with the Israel Cancer Society, and some 230 employees and their family members take part in it.
- ∞ **Passover Walk** - A walk for cancer research, attended by 150 Bank employees and their families, is being held for the sixth year.
- ∞ **Pack and donate** - Food packages were packed at five centers nationwide, with dozens of employees and their children as volunteers.



## Support for initiatives related to healthcare and welfare

The Bank sponsors diverse welfare activities for young populations suffering from healthcare conditions by providing support for them and their families: These are the major activities in this area:

- ∞ **"Friends in Medicine"** - An NGO which operates a social pharmacy, by collecting un-used medications and providing them as a contribution to people unable to buy them. The Bank has joined the NGO as part of this initiative, collecting from Bank employees and customers un-used medications (including expired medications). These are collected at branches, in special collection containers which are then sent to the NGO. The medications are reviewed by professional pharmacists and are provided to patients in need who are financially unable to purchase these medications. In 2015, medications valued at NIS 2 million were collected, in addition to expired medications which were sent to be recycled.
- ∞ **"Heartwish"** - This NGO acts to make dreams and wishes come true for children suffering from serious illness. . As part of this effort, the Bank sponsors the NGO's fund raising event, partnering in making the children's wishes come true, through Bank employees.
- ∞ **"Zichron Menachem"** - Since 2010, the Bank has been holding an annual fun day for 150 children, together with NGO "Zichron Menachem", which serves children suffering from cancer. In 2015, the Eilat branch held a Hanuka party with children from this NGO who were on vacation in Eilat and hosted dozens of ill children and their families at the Bank facility in Lod. Throughout the year, the Geula branch in Jerusalem adopts the "Zichron Menachem" children, celebrating the holidays and their birthdays with them.
- ∞ **"Ezer MeZion"** - This NGO helps children with cancer. In 2015, the Bank helped organize a summer camp for sick children and their families.

- ∞ **"Joy for children"** - This is an NGO which acts for the welfare of children suffering from serious illness. In 2015, the Bank sponsored the vacation camp held in Eilat and hosted 150 ill children, with participation of volunteer employees from the Eilat branch.
- ∞ **"Shalva"** - This NGO helps children with special needs. In 2015, the Bank and the NGO held a summer camp for children in Eilat, with participation from branch employees in this city.

## Other Bank activities to benefit Israeli society

- ∞ **"Spoken Hebrew"** This year, the Bank joined forces with the Abraham Foundation, to operate a program to enhance knowledge of the Hebrew language at Arab schools. For this purpose, 10 schools were selected for a pilot, where over 1,200 students learned Hebrew from native-speaking Jewish teachers. In view of the positive feedback and satisfaction with this program, a decision was made to expand the program to 30 Arab schools.
- ∞ **Scholarships for students of Ethiopian origin** - This year, as well, the Bank continued to provide scholarships for students of Ethiopian origin, as part of the connection with the Feuerstein Institute and the Hebrew University, established in 2014.



## Community involvement at Bank Yahav

Empowering youth of Ethiopian descent to take on leadership positions: The program started in November 2015 at the Mevaseret Zion home for new immigrants. The ZOOM leadership program was created and is being delivered by the Fidel NGO, including development of a sense of identity and leadership among youth of the Ethiopian community, meetings with role models and guest lecturers, as well as academic assistance in core studies. Furthermore, a basketball team was established for the children at the home for new immigrants, in cooperation with Hapoel Yahav Jerusalem, the Bank-sponsored professional basketball team.

These activities also took place:

- ∞ **Collecting and donating food for those in need during the holidays.**
- ∞ **Providing gift food around the Purim holiday to children in care.**
- ∞ **Organizing a holiday event for the "Bet HaGalgalim" NGO.**
- ∞ **Painting homes of the elderly and kindergartens for autistic children.**
- ∞ **Helping in crop picking at Nahalal, together with "Leket Israel" NGO.**
- ∞ **Established youth basketball teams, in co-operation with HaPoel Jerusalem.**
- ∞ **Taking part in the Tour De Trom bicycle rally to benefit those with disabilities, in co-operation with Ilan NGO**
- ∞ **Mentoring for veteran lone soldiers and students of Ethiopian origin.**
- ∞ **Visits to children wards in hospitals.**

## Community involvement at overseas affiliates

Group activity in the USA (Los Angeles branch) in the community is focused on these three major areas:

1. Investing in minority-owned banks: The branch invests in other banks with minority owners. These banks provide service to segments of the population that have a hard time obtaining banking services.
2. Community volunteer work: Nearly all employees of the Bank affiliate in the USA do volunteer work for at least 6 hours annually.
3. Charitable donations to non-profits: Assisting populations in need.



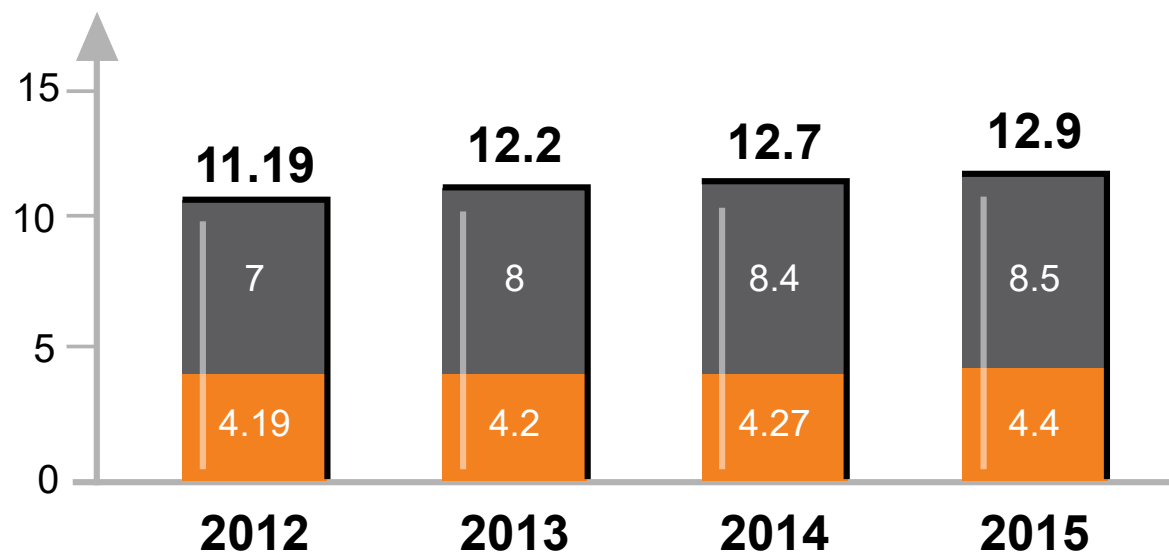


# Investing in the community

In 2015, total investment in social community activities by the Group amounted to NIS 12.9 million. (This figure includes the charitable donation by overseas affiliates of the Bank). Total investment consists of total financial donations, amounting to NIS 8.5 million, and the monetary value of volunteer work by employees (equivalent to NIS 4.4 million). In addition to monetary donations, the Bank also sometimes donates equipment and infrastructure. In 2015, the Bank donated furniture, electric appliances and computers.

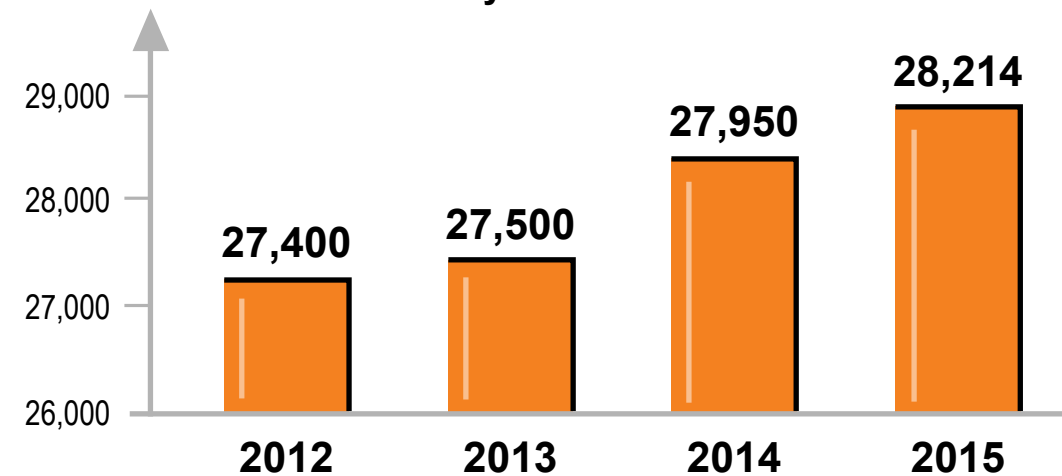
In 2015, Bank Group employees provided 28,200 hours of volunteer work for the community. As the above chart shows, employee volunteer activities have been trending higher since 2012.

**Total investment in social community activities by the Group (NIS in millions)**

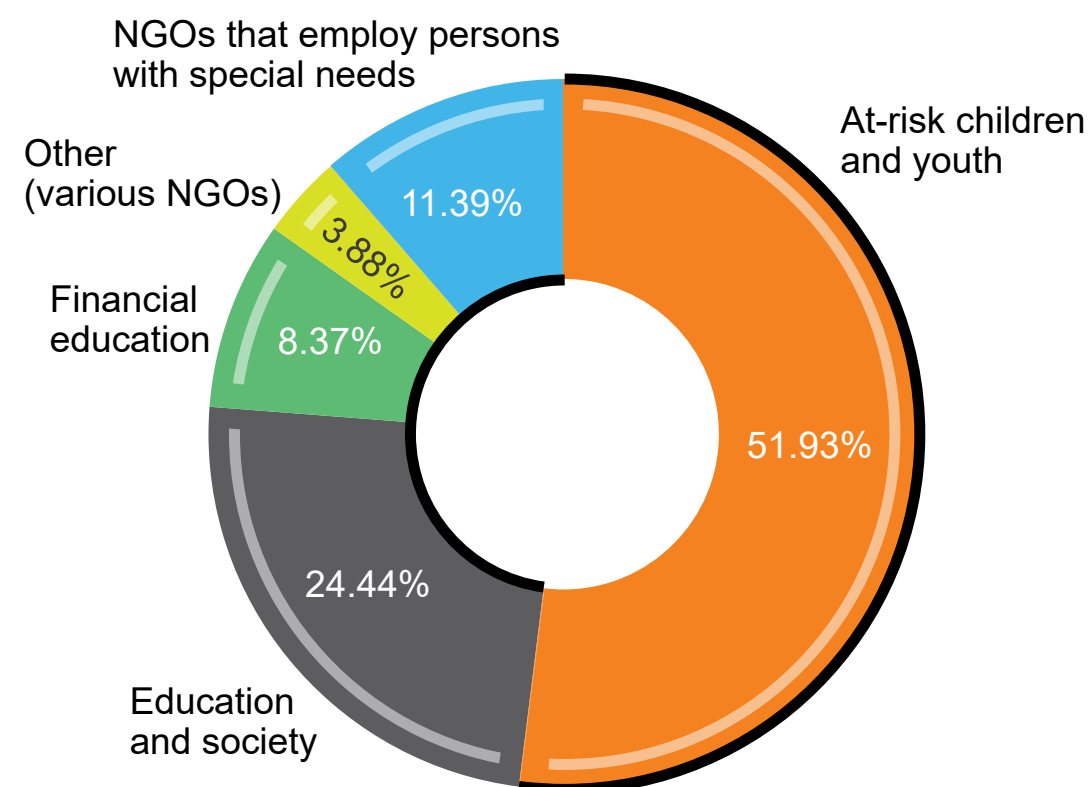


Community work hours, monetary value ■ Total contribution to the community (NIS) ■

**Community work hours Total**



**Composition of community activity budget in Israel, 2015**





## Dialogue and reviewing the effectiveness of donations to the community

As part of its policy on community involvement, the Bank conducts a constant dialogue with community partners and entities, designed to identify the needs of the community and to direct investments to where they are most needed.

### Dialogue to identify needs and to direct donations

<p><b>Local authorities</b></p>	<p>Selecting projects and social enterprises to be adopted by the Bank in its regular activities, in constant contact with welfare and education departments of local authorities. Together with these, the Bank reviews and plans the investment plan for the relevant venture.</p> <p><b>Examples of activities which resulted from this dialogue in 2015:</b></p> <ul style="list-style-type: none"> <li>∞ Following a request from the Social Services Department of the Ramat Gan Municipality, 300 children served by the Social Services Department were invited to watch a play on Hanuka.</li> <li>∞ Upon finding needs at the Lod Municipality, the Bank was asked to contribute towards creating a pre-school center at the Chicago Youth Center and to sponsor different events in this city - Adlodyada, youth film festival, Bar Mitzva project etc.</li> <li>∞ Following a request from the Akko Municipality and the College for Quality Government, the Bank sponsors a training program for local leadership in Akko.</li> <li>∞ A steering committee convenes quarterly, composed of representatives of the organizations that operate "Melodica" - to review the club's operating plans, monitor use of the activity budget, the number of activities carried out, the number of youngsters participating etc. Accordingly, different actions are taken (such as: expanding business hours of the club and exposure to other audiences).</li> </ul>
<p><b>Social NGOs</b></p>	<p>The Bank is in constant dialogue with NGOs and other organizations. This dialogue helps in identifying needs and in selection of ventures on which the Bank has partnered. Examples of activities which resulted from this dialogue in 2015 -</p> <ul style="list-style-type: none"> <li>∞ <b>Hanuka Gift Candelabra</b> - Following requests from NGOs which serve children at risk, to buy Hanuka gifts for children in boarding schools - the Bank bought 1,800 gifts for children, donated by Bank employees and management.</li> <li>∞ <b>Pack and donate</b> - Following requests from NGOs which distribute food packages to families on welfare and to Holocaust survivors, seeking help in packing these food packages, the Bank launched the "Pack and donate" project, whereby dozens of employees and their children volunteered to pack food packages at five centers around the country.</li> <li>∞ <b>Community donation budget</b> - As part of the "Partners by choice" project, the Bank is in dialogue with all the winning NGOs on the decision to which ventures the donations should be designated.</li> </ul>
<p><b>Customers</b></p>	<p><b>"Partners by choice"</b> - This initiative allows Bank customers to take part in making decisions with regard to charitable donations by the Bank. In this initiative, the Bank calls on its customers, offering them to have a say in selecting the channels for charitable donations by the Bank to NGOs that serve at-risk children and youth. In 2015, this project took place for the eighth time, whereby the Bank donated NIS 500 thousand to eight NGOs selected by customers.</p>
<p><b>Employees</b></p>	<p><b>"Voting is influencing"</b> - A project in which Bank employees select five outstanding NGOs that employ youth at risk, to be listed on the Added Value website and to receive charitable donation from the Bank.</p>



## Communicating about activities and invitation to join these activities use the following channels:

- ∞ **Bank website** - Activities are listed on the Bank website, as a platform for including customers in various social projects (examples: Invitation to the "Heart-felt creation for the community" fair, enrollment in the Jerusalem marathon, a project for collecting medications for the "Friends in Medicine" NGO, publication of a call for action for the "Business with value" project).
- ∞ **Intra-organizational dialogue** - The Bank maintains a constant dialogue with employees, through internal communications and by listing the diverse activities on the "Mizrahi-Tefahot in the Community" website.
- ∞ **Calendar** - A calendar is printed annually and distributed to all Bank employees. This calendar lists the projects and activities by employees who volunteer throughout the year.
- ∞ **Recognition for employees that volunteer** - Bank management recognizes and appreciates employee involvement in the community, which is regarded as part of the core organizational values; thus, a soiree is held in recognition of employees that volunteer and once per year, at the balance sheet conference, outstanding branches and departments are commended for their contribution to the community.
- ∞ During the corporate social responsibility week held by the Bank in June 2015, photos and clips were displayed at key locations around the Bank, showcasing the Bank's activity within the community.

## Reviewing the effectiveness of activities

All projects include close monitoring and assistance by the Bank, to ensure that charitable donations end up at their designated destination. The Bank also reviews the effectiveness of charitable donations as follows:

- ∞ **Adoption activities by Bank departments** - The Bank maintains constant dialogue with representatives of social organizations where employees

volunteer, through questionnaires and visits that review these issues: Extent of connection with the volunteering department, how much children enjoy and co-operate with volunteers, suitability of activity kits for children and overall satisfaction with volunteer activity. The data collected indicates that satisfaction of social organizations where Bank employees volunteer is very high, with demand to expand operations with additional volunteering employees (rated 4.7 out of 5).

- ∞ **"Business with value" project** - After a year of activity and support for social businesses, the Bank monitored the development and improvement of these businesses based on various parameters. The findings showed that ventures which participated in this project multiplied by 2-3 their average monthly revenues, profitability and headcount.
- ∞ **"Heart-felt creation for the community" fair** - After the fair has ended, questionnaires are sent to NGOs to gauge their satisfaction with the fair, including fair set-up, stalls, sales revenues etc. These questionnaires indicate that NGOs are very satisfied with the fair; about 80% of NGOs wish to continue taking part in the fair in the coming years. In 2013, NGOs expressed a difficulty during fair set-up. Due to this feedback, the issue was addressed and significant progress was made on this issue. (Rated 4.7 out of 5).
- ∞ **"Tour De Trom" bicycle rally** - After the rally, feedback questionnaires were filled by Bank employees who took part in the rally. Most of the rally participants expressed a high degree of satisfaction with the rally and the cause it stood for (rated 4.7 out of 5), with 90% of riders expressing their wish to participate in the years ahead.
- ∞ **"Added Value" shop** - The Bank monitors the business done by this shop, in order to increase sales by the shop. A quarterly report is provided, listing sales, profitability etc. Sales of shop products are higher around the holiday season, due to marketing activities that take place from time to time.



## Responsible supply chain management

As part of the Group activities to benefit the community, the Group acts and influences others, through responsible and well-ordered supply chain management and contracting with Israeli suppliers.

### Our commitment:

The Bank generates direct economic value to its stakeholders and indirect economic value to companies and suppliers in the Bank's indirect supply chain. The Bank is in constant dialogue with its suppliers, through in-person meetings and visits of Bank representatives to suppliers, designed to verify, inter alia, aspects of maintaining basic human rights in the supplier treatment of their staff. Furthermore, as part of the considerations for selecting suppliers, the supplier's approach towards aspects of environmental responsibility are taken into consideration. The Bank is also committed to responsible management of the supply chain, with preference given to local procurement ("Made in Israel"), so that the great majority of purchasing by the Bank is made from local suppliers.

As part of an orderly and responsible management of the Bank's supply chain, contracting with suppliers includes a review of the supplier in terms of maintaining basic human rights of its employees. Every contract signed by the Bank includes a clause whereby the supplier or contractor commits to lawfully employ their staff, pay their wages, ensure their rights subject to all binding

legal norms and avoid any type of discrimination. All of the Bank's significant purchasing is filtered based on this criteria. Procurement management is implemented as follows:

- ∞ **Control of lawful employment by suppliers** - Visits to premises of major suppliers of the Bank, review of these suppliers based on criteria specified by the Bank. Any supplier that fails to meet the criteria is liable to have their contract terminated.
- ∞ **Control of employment terms of outsourced employees** - The Bank also verifies that employment terms of outsourced contractors (mostly in security and cleaning jobs) are checked by a qualified payroll reviewer, in conformity with statutory provisions.
- ∞ **Promoting local purchasing** - Given its responsibility to reinforcing the Israeli economy, it is Bank policy to prefer local suppliers ("Made in Israel"), so that the great majority of purchasing by the Bank is made from local suppliers.
- ∞ **Prioritizing suppliers** - Being accountable to Israeli society, the Bank maintains a policy that prioritizes suppliers who contribute to the community and operate based on an internal Code of Ethics.

Procurement is managed at the Bank by the Logistics Department of the Human Resources and Administration Division.

## Description of supply chain and purchasing

The Group has a policy in place for preferring local suppliers. The Group receives services from 3,000 suppliers (including 950 at Yahav), of which 99% are Israeli. These are construction and maintenance contractors, landlords and management companies, equipment suppliers (office equipment, printers, auto leasing, telephones etc.) and service providers (consultants, designers, supervisors and cleaning service providers). In 2015, total purchase orders created by Mizrahi-Tefahot Group for suppliers amounted to NIS 527 million.

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



## Responsible supply chain management

**Supplier control:** All contracts with suppliers include a review of compliance with labor laws and ensuring human rights. In agreements signed by the Bank with suppliers, the Bank makes sure that such agreements include a requirement for suppliers to fully discharge their obligations as employers towards their employees or anyone on behalf thereof and to comply with all statutory provisions applicable to suppliers as employers.

In addition, as from 2013, the Bank's Logistics Division Manager and Purchasing Manager visit premises of major Bank suppliers. Through 2015, Bank representatives visited premises of 90% of major suppliers. This visit is accompanied by a questionnaire, designed to test suppliers based on the aforementioned criteria. Any supplier that fails to meet the criteria is liable to have their contract terminated. In 2015, no faults were found with any suppliers and no contract termination proceedings were initiated.

**Outsourced employees:** In 2015, the Bank had 65 outsourced employees. The Group also verifies that employment terms of outsourced contractors (cleaning, security and catering) are checked by a qualified payroll reviewer, in conformity with statutory provisions. In this context, in 2015 the Bank discontinued its contracting with two security firms which did not properly cooperate on an audit of their premises by the Bank's authorized wage auditor.

Furthermore, as part of the Bank's business continuity plan, the Bank verifies that all suppliers classified as critical service providers during emergency would be able to provide their services to the Bank. This is designed to ensure that even during a "business continuity" event, the Bank could continue to provide service to its customers in as much as possible. The Bank policy was also revised to ensure supplier compliance with a proper information security policy and compliance with national laws.

# Targets

## Achievement of 2015 targets

Target	Status
Conduct pilot of "Money Road" financial training with Arab youth and launch activity in the Arab sector.	Done
Intensify community activities in the Arab sector, concurrently with opening new branches in this sector.	Done
Increase customer involvement in social projects.	Done
Intensify connection with the community in Lod.	Done
Bank Yahav - develop leadership program for Ethiopian community children.	Done
Intensify connections with institutions of higher education.	Done
Expand operations in education and social areas.	Done
Increase number of participants in Small Business College by over 20%.	Done
Conduct regional and branch conferences for small businesses.	Done
Conduct conference for customers of the Bank's Business Division.	Done
Update procedure for contracting with suppliers, to include reference to corporate social responsibility issues.	Done
Purchasing - review and monitor to ensure that suppliers are in compliance with environmental and employment laws.	Done
Maintain local purchasing for the Group as an absolute majority of purchasing.	Done
Expand supplier control visits.	Done

## Future targets for 2016

- ∞ Increase by 10% the number of participants in financial training.
- ∞ Complete translation of the "Money Road" kit to Arabic and make it available on the Bank website.
- ∞ Increase by 15% the number of participants in Small Business College.
- ∞ Increase by 50% the number of Arab sector students who take part in extra-curricular activity in Hebrew, as part of the "Spoken Hebrew" project.
- ∞ Expand and intensify connections with institutions of higher education.
- ∞ Intensify connection with the community in Lod and develop other ventures.
- ∞ Expand the "Green light for children" activity to another 250 elementary schools across Israel.

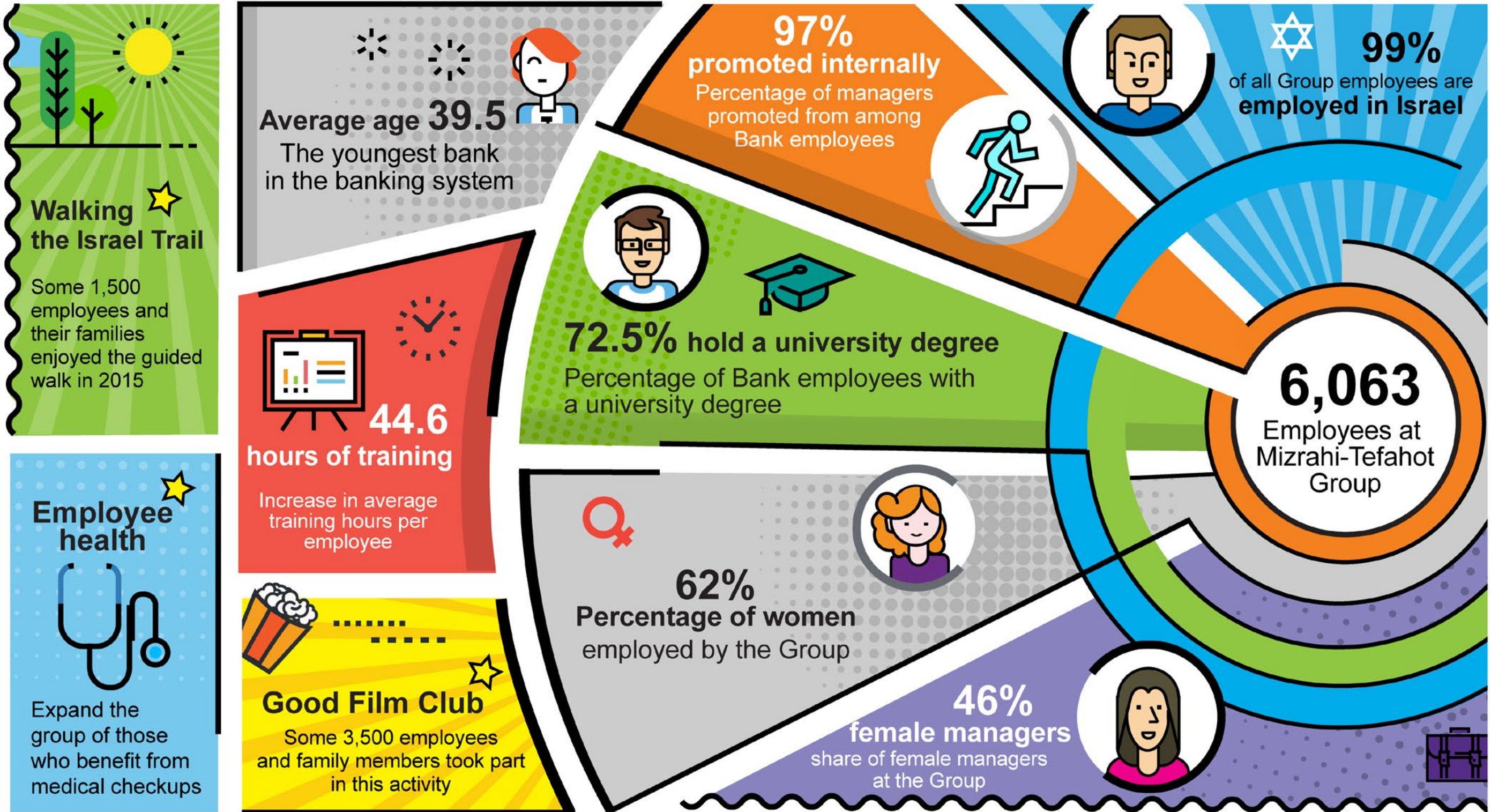


# Our employees





### Our employees in 2015 - overview



New in 2015 ★



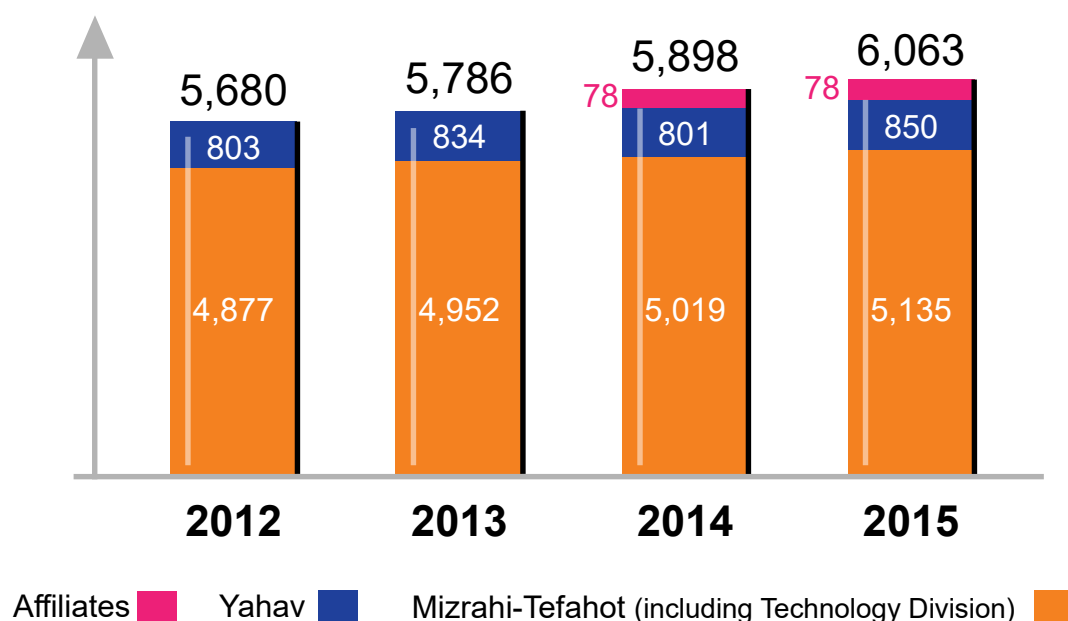


# Group commitment to its employees

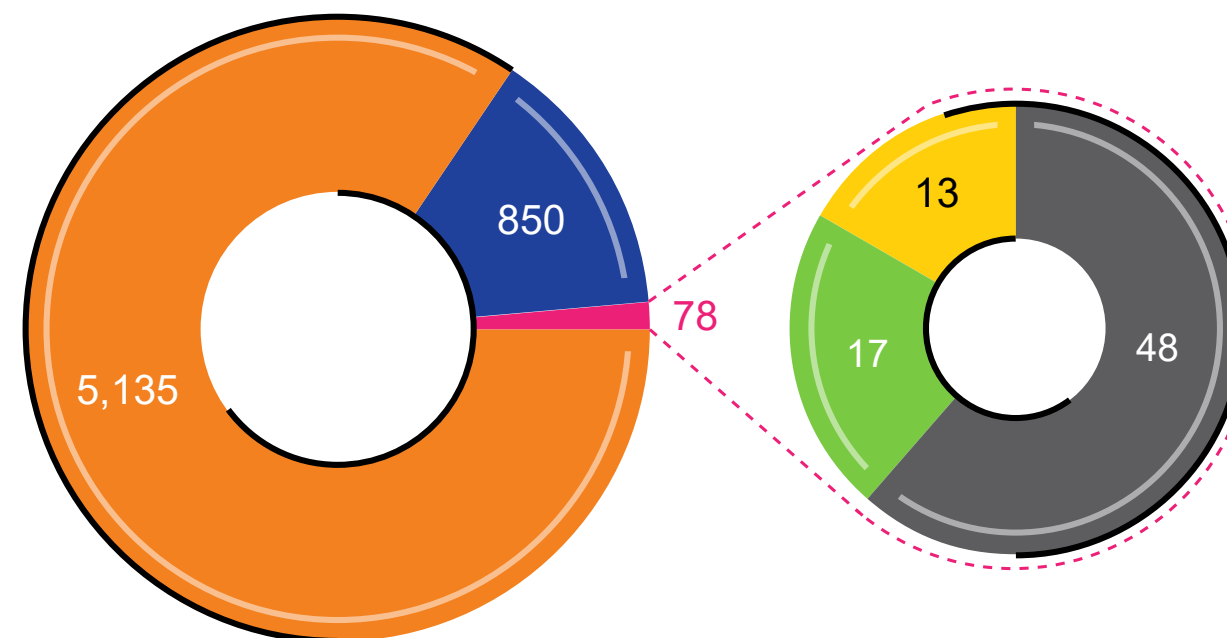
Mizrahi-Tefahot Group is committed to all its employees in Israel and overseas, and regards them as a major pillar for realizing its business strategy and growth targets. This commitment is reflected by development of a pleasant work environment with fair employment terms for all employees. The Group's capacity to listen to needs of its employees and consequently, to create a work place which provides a solution over time - turns the Group into a high-quality and sought after place of employment.

## Employee profile

As of the end of 2015, Mizrahi-Tefahot Group had over 6,000 employees at Bank Mizrahi-Tefahot (including employees of the Technology Unit), at Bank Yahav and at overseas affiliates: Switzerland, London and Los Angeles. As of December 31, 2015, the Group had 6,063 employees, compared to 5,898 employees in 2014.



Total employees - Mizrahi-Tefahot Group - 2015



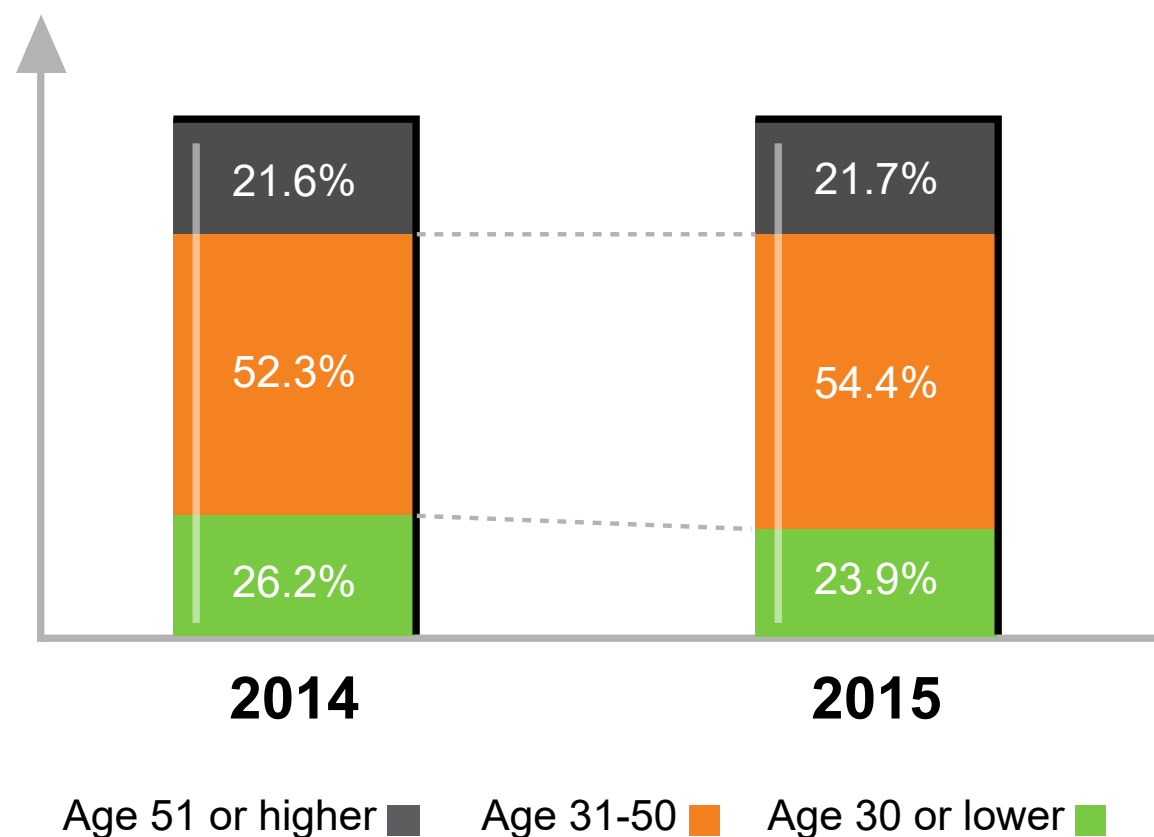
Yahav ■ Mizrahi-Tefahot (including Technology Division) ■  
 Los Angeles ■ Switzerland ■ London ■

Of all Group employees, 93% hold a full-time position and others - a part-time one (most of those on part-time are students working at the Banking Center). The Bank strives to ensure the rights of employees - and human rights in general. Therefore, the Bank does not employ children nor practices forced labor.



## Employee age

The average age for Mizrahi-Tefahot employees (excluding the Technology Division) is 39.5; the average age for the Group is 40.1. Most Group employees (54%) are aged 31-50; 24% of Group employees are aged 30 or younger and 22% of Group employees are aged 51 or older.

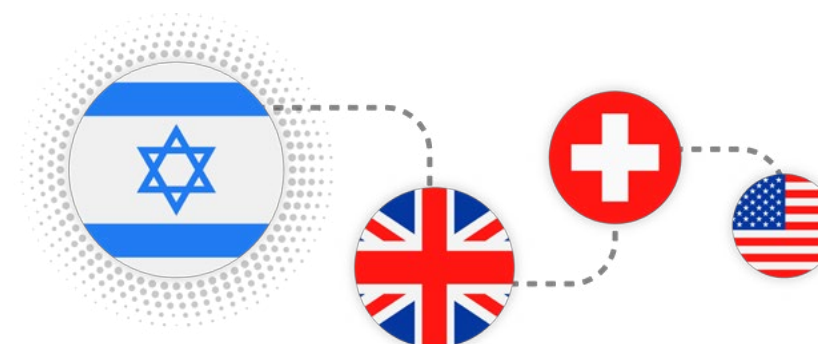


	Employment region	Number of employees	Percent of all Group employees
Israel	Haifa and North	550	9%
	Sharon	434	7%
	Tel Aviv and Ramat Gan	1,372	23%
	Dan	427	7%
	Center	487	8%
	Lod	1,004	17%
	Jerusalem region	1,104	18%
	South	607	10%
<b>Total - Israel</b>		<b>5,985</b>	<b>99%</b>
UK	London	48	0.79%
Switzerland	Zurich	17	0.28%
USA	Los Angeles	13	0.21%
<b>Total - Mizrahi-Tefahot Group</b>		<b>6,063</b>	<b>100%</b>

Overseas affiliates have 78 employees. Some were recruited in Israel and some are local employees. Bank overseas affiliates ensure that local employees are hired for various positions, including management positions. Thus, local employees account for two thirds of management at the Switzerland affiliate; 90% of management at the London affiliate; and 100% of management at the Los Angeles affiliate.

## Composition by geography

About 99% of the Group employees are located in Israel (5,985 employees). Most of these are employed in Jerusalem and surroundings, Tel Aviv, Ramat Gan and Lod. About 1% of Group employees are employed by overseas affiliates.

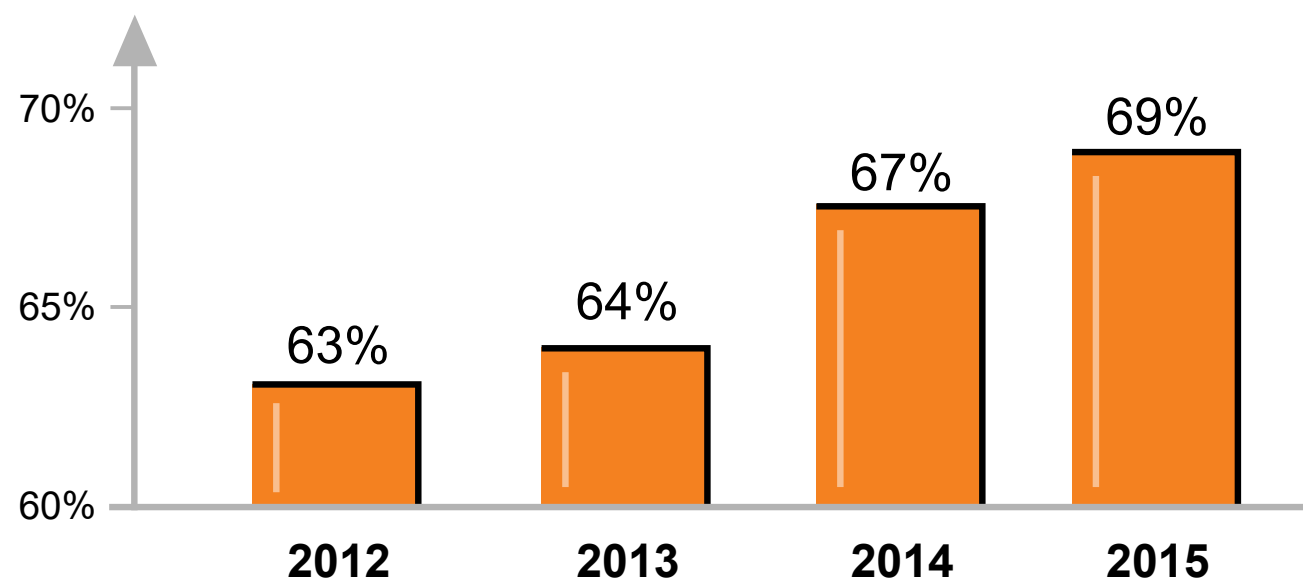




## Education

In 2015, the share of Bank Mizrahi-Tefahot employees who hold a university degree was 72.5% and 9% were university students. The share of Group employees who hold a university degree was 69%. This is an increase in the share of Group employees who hold a university degree compared to the previous year.

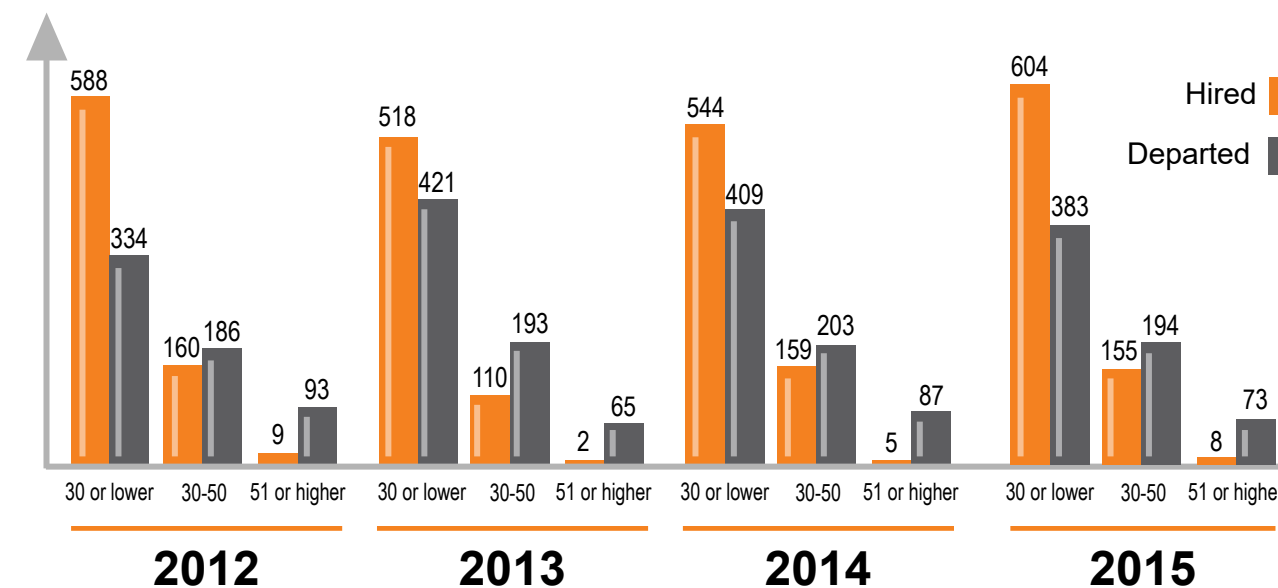
Percentage of Group employees with university degree



\* The previous report had an error in calculation of the share of Group employees who hold a university degree for 2014. The data in the chart above (67%) is accurate.

## Employee churn

The following chart shows the turnover rates for each age bracket, an indication that the Bank is a desirable work place for young employees. This chart also shows that in 2014, as in 2015, new hires outnumbered departing employees. In 2015, 767 new employees joined Mizrahi-Tefahot, of which 267 men and 500 women. In this year, 650 employees departed the Group, of which 261 men and 389 women.



Note that the high employee turnover rate for those aged "30 or younger" is due to the fact that most of the Call Center employees are typically students, whose work is highly volatile (leave their job during exams, upon completing their studies etc.)

**Return from parental leave** - In 2015, 468 female employees went on parental leave and 304 returned from parental leave. Female employees who return from parental leave resume in their previous job. Any change is made only in co-ordination with the employee.



## Promoting fair work environment and employment terms

### Our commitment:

Bank management regards all Bank employees and managers as a key component for achieving its business strategy and business growth targets. The Bank has a special policy document on handling human resources. This commitment is reflected by implementation of three key principles in Bank operations:

**Creating a respectful work environment** - The Bank regards its employees and managers as partners in the Bank's success and therefore strives to promote them and to create a supportive work environment.

**Caring for employee rights** - The Bank ensures the rights of all employees, as well as their right to join a labor union. The Bank offers its employees better working conditions than required by labor laws.

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

The Human Resources and Administration Division is in charge of implementing and promoting the work environment and employment terms at the Bank.





## Key initiatives for promoting a fair work environment

**Employee benefits:** The Group acts in three circles with regard to cross-organizational welfare: Work circle, personal life circle of employees and annual seasonal circle. These circles accompany the employee throughout their work, professional development, personal joyful occasions and, if needed, in times of crisis and distress. All Bank Mizrahi-Tefahot employees are entitled to benefits, without distinguishing between regular and provisional employees.

Work circle	Annual seasonal circle	Personal life circle
Various benefits, based on their years of service with the Bank	Benefits on holidays	Benefits on significant times in employee's life
<p><b>New hire gift:</b> Upon being hired, new employees receive a booklet listing the benefits they are entitled to, as well as a gift from the Bank.</p> <p><b>Permanent employee gift:</b> Upon becoming a permanent employee, employees receive a gift.</p> <p><b>Gift on promotion:</b> Upon being promoted, employees receive a gift.</p> <p><b>Recognition and bonuses at milestones, based on years of service.</b> Upon reaching 13 years of service with the Bank, employees are entitled to a bonus from the Bank ("13th anniversary bonus"), ditto at 18 years of service ("18th anniversary bonus"). Furthermore, the Bank notes each decade of service, providing a gift on the anniversaries of the first and second decades; on the anniversaries of the third and fourth decades, in addition to the gift, employees are invited to attend a recognition event, which includes a day of extra-curricular activities.</p> <p><b>Retirement:</b> When employees reach retirement, they are invited to attend a retirement event, which includes relevant lectures for this stage and also receive a prestigious gift and recognition plaque with their name, on behalf of the Bank President.</p>	<p><b>Gift cards:</b> Employees receive gift cards on New Year and Passover as well as a gift on Family Day.</p> <p><b>Vacation:</b> Employees are eligible to receive a vacation voucher which they may use at will.</p> <p><b>Summer and holiday events:</b> In 2015, Bank employees and their families enjoyed a summer happening and events on national holidays.</p>	<p><b>Gift on personal occasions:</b> Birthdays, weddings, childbirth, child's wedding.</p> <p><b>Gift and events for employees' children:</b> Starting school, 12th/13th birthday, enlisting in military / national service.</p> <p><b>Tuition reimbursement for employees' children:</b> Tuition reimbursement for kindergarten and university, for employees' children.</p> <p><b>Support during crisis:</b> Managers, together with HR, also assist and support employees and their relatives in times of crisis or distress. When an immediate relative of an employee dies, the employee receives a basket of goods from the Bank for the ritual mourning period.</p>



**Team-building and sports activities:** The Group holds team-building events for employees. The Bank also has sports teams (basketball, mini-soccer, swimming and cycling) which meet regularly in the Northern, Central and Southern regions of Israel and in Judea. Bank athletes also compete annually at the Sportiada competitions held in Eilat.

**Israel Trail:** In 2015, the Bank launched its "Israel Trail" activity, whereby every month Bank employees are invited, for a token cost, to travel the Israel Trail, guided by trained guides.

**Good Film Club:** In 2015, the Bank launched its "Good Film Club"; employees and their spouses are invited, for a token cost, once a month to watch a selected movie at one of several cinemas around the country, along with a lecture and light refreshment.

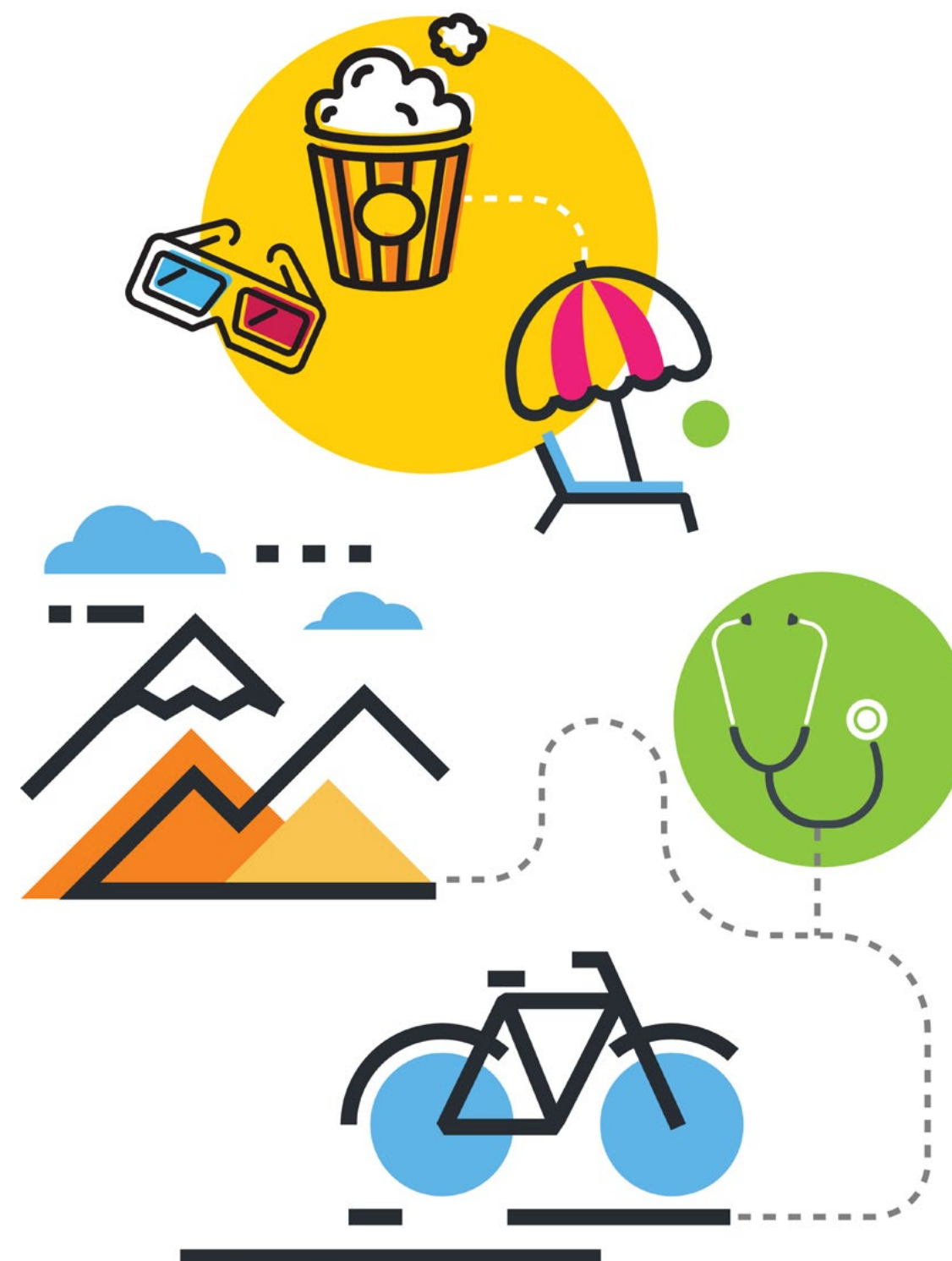
## Caring for employees' health

**Medical check-ups:** As part of caring for employees' health and well-being, in 2015 Bank management decided to expand eligibility and to also fund medical check-ups for junior managers aged 40 or higher.

A decision was also made to expand eligibility, as from 2016, to all employees aged 40 or higher.

## Benefits for Bank Yahav employees

Bank Yahav also provides employee benefits: Eligibility for study fund, summer school, scholarships, jubilee bonus, housing and clothing allowances. They are also eligible to receive benefits and bonuses on holidays and upon certain events: 25th anniversary bonus, holiday gifts (Passover, New Year, Hanuka, Women's Day and Tu BeShvat) etc.





## Diversity, equality and avoiding discrimination in employment

### Our commitment to diversity and equal opportunity employment

The Bank regularly promotes equal opportunity in the work place. This is based on recognizing the ultimate importance of the value of equality. The Bank does not discriminate against any employee by religion, ethnicity, race, gender nor any other attributes.

This commitment is based on the belief that promoting sector equality in the workplace generates social and economic value for the Bank, for employees and for all of society. Hiring employees of diverse ethnic backgrounds allows Bank customers of these ethnic backgrounds to receive service while recognizing their unique needs and providing them with an appropriate response.

Diversity is reflected in being able to hire any person to work for the Bank; equality is reflected in providing equal conditions to all Bank employees. These areas are managed by the Bank's Human Resources and Administration Division.

### Our commitment to gender equality

The Bank sees great importance in promoting gender equality in the work place. The Bank has an equal opportunity employment policy, with employees hired and promoted based solely on their skills and on needs of the Bank. Each employee's pay, in all ranks and positions at the Bank, is determined regardless of the employee's gender - but rather based on their skills, professional experience and their designated position. Therefore, there are no pay differences between men and women at the Bank.

In all areas of operation, the Bank adheres to equal pay to employees in conformity with statutory provisions, and consequently also complies with the binding minimum pay, as well as equality in terms of benefits given to employees. These areas are managed by the Bank's Human Resources and Administration Division.

### Our commitment to preventing discrimination

As part of promoting equality at the Bank, the Bank adheres to a policy for avoidance of discrimination. This applies to discrimination against both employees and customers. Avoidance of discrimination against Bank employees is reflected in processes for equal hiring, employment and promotion while avoiding any kind of discrimination. The Bank also operates an anonymous hot line and fax for employee inquiries as needed. As for customers, avoidance of discrimination is reflected in equality in customer recruitment, allowing any person to become a Bank customer, and in providing equal service absent of any discrimination to all employees. Furthermore, the Bank regularly addresses customer complaints and contacts, reviews the cases, learns lessons and acts as needed. The Bank has an improved system designed to improve analysis and composition by topic, classification and customer contacts with the department.

The issue of preventing discrimination is handled at the Bank by the Human Resources and Administration Division with regard to employee hiring and employment, by the Retail Division, Business Banking Division and Financial Division with regard to avoidance of discrimination in customer recruitment and in provision of service to customers.



## Processes for promoting gender and ethnic equality

**Equal hiring initiatives** - Mizrahi-Tefahot implements a hiring process which ensures equal opportunity to candidates of both genders and various ethnic backgrounds in Israeli society. Candidates are hired based on their skills and on Bank needs. The Group does not discriminate against any employee by religion, ethnicity, race nor any other attributes.

As part of our commitment and as part of the Bank strategy of expansion in the Arab sector, in 2015 the Bank made a concerted effort to recruit employees from the Arab sector. This recruitment was aided by NGOs "Kav Mashve" and "Al Fanar", which refer candidates from this sector to the Bank. Moreover, in 2015 the NGO "Kav Mashve" delivered training on recruiting and on-boarding employees from the Arab sector to human resource and recruitment staff, in order to adapt the recruitment and on-boarding process for this sector.

Moreover, as part of our commitment to equal opportunity and as part of preparing for application of the Employment of the Disabled Act, in 2015 the Bank put in place strategy for recruiting disabled employees and for locating relevant positions for such employees in the various departments. The first stage included mapping of disabled employees among current Bank employees. The person responsible for their employment informed them of the new Act and of their rights pursuant to this Act, inviting them to contact her with any inquiries on this matter. Meetings also took place with the Support Center for Employers of Disabled Persons, at the Ministry of Economics - as well as with various NGOs which specialize in assisting in placement of such employees. The Act would be applied and employees would be recruited for the various positions, starting in 2016.

**Equal employment initiatives** - The Group strives to promote equality in pay and in employee benefits. The Group also strictly adheres to statutory requirements with regard to employment.

- ∞ **Equal pay to men and women** - Each employee's pay, in all ranks and positions at the Group, is determined regardless of the employee's gender - but rather based on their skills, professional experience and their designated position. A recent review conducted by the Bank to compare pay for men and women in similar positions at branches and at HQ (disregarding employee-specific attributes, such as years of service and individual allowances, such as housing, mileage etc.) showed that on average, there were no significant pay differences between men and women for both employees and managers.
- ∞ **Reducing payroll gaps** - In conformity with the Bank's officer remuneration policy, as approved by the General Meeting of Bank shareholders on June 10, 2014, which the Bank implemented in 2015, the ratio of maximum monthly remuneration of the Bank President to the average remuneration of Bank employees is 22.9. The ratio of maximum monthly remuneration of the Bank President to the median remuneration of Bank employees is 28.7. Note that in actual fact, this ratio is lower - since this is the ratio for maximum compensation, whereas the actual remuneration paid to the Bank President is lower than the maximum remuneration. Executive pay at the Bank is linked to the Consumer Price Index ("CPI"), which was negative in 2015. Conversely, the pay of Bank employees is based on collective bargaining agreements which provide for automatic increase in seniority and promotion processes.





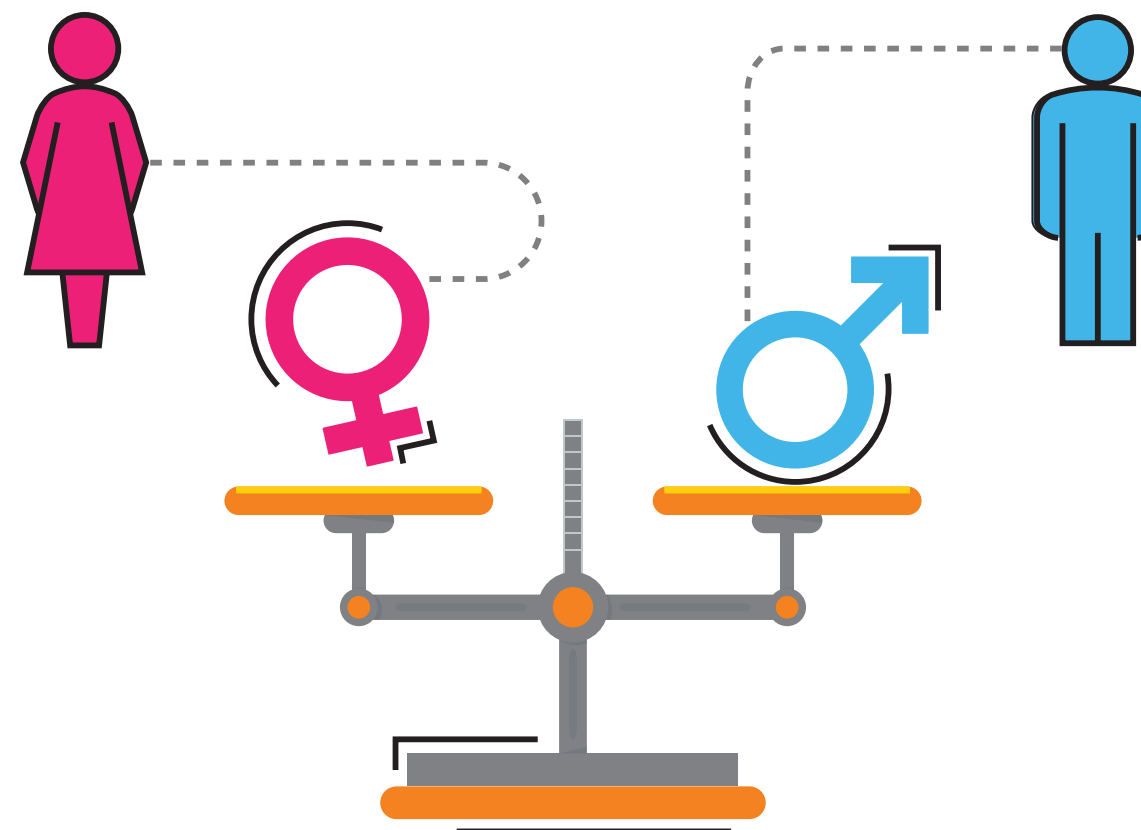
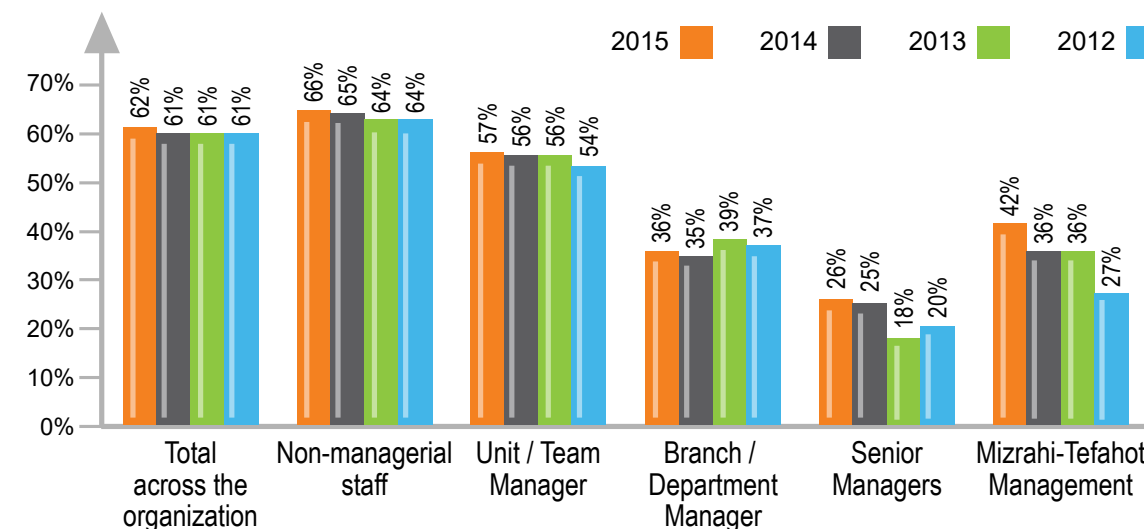
**∞ Compliance with legal requirements** - In all areas of operation, including at its overseas affiliates, the Bank adheres to equal pay to employees in conformity with local employment laws and consequently also complies with the binding minimum pay. Note that for employees employed under the collective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

**∞ Equality in employee benefits** - The Group ensures equality in employee benefits as well. Part-time and full-time employees are eligible for the same benefits, and their employment scope does not affect standard benefits, including vacation vouchers, holiday gifts, employee gifts etc. Other than standard benefits, some specific benefits are based on scope of employment, with differences between full-time and part-time employees, such as: vacation pay, clothing allowance, paid leave and sick leave. At Bank Yahav, part-time and full-time employees have equal rights, other than eligibility for study fund, summer school, scholarships, jubilee bonus, housing and clothing allowances.

**Equality in professional promotion** - The Group ensures equality in promotion of its employees of both genders. Employees are promoted based on their skills, with no discrimination whatsoever.

**Promoting women** - The percentage of women employed by the Group at the end of 2015 was 62%, an increase by one percentage point compared to 2014. The percentage of women managers was 46%, for both 2015 and 2014. In 2013, 45% of all managers were women.

Percentage of women by rank





## Staff training and development

### Our commitment:

The Bank sees great importance in professional and personal growth of its employees. Bank management regards the development of its staff and constant improvement of the professional and personal skills of Bank employees and managers, as a critical component to implementing the Bank's business strategy. Training and personal development processes are applied throughout the employee's employment by the Bank: From mentoring and certification training when starting on the job, through various training programs throughout the career, preparing for the next position through professional or management cadres and through preparation for retirement.

The Bank offers a program of courses, seminars and workshops which support the professional, behavioral and management skills required for the position at the highest standards. Courses are delivered in various fields of operations. In addition, the Bank encourages achievement and expansion of academic education of its employees, as well as extra-curricular external workshops.

The Bank maintains a dialogue with employees about their performance and targets, through evaluation and feedback processes; encourages excellence and remunerates employees through bonuses, promotion, individual awards to outstanding employees and recognition of outstanding employees.

This area is managed by the Human Resources and Administration Division.

The Mizrahi-Tefahot training center develops diverse projects, designed to deploy a "learning bank" culture where managers and employees regard learning as a continuous activity, which also takes place at their work station. Material is made available to managers and employees on the Bank's learning portal, mentoring is provided as part of starting in a new position, computer-based kits for individual learning are provided etc.

In order to improve professional skills and to streamline learning processes, a structured process is in place for testing the effectiveness of new learning content as well as of existing learning content. Testing is achieved on different levels - through feedback forms at the end of training events as well as after some time, in order to evaluate the contribution of training to improved performance in the field. In accordance with feedback received, required changes are made and their implementation is monitored.

At the end of training activities, participants complete a feedback form used to evaluate the training effectiveness. In addition, about two months after the course has ended, an additional short feedback form is sent to the participant and to their manager, in order to evaluate how knowledge has been acquired and applied during regular work. In addition, once every other month the relevant staff convenes at the training center in order to review feedback received and to decide on any changes required in order to improve training.





## Training and mentoring of employees and managers

The Group acts to provide its employees with regular and extra-curricular training through a range of programs and courses - and the training center is a strategic partner in Bank-wide infrastructure campaigns concerning change management, deployment and training.

∞ **Training, seminars and workshops** - The Bank offers seminars and workshops which support the professional, behavioral and management skills required for the position at the highest standards. The courses delivered cover the various banking topics: loans, investments, service and selling, management, work process deployment, IT deployment etc. Bank Yahav creates an annual training plan for all employees, based on the Bank's work plan and needs. This plan is disseminated to all employees. Special emphasis is placed on regulatory training - a deployment method for each regulation, adapted for its complexity and for its relevant target audience. Training also refers to deployment of new content among employees and managers, as well as to maintaining and refreshing skills over time.

∞ **Academic education** - The Bank encourages achievement and expansion of academic education of its employees, as well as extra-curricular external workshops.

∞ **Extra-curricular classes** - The Bank offers its employees various extra-curricular courses for enjoyment and for development of skills - even beyond what is needed for their position. Examples include: CPR training provided in cooperation with EMS, language training courses and extra-curricular lectures on various topics, presented by senior lecturers from the business and academic worlds as part of the "Etz HaDaat" (tree of knowledge) project.

∞ **Mentoring and certification training** - The Bank emphasizes professional and managerial mentoring. Every employee starting in a new position is mentored by a colleague and by the unit manager, using a specified mentoring program. Employees attending managerial courses are mentored by other managers at various levels.

Average training hours by gender and rank

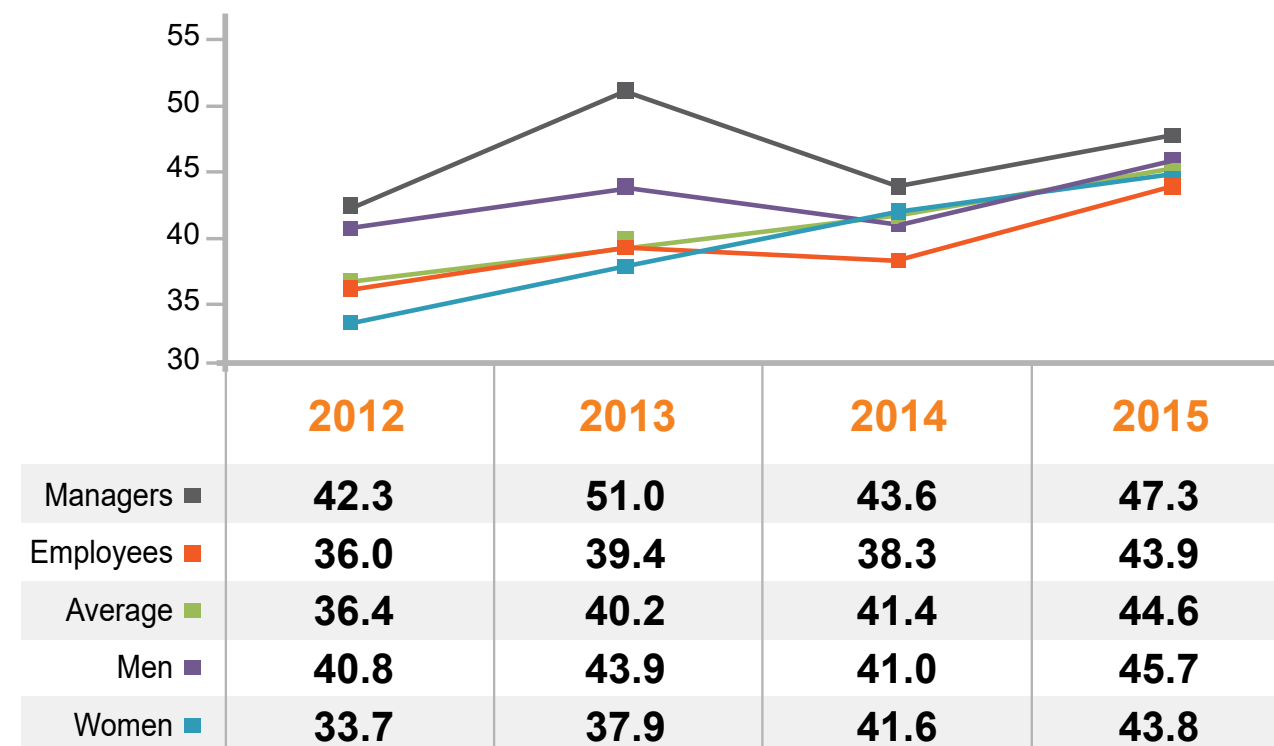


Table data shows an increase in the average number of training hours at the Bank. Furthermore, the gap in training hours between managers and employees was reduced.

Data for women includes those on parental leave who are not actually at work, which explains the difference in average training hours for men and women, especially given the very young population of Bank employees, which means parental leave is common.



## Career development tracks

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

### Programs for current managers:

∞ **Manager development program** - This program is intended for branch-, department - and other managers. The program consists of multiple courses, individual advice and extra-curricular seminars.

### Programs for future managers:

∞ **Training program for future positions** - This program is for employees who are starting their professional career and for managers found to be suitable for promotion within the organization. As part of this program, employees and managers are identified for promotion and receive training including: "Matara" (purpose) program for training managers for senior positions, advanced management course and employee training program for future professional positions (business management cadre).

∞ **Manager training at Bank Yahav** - The Bank offers a management cadre training course, intended for training of managers on different levels. This course is delivered annually and attended by 15 employees at a time. These employees are selected based on screening tests and interviews, which may be undertaken by any employee with the appropriate seniority and experience.

As part of the commitment to employee development, the Group encourages internal promotion and appointment of managers from among Bank employees. In 2015, 97% of management appointments were promotions of Bank employees, compared to 94% in 2014.

## Employee remuneration processes

The Bank has several processes in place for providing remuneration and incentives to employees. These include:

- ∞ **Promotion by rank** - Based on a recommendation by management, the Board of Directors decides on employee promotion by rank, based on employee performance over the past year and as recommended by their supervisors.
- ∞ **Individual bonus** - Once a year, the Board of Directors decides on the award of a bonus, its rate and distribution. Bonus eligibility and amount are determined, for each employee, based on their achievement of targets and on their supervisors' recommendation. Part of the bonus is paid uniformly to all employees, and another part is paid based on personal performance of the employee and their contribution to the Bank's success.
- ∞ **Outstanding employees** - The Bank recognizes outstanding employees at both the balance sheet conference, where outstanding employees are recognized by Bank management and at the outstanding employee event, attended by the Bank President. Outstanding employees are selected by recommendation of their supervisor, their achievements and their contribution to the Bank.
- ∞ **Individual awards** - The branches offer a program of incentives and remuneration (individual or group-based), based on excellence in various benchmarks, in branch activities and in special drives. Remuneration is typically paid at the branch level and is designated for team building and leisure activities for branch employees. Bank headquarters awards individual prizes in recognition of employees who posted outstanding achievements in their work.



∞ **Efficiency improvement suggestions by employees** - The Bank sees great importance in promoting innovative initiatives and in improving work processes and customer service processes. The Bank operates a committee for "promoting initiatives for improvement, savings and streamlining", whose role it is to discuss employees' suggestions for improvement and streamlining of work processes. The committee convenes quarterly to discuss the suggestions submitted. The best suggestions are implemented by the Bank and awards are given to those who made these suggestions. These awards are presented at a grand ceremony, attended by the Bank President & CEO. This is a positive tradition very successfully deployed at the Bank, which is an important value in the Bank's organizational culture. In 2015, employees submitted 1,000 suggestions for improvement, compared to 900 in 2014.

## Caring for retiring employees

As part of its responsible employment policy, the Group cares for employee wellbeing - even after their retirement from the Group.

- ∞ **Employees retiring at the legal retirement age** are eligible to a pension from the pension fund. Contributions to this fund on behalf of Bank employees are made in conformity with the law.
- ∞ **Employees retiring before the legal retirement age** - Employees confirmed for early retirement have two tracks available to them: the early retirement track and the increased severance pay track. Employees taking early retirement are eligible to receive professional counseling by an external company. Retiring employees in these tracks are also eligible for Bank assistance in financing training courses.

Employees retiring from the Bank at the legal retirement age, as well as employees taking early retirement, are invited to attend a retirement workshop and are eligible to benefits in account management, holiday gifts as well as cultural events organized by the Retiree Council.

Bank Yahav offers an increased severance pay track for employees taking early retirement. In 2013, the Bank launched a retirement program, whereby the Bank financed individual retirement counseling for retiring employees and for employees designated for retirement, whereby a multi-year financial plan was created for each employee. The Bank continue this activity in 2014 and in 2015. Bank Yahav retirees enjoy various benefits, such as holiday gifts or attending general interest courses and leisure activities. The Bank also provides a budget for the Retiree Council and for trips and lectures for Bank retirees.





## Labor / management relations

### Our commitment:

The Bank maintains a continuous dialogue with employees and with employee representation and ensures that employee rights are maintained.

The Bank informs employees in advance of organizational changes, so that all parties involved may find the optimal solution in full co-operation. All re-organization takes place with professional assistance, sharing change leadership with managers.

Upon termination, the advance notice period takes into consideration the employee's needs and system constraints - but no less than required by law. The Human Resources and Administration Division is in charge of this area at the Bank.



### Collective bargaining agreement applicable to employees

At Mizrahi-Tefahot, 94% of employees are employed in conformity with a collective bargaining agreement (including the Technology Division and excluding overseas affiliates). At Bank Yahav, 764 out of 851 employees (or 90%) are employed in conformity with a collective bargaining agreement. In total for the Group (Mizrahi-Tefahot, Bank Yahav and the Technology Division, excluding overseas affiliates), 93% of all employees are employed in conformity with a collective bargaining agreement. All other Bank employees are employed in conformity with individual employment contracts.

### Maintaining employees' right to unionize

**Employee unions** - 94% of all Bank employees are represented by one of three different employee unions: Mizrahi-Tefahot Employee Union, Council of Managers and Authorized Signatories and Mizrahi-Tefahot Technology Division Ltd. Union.

In 2015, an arbitration process was launched in advance of signing a new payroll agreement, between Bank Mizrahi-Tefahot and the Mizrahi-Tefahot Employee Union. In 2015, all of the Group maintained proper labor relations with no unusual events or strikes.



## Dialogue with employees

Mizrahi-Tefahot sees great importance in maintaining a constant dialogue with Bank employees and managers, as part of the Bank's responsible employment policy. The Group operates in two channels to extend the dialogue with employees:

- A. Providing feedback to employees.
- B. Maintaining a dialogue with employees and expanding intra-organizational communication.

### Providing feedback to employees

The Group ensures that employees receive regular feedback about their performance. In 2015, 100% of Mizrahi-Tefahot employees received feedback in a personal talk or meeting. At Yahav and at overseas affiliates, all employees received feedback in 2015.

Feedback is provided in a personal talk. Prior to the evaluation date, workshops are provided on this topic and an explanation of the evaluation process is disseminated. Workshops on employee evaluation are provided as part of the management training process as well.



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

In order to foster an organizational culture of open discourse, the Group acts on these fronts:

- ∞ **Accessibility to employees** - Maintaining constant contact with all employees, through HR staff frequently present at all units. The Human Resource Division hot line provides a venue for employees' questions.
- ∞ **Direct encounters** - In order to allow for direct encounters between management and employees, Bank management and senior executives visit all units and branches.
- ∞ **Forums** - The Bank operates various forums, such as the Management Forum and the Ethics Forum. The Bank also has an Internal Communication Forum, consisting of representatives of all units and branches, which convenes periodically to discuss ways to improve internal communication.
- ∞ **Encounters of senior executives and employees** - In a project where Bank executives deliver lectures to employees, presenting the division they manage - as part of banking courses - had senior executives delivering lectures to 14 courses.
- ∞ **Monthly information bulletin "Among Us Online"** - In 2015, the Bank issued 6 issues of "Among Us Online" for a total of 28 issues to date, with an average of 1,200 employees who read the various articles.
- ∞ **Current intranet website** - Provides information about all Bank operations.



# Targets

## Achievement of 2015 targets

Target	Status
Promote inclusion of employees from diverse backgrounds, through contact with NGOs that specialize in recruitment from such segments.	Done
Expand benefits and welfare activities for employee family members, such as: film club, excursions etc.	Done
Team-building activities for all branches.	Done
Gifts to employees upon promotion.	Done
Including Bank retirees in other areas, including: contribution to the community or film club.	Done
Review and provision of benefits to junior managers at the lowest levels.	Done
Improve employee hiring and job training processes.	Done
Take further action to improve internal communication.	Partially done A new website, listing all benefits for Bank employees, would be available in 2016.
Increase training activity to headquarters staff.	Done
Improve transparency in providing training-related information to employees.	Done

## Next steps with employees: Targets for 2016

- ∞ Implement the decision to expand eligibility for medical check-ups to all Bank employees aged 40 or higher.
- ∞ Increase the number of employees with disabilities hired by the Bank.
- ∞ Retirees: In 2016, too, Bank retirees would be invited to various Bank activities - in order to maintain and reinforce the connection with them.
- ∞ Improve internal communication: Improve intra-organizational communication by using a dedicated website to list all employee benefits and rights.



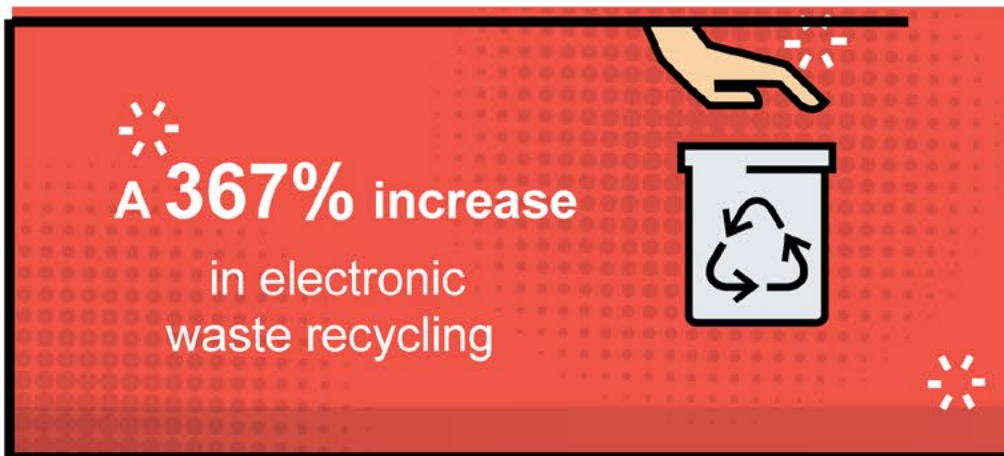
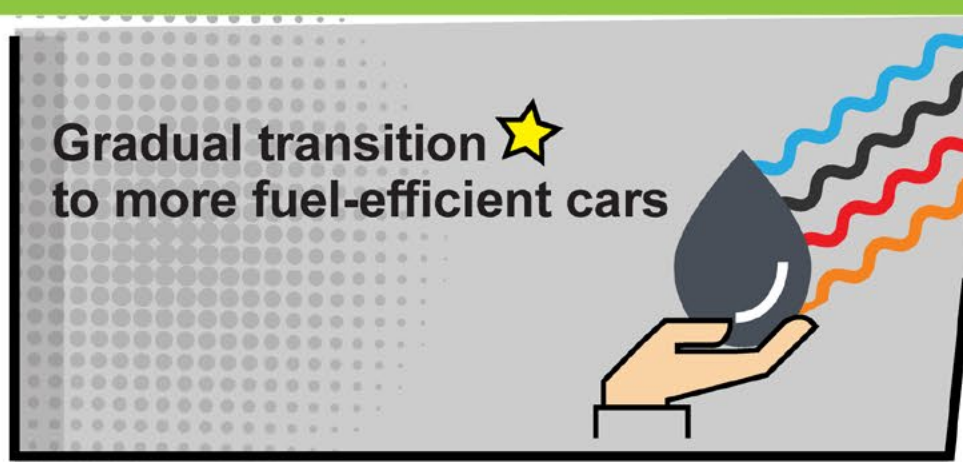
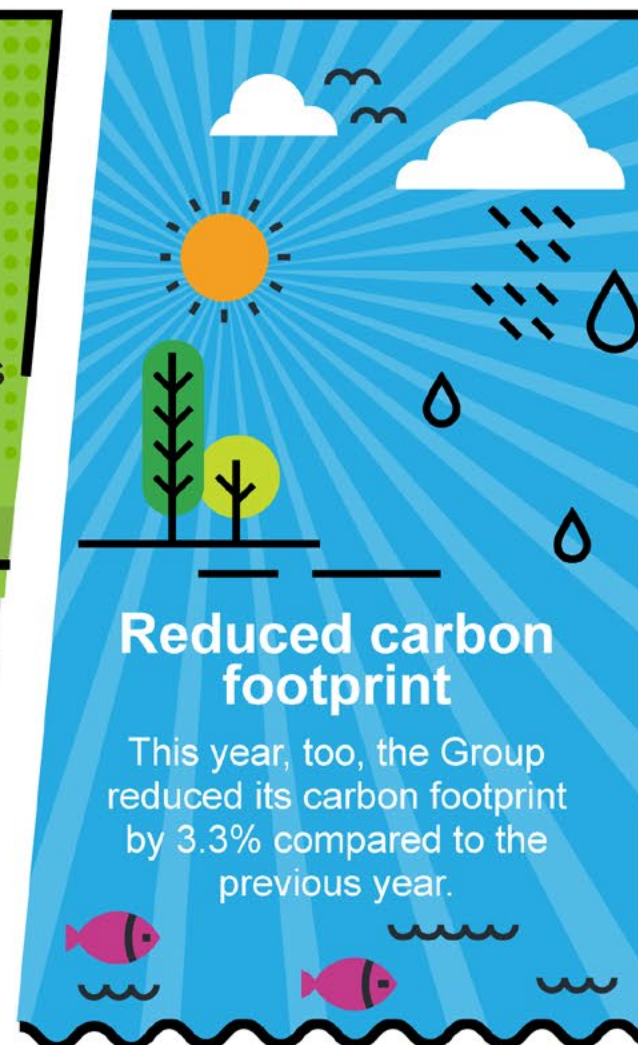
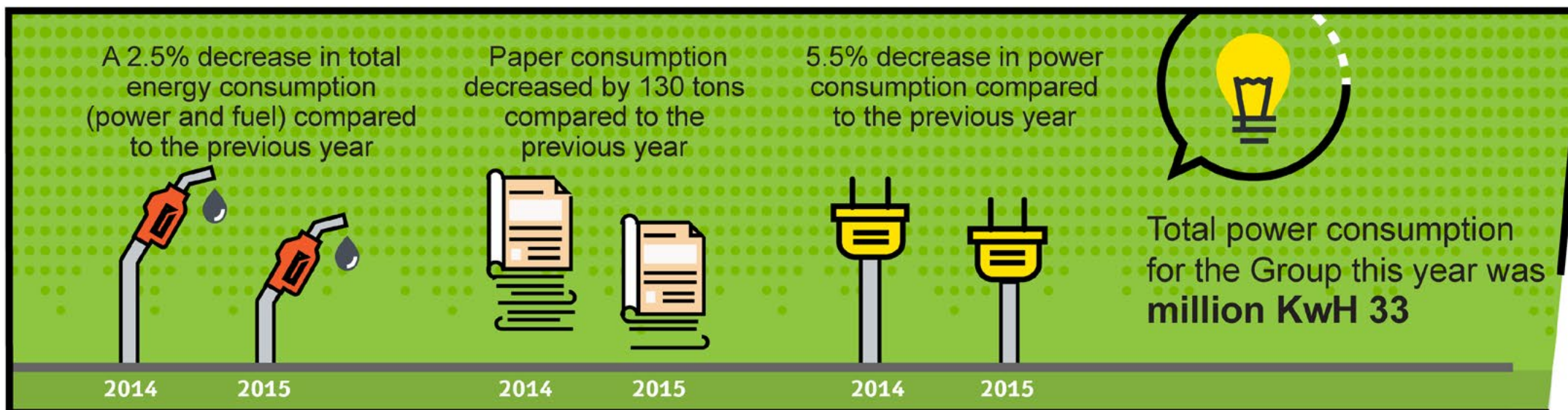




# The environment and Us



## The environment and Us in 2015 - overview



New in 2015



## Group responsibility for the environment

The Group recognizes the impact of its operations on the environment and on the Earth's climate, primarily due to resource consumption and incorporating environmental considerations in decision making when extending loans. Therefore, the Group strives to minimize the negative environmental impact of its operations by reducing material consumption, improving energy efficiency and managing environmental risk.

## Group commitment to managed resource consumption

The Bank recognizes that its operations impact the environment. Bank operations are primarily office work; therefore, in order to reduce this impact, the Bank strives to reduce its material consumption. The major resource consumed by the Bank is paper. Environmental management is mostly carried out on these three fronts:

**Reduce paper consumption at the Bank** – As part of the Bank's commitment to reduce paper consumption, the Bank strives for more intelligent use of paper in printing (at branches, in printing centers and for customer mailings) by purchasing recycled paper and by transitioning customers to electronic mailing (as permitted by the Bank of Israel).

**Waste recycling and processing** - The Bank sees the importance of reducing its negative environmental impact due to waste generated in the course of business and therefore, the Bank operates multiple waste recycling initiatives. Waste recycling is focused in four key areas: paper, bottles & cans, printer ink & toner cartridges, and surplus electronic products.

**Compliance with environmental regulation** - The Bank complies with all applicable laws, including environmental legislation.

This matter is handled at the Bank by the Logistics Department of the Human Resources and Administration Division, which implements Bank targets in this area.



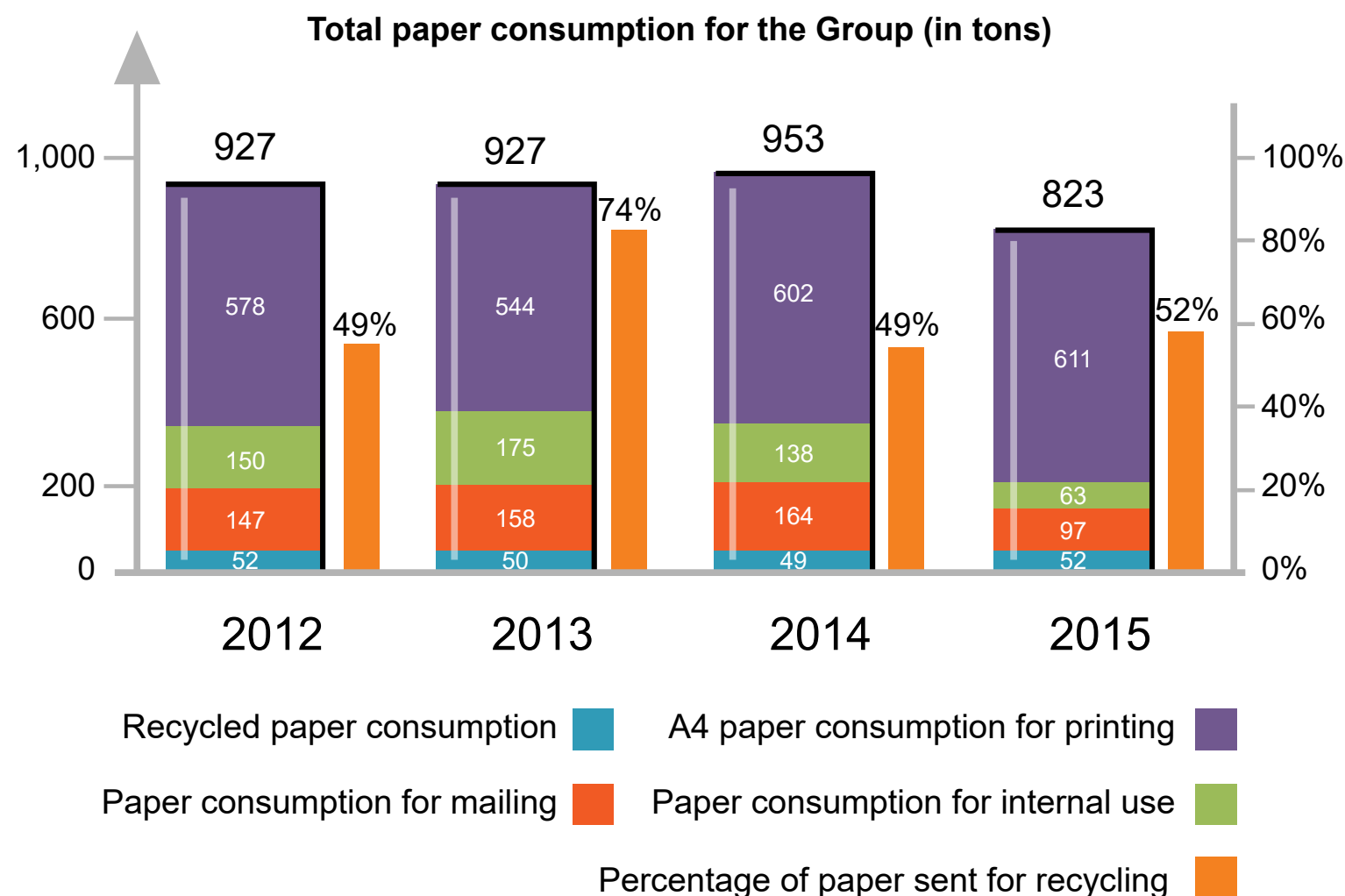
## Reducing paper consumption

Mizrahi-Tefahot Group primarily uses paper for printing reports, forms, letters to customers etc. In 2015, the Group reduced its total paper usage; the total paper consumption for the Group was 823 tons of paper, compared to 953 tons of paper in 2014. Note that a large share of paper is produced for customers and delivered to them in conformity with Bank of Israel directives.

The reduction of paper consumption was due to transition to double-sided printing and to digital archiving of some of the documents generated by branches. Along with efforts to reduce consumption, the Group acts to include

purchasing of recycled paper, such as toilet paper and paper towels. In 2015, the Group purchased 52 tons of recycled paper for these uses, or 6% of overall paper consumption for the Group.

In late 2015, the Bank launched the "Paperless Branch" project, with gradual transition to signatures using screens, as an alternative to signing on paper for cashier (teller) customers. Concurrently, paper generated by branch operations would be directly archived in an electronic archive, to replace physical filing. These campaigns will be intensified in the Bank's work plans for coming years - for branches as well as for HO units.



## Waste recycling and processing

Waste processing at the Bank is focused in three key areas: Paper waste, electronic waste and printer ink cartridges.

Waste type	Processing type	Disposal destination	Volume in 2013	Volume in 2014	Volume in 2015	Change compared to 2014
Paper waste	Send to recycling	KMM	688 tons	470 tons	428 tons	-9%
Processing of electronic waste	Scrap	Shuru and Ecommunity	2 tons	3 tons	14 tons	367%
Processing of ink and toner print cartridges:	Shredding	KMM and Cahila	15,053 units	13,654 units	16,271 units	19%

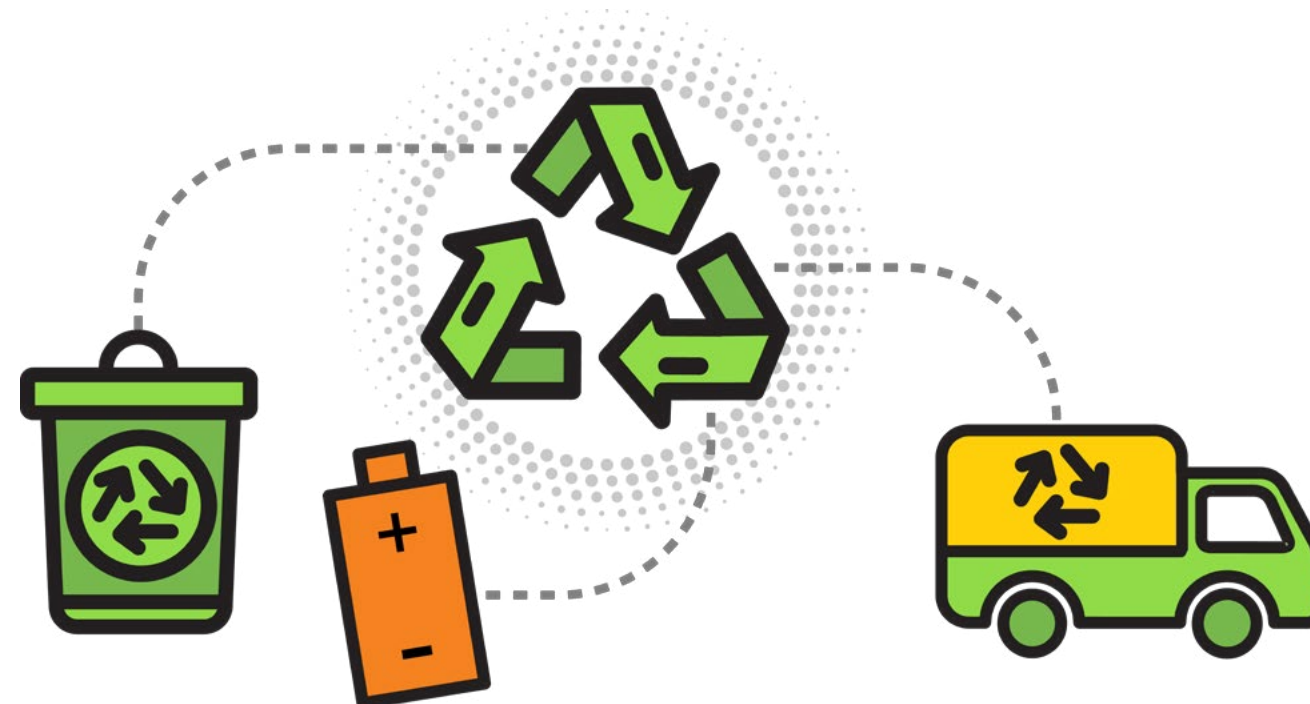
In 2015, the Group sent 428 tons of paper for recycling, or 52% of paper consumption this year, compared to 470 tons in 2014 (or 49% of total paper consumption). In 2014, the Bank temporarily discontinued sending archive materials to be shredded, due to regulatory requirements. Hence, in this year too, the decrease in volume of paper sent for recycling this year compared to 2013. This material would be processed in coming years (15,000 containers annually).



## Campaigns to promote recycling by employees

As part of diverse actions taken by the Bank to deploy the values of sustainability, a decision was made this year to launch campaigns designed to promote recycling by employees. These campaigns focused in particular on recycling of bottles, batteries and electronic waste. In order to increase employee awareness of this matter, the Bank placed special signage to promote recycling. In each of the designated areas, these campaigns were successful and achieved great cooperation and satisfaction among employees.

- ∞ **Recycling of bottles** – The Bank has placed containers for collecting cans and bottles. The bottles are processed by recycling company Asufta and we contribute the money received for deposits on these bottles to families in need.
- ∞ **Recycling of batteries and electronic waste** – The Bank is part of Ecommunity, a social corporation for recycling of electronic waste which employs and includes employees with disabilities; together with Ecommunity, the Bank has placed containers for collecting such waste across the Bank.



## Improved energy efficiency

The Bank recognizes the importance of reducing its own energy consumption, both for monetary savings and for reducing negative environmental impact. To this end, the Bank manages and measures its energy consumption and operates several initiatives to improve energy efficiency. The Bank operates a Committee on Improved Energy Efficiency, consisting of professionals from the Logistics Division and professional advisors regularly employed by the Bank on these topics. The Committee is tasked with review of all options available to the Bank to acquire more advanced systems to allow for analysis and control,

thereby allowing the Bank to reduce its energy consumption (power, AC, water leaks etc.) The Committee provides ideas for potential savings on matters of energy management, such as specific adjustment of the temperature of cold water used in cooling units based on external temperature, working hours etc., turning off lights or AC units in bulk after business hours etc. The Bank set an objective of developing a control system to measure the reduction in energy consumption due to implementation of these programs.

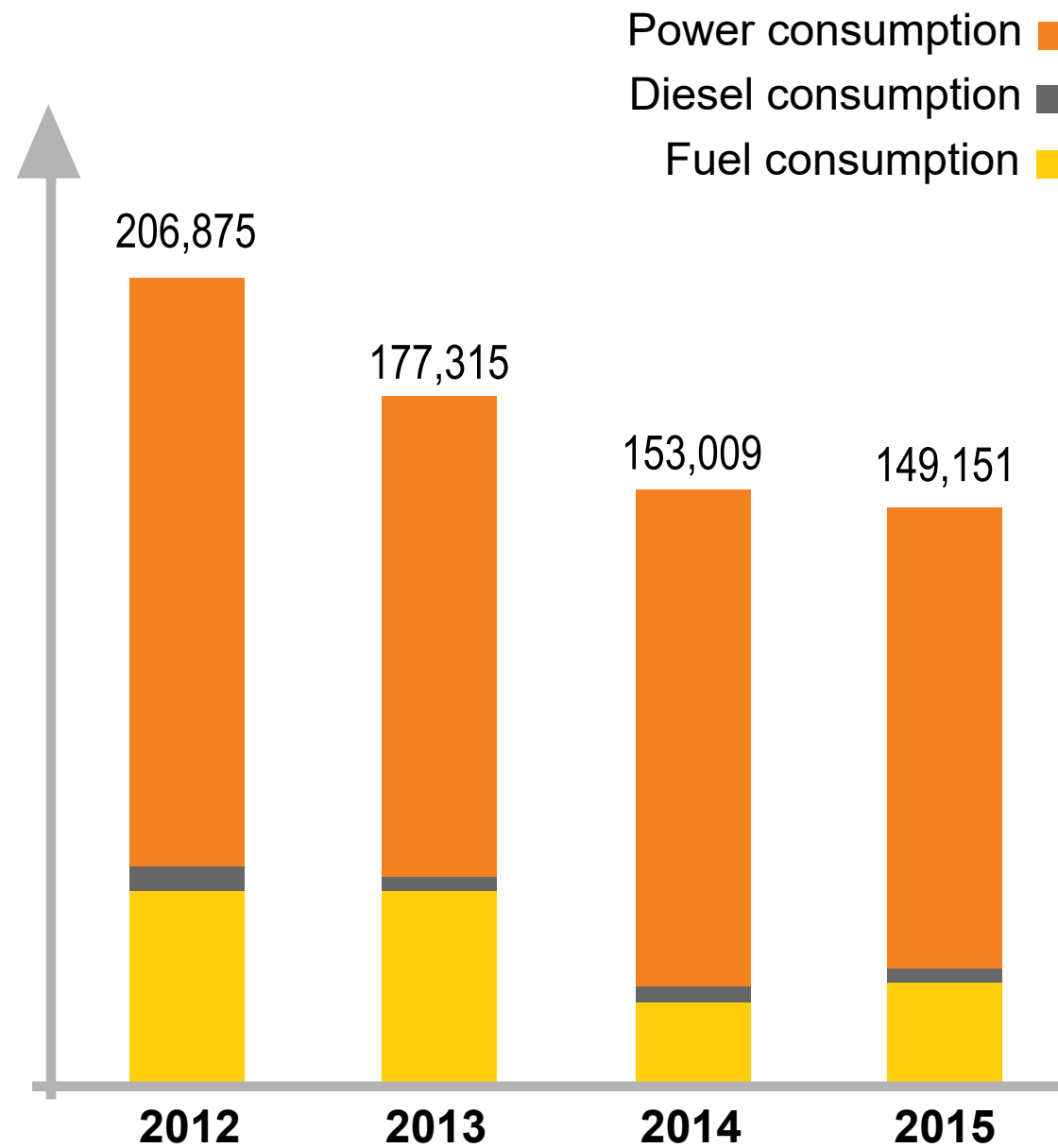
Composition of total energy consumption for the Group is as follows:

### Energy consumption at Mizrahi-Tefahot Group

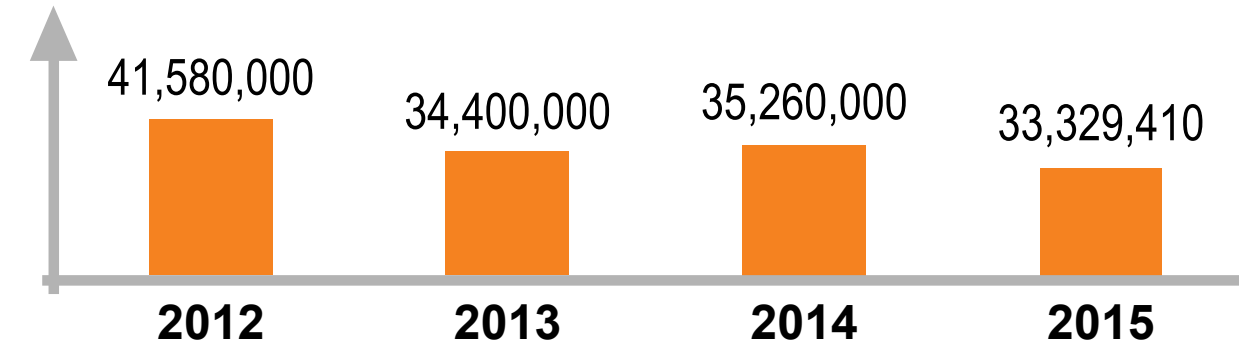
	2015	2014	2013	2012	Change compared to 2014
<b>Total power consumption (KwH)</b>	<b>33,329,410</b>	<b>35,260,000</b>	<b>34,400,000</b>	<b>41,580,000</b>	<b>-5.5%</b>
Total power (GJ)	119,986	126,936	123,840	149,688	-5.5%
Consumption per employee (KwH)	5,479	6,058	5,945	7,320	-9.3%
Bank area (m2)	125,800	127,000	126,300	131,300	-0.9%
Consumption per m2	265	278	272	317	-4.6%
<b>Total fuel consumption (liters)</b>	<b>809,944</b>	<b>694,389</b>	<b>1,497,529</b>	<b>1,573,442</b>	<b>16.6%</b>
Total fuel (GJ)	26,518	22,735	50,916	53,497	16.6%
<b>Total diesel consumption (liters)</b>	<b>73,668</b>	<b>92,893</b>	<b>64,616</b>	<b>93,187</b>	<b>-20.7%</b>
Total diesel (GJ)	2,647	3,338	2,559	3,690	-20.7%
<b>Total energy (GJ)</b>	<b>149,151</b>	<b>153,009</b>	<b>177,315</b>	<b>206,875</b>	<b>-2.5%</b>



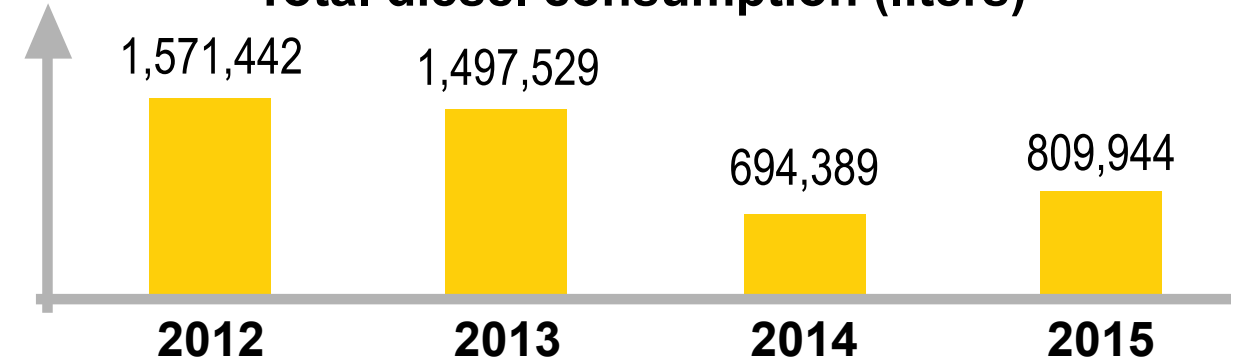
**Total energy consumption (GJ)**



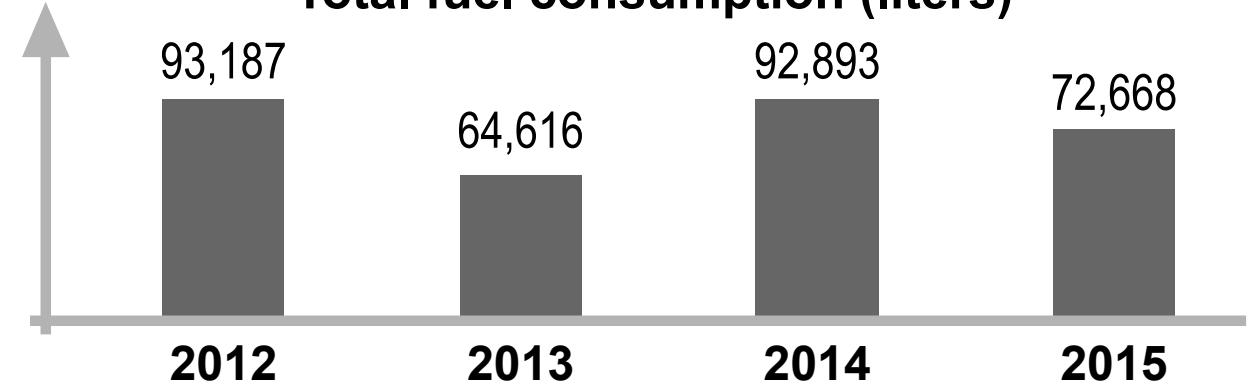
**Total electricity consumption (KwH)**



**Total diesel consumption (liters)**



**Total fuel consumption (liters)**



The above data shows a decrease by 2.5% in total energy consumption for the Group, reflected in a significant decrease in power consumption along with increased consumption of fuel - but lower consumption of diesel.



The Bank promotes multiple improved energy efficiency initiatives, including the following:

## Improved energy efficiency for consumption of electricity

- ∞ **Use of LED lighting** – Gradual replacement of lighting fixtures at Bank premises to use low-cost lighting. It is Bank policy to install low-cost lighting in any branch or facility newly constructed or refurbished.
- ∞ **Operation of control systems at HO buildings** – The system controls turning off of lights outside of business hours. The system can automatically turn off lights after business hours and reduce lighting in parking garages. The system automatically turns off the lights in each Bank headquarters building according to a pre-defined schedule. The Bank also installed a lighting control system which automatically turns off the lights in empty rooms and turns it back on when someone enters the room.
- ∞ **Power savings at Bank headquarters in Lod** – This was achieved by adjusting the temperature provided by the AC system to the desired air temperature - increasing the temperature of cold water flowing in the AC pipe system in the HO building in Lod. The adjustment is made based on specific requirements for each area. In addition, the operating schedule of the AC system was aligned with business hours in the building; sometimes, a decision was made together with the business units to concentrate activity in certain areas in order to allow the system to be disconnected in the evening hours. This matter is under review and adjustments are regularly made.
- ∞ **Use of emergency generators during regular peak hours** – According to an agreement signed in 2014 with IEC, the Bank sells electricity to IEC during peak hours, on demand, by operating its emergency generators. This was in order to help reduce peak consumption at the national level and to make use of diesel in generators at the Technology and Logistics Center. In 2015, the Bank received credit from IEC amounting to NIS 800 thousand for electricity sold in this year. Currently, a review is conducted with IEC with regard to including a third generator in this arrangement.
- ∞ **Installation of diesel circulation system in generators** – in order to expand the useful life of diesel.
- ∞ **Replacement of older, inefficient AC systems at branches** – In 2015, systems were replaced at 2 branches and replacement was considered at 3 other branches.
- ∞ **Installation of VM servers at DRP facility** – Done in 2015 at the Technology-Logistics Center and at DRP facility. This is a consolidation of computer servers, so that one physical server contains 15 virtual servers, for savings in footprint, power and AC consumption.
- ∞ **Transition from in-person meetings to video conferences** – In 2012, the Bank started installation of video conference systems at HO buildings. In 2014, a system was launched to measure the number of such meetings, to allow the Bank to better estimate the savings due to this initiative. In 2014 there were 9,900 video conference calls, compared to 11,500 calls in 2015 - a 16% increase. These calls result in fewer people traveling between Bank facilities and in savings on fuel, cost of public transportation and work hours.



## Improved energy efficiency for consumption of fuel

- ∞ **Creation of shuttle system** – In 2015, the Bank decided to discontinue approvals for travel by taxi between Bank HO in Ramat Gan and Lod for employees traveling for meetings; instead, the Bank created a shuttle system between these two facilities, for the convenience of employees. The shuttle system for employees traveling to and from the Technology-Logistics Center requires those employees to book in advance - and the shuttle operator matches the shuttle van size to the number of actual passengers.
- ∞ **Carpooling** – The Bank encourages employees at the Technology-Logistics Center to carpool, by rewarding employees who gave rides to other employees and who have accumulated a specified number of signatures on a specially designed card.
- ∞ **Transition to fuel-efficient vehicles** – As from 2015, work vehicles of the Bank's Technology Division were changed to smaller, more fuel-efficient ones. This trend should continue in 2016 with work vehicles of the Bank's Logistics Division and those of subsidiary Mizrahi-Tefahot Security Services.

## Other efficiency improvements

- ∞ **Efficient space utilization** – The Bank regularly reviews the efficient utilization of all its assets. In case of need for additional work stations, the first planning option considered is how to do so without any additional space. The Bank also regularly reviews and carries out sale / return of surplus space.
- ∞ **Recycling of furniture for use by the Bank** – When a property is sold / returned, the Bank reviews if the furniture can be used elsewhere at the Bank - and if so, the furniture is relocated.





## Carbon footprint

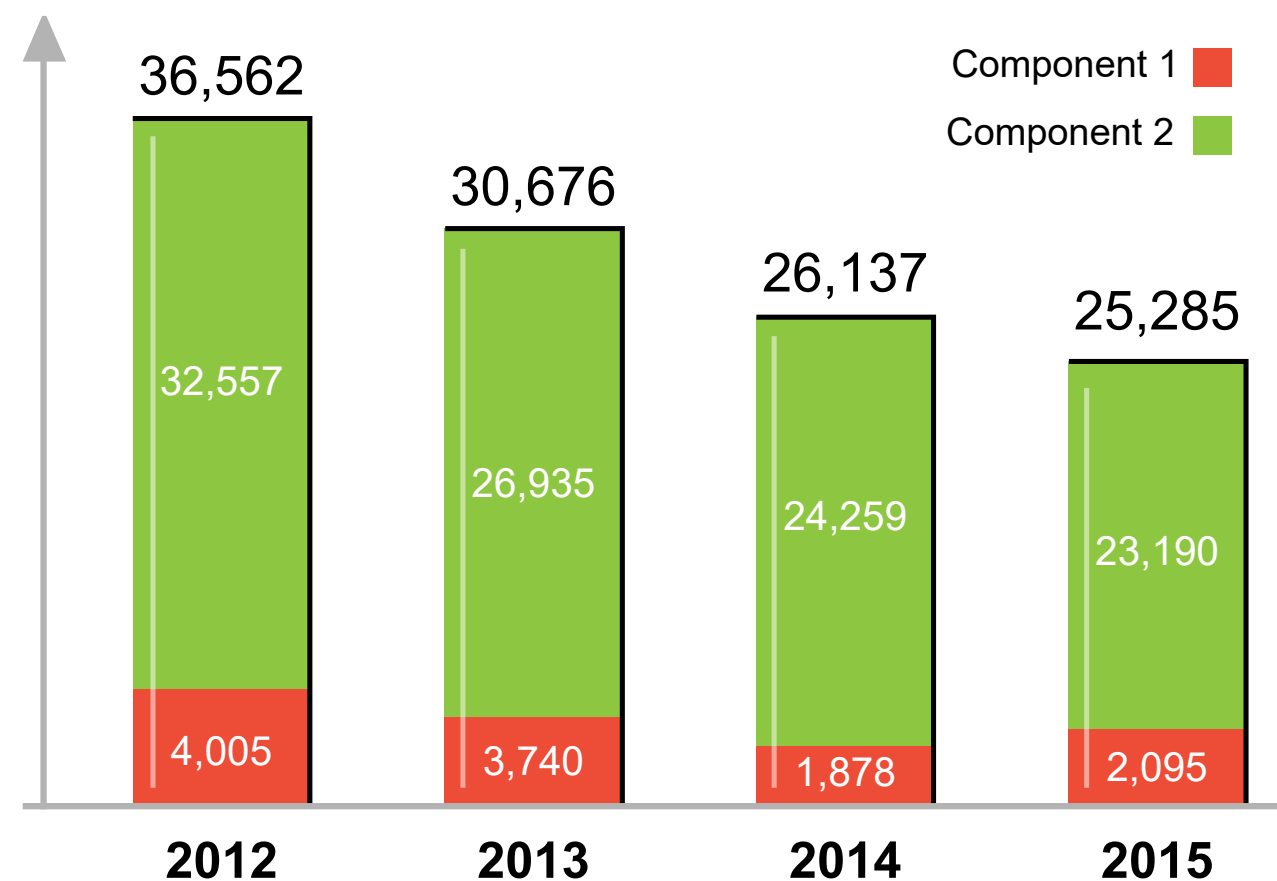
As part of the goal of reducing the harmful effect on the environment and on climate change, Mizrahi-Tefahot Group has been measuring, for the fourth year running, direct greenhouse gas emissions caused by consumption of gasoline and diesel (Group 1) and indirect emissions caused by consumption of electricity at the Bank (Group 2). Data for 2015 shows an increase in direct emissions (fuel) along with a decrease in indirect emissions (electricity); overall, the trend of lower total carbon footprint continues.

Mizrahi-Tefahot Group's carbon footprint

	2015	2014	2013	2012	Change compared to 2014
Component 1 – direct emissions (CO2e)	2,095	1,878	3,740	4,005	11.6%
Component 2 – indirect emissions (CO2e)	23,190	24,259	26,935	32,557	-5.5%
Total carbon footprint(CO2e)	25,285	26,137	30,676	36,562	-3.3%

\* In 2012-2013, the fuel consumption of all vehicles leased by the Bank was measured (including those not paid for by the Bank). In 2014, fuel consumption was only calculated for vehicles leased and paid for by the Bank.

Bank's total carbon footprint (CO2e)





## Dialogue on environmental issues

- ∞ Mizrahi-Tefahot Group maintains a dialogue on environmental issues, focused on discourse with relevant industrial customers about the environmental impact resulting from their operations. In this regard, the Group is striving to understand how they confront the environmental risk associated with their operations, as applicable.
- ∞ During visits by the Logistics Division to strategical suppliers, they administer a specific questionnaire on environmental issues. This questionnaire tests the extent to which suppliers act in conformity with social responsibility, including environmental aspects thereof. This questionnaire poses the following questions to suppliers: Where is waste disposed? How is waste processed? Are the company premises in a "green" building? How does the company relate to "green" standards? etc.
- ∞ The Bank maintains a dialogue with organizations and NGOs on environmental issues, where ideas are raised for activities in which the Bank could contribute to environmental protection. Several projects resulted from this dialogue: recycling drink cans and bottles, recycling medications, recycling batteries, recycling electronic waste, carpooling, environmental initiatives as part of the ZAZIM project etc. The Bank includes its employees and customers in these activities.



# Targets

## Achievement of 2015 targets

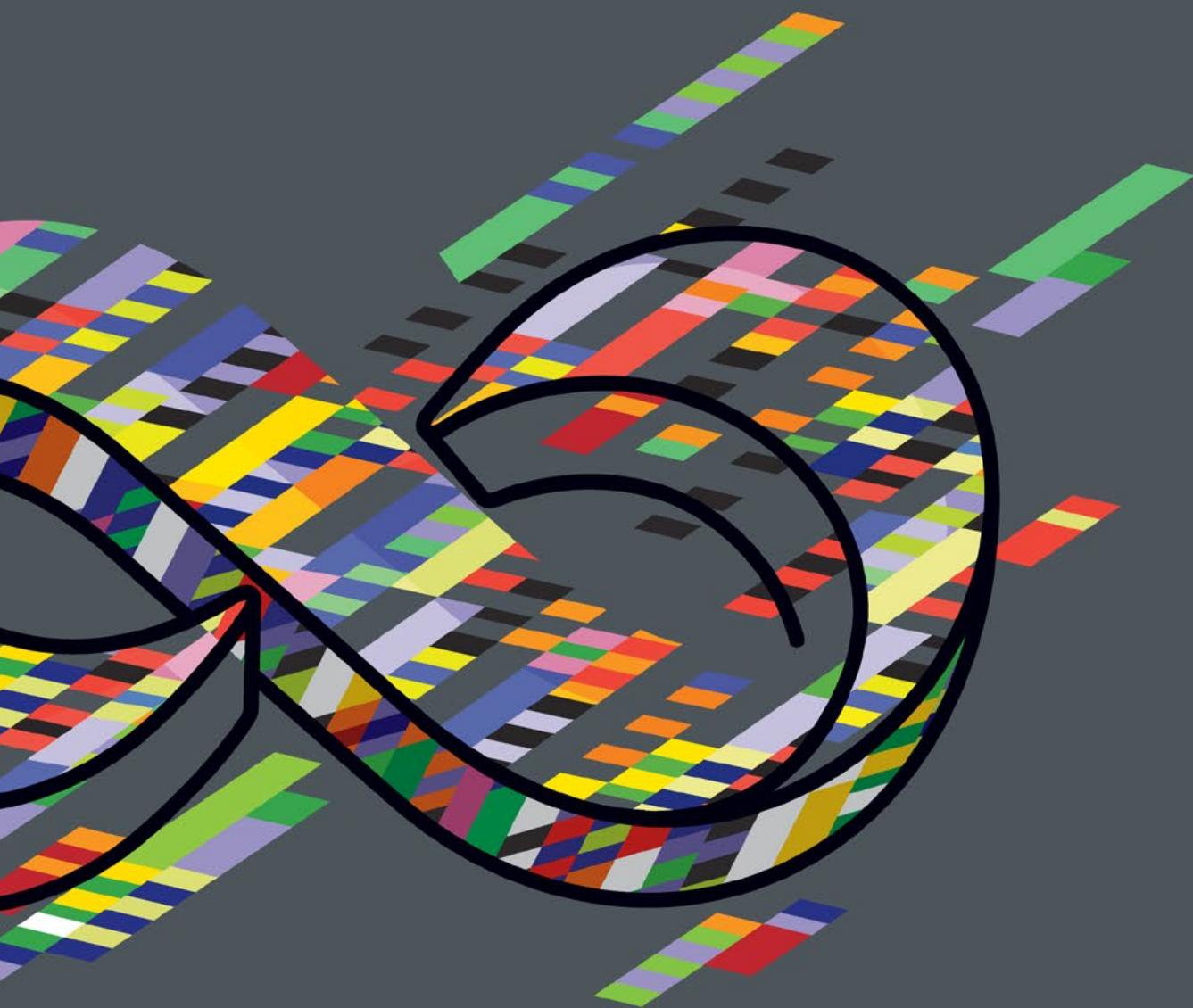
Target	Status
Reduce paper consumption	Done
Further deploy environmental protection and recycling among Bank employees.	Done
Reduce photocopying and printing - transition to two-sided photocopying and printing.	Done
Reduce paper consumption, number of printouts, toner consumption and number of containers to be archived due to expansion of the "Paperless Branch" project.	Done
Reduce fuel consumption - review use of smaller vehicles in leased auto fleet to reduce fuel consumption.	Partially done
Purchase power from a private power plant burning gas, to reduce cost and for environmental protection.	Not done Due to changes in regulation, 3 alternatives are under review in response to this target.
Increase number of video conferences between Bank facilities.	Done

## Next step for environmental issues: Targets for 2016

- ∞ Reduce paper consumption due to expansion of the "Paperless Branch" project.
- ∞ Review installation of solar panels at the Mizrahi-Tefahot building in Lod.
- ∞ Improved efficiency in utilizing space used by the Bank for its operations – further review of efficient utilization of existing space, addition of required work stations with no increase in space if possible and sale / return of surplus space which the Bank no longer needs.
- ∞ Fuel savings – by changing work vehicles to smaller vehicles with lower fuel consumption.
- ∞ A 20% increase in the number of video conferences between Bank facilities.
- ∞ Further deploy environmental protection and recycling among Bank employees.



# Corporate Governance



## Group commitment to accountable conduct

Being a leading financial institution in Israel, Mizrahi-Tefahot Group adheres to accountable conduct throughout the Bank Group. This commitment is reflected by respecting the law and applying corporate governance rules and regulations applicable to the Bank. The Bank adheres to ethical conduct and acts to prevent corruption. The Bank is also committed to a risk management culture which supports achievement of its targets and implementation of its business strategy while maintaining commitment to its customers.

## Stable corporate governance

### commitment

The Bank sees the utmost importance of respecting the law and applying corporate governance rules and regulations applicable to the Bank. As part of managing corporate governance at the Bank, the Board of Directors is responsible for Bank business and its financial robustness, and takes the utmost steps in order to discharge its duties, in conformity with the law, with Proper Conduct of Banking Business Regulations, including Proper Conduct of Banking Business regulations, including regulation 301, as well as with procedures specified by the Board of Directors. As part of approval of the Bank's annual work plans, the Board of Directors would be asked to approve the work plan with regard to social responsibility.

## Board members

As of December 31, 2015, the Bank Board of Directors consists of 14 Board members, of which 4 external Board members, in conformity with provisions of the Corporate Act, and 2 Board members, in conformity with Proper Conduct of Banking Business Regulations. The Board members are appointed by a General Meeting of shareholders, in conformity with provisions of the Bank's Articles of Association and provisions of the Corporate Act, which requires all public companies to specify the number of Board members having accounting and financial expertise, in addition to external Board members that have such expertise. A Board member with accounting and financial expertise is defined as a Board member that has no other position with the Company and who, due to their education, experience or skills, has strong skills and understanding of business and accounting issues and of internal control of financial reporting. They must understand in depth the Bank's financial statements and raise issues and questions on the agenda of the Board of Directors with regard to financial reporting by the Bank - in order to ensure proper approval and publication of these financial statements.

According to Bank procedures, at least three Board members must have accounting and financial expertise. Therefore, the Board of Directors has determined that the Audit Committee would have as members at least 2 Board members having accounting and financial expertise. As of December 31, 2015, the Board of Directors consists of 11 Board members with accounting and financial expertise and the Audit Committee - 7 such members.

Names of the Bank Board members are: Mr. Moshe Vidman, Mr. Zvi Ephrat, Ms. Sabina Biran, Mr. Ron Gazit, Mr. Avi Zigelman, Mr. Avraham Zeldman\* <sup>1</sup>, Mr. Nachshon Yoav-Asher, Mr. Mordechai Meir, Mr. Jacob Abraham Neyman, Mr. Gideon Siterman, Ms. Liora Ofer, Mr. Yonatan Kaplan, Ms. Osnat Ronen and Mr. Joseph Shachak. The Bank Board of Directors includes three female Board members. All Board members are aged 51 and higher (except for one member aged 31-50). More information about Board members is provided in pp. 410-421 of the Bank's 2015 annual report.

The Board of Directors discharges its duties through plenary discussions at meeting held at least monthly (or more frequently, as needed for discharging the duties of the Board of Directors) and in committee meetings, including statutory committees such as the Audit Committee and the Remuneration Committee.

<sup>1</sup> Avraham Zeldman was appointed Board member of the Bank in February 2015.

## Board of Directors - committees

In 2015, the Board of Directors operated four committees:

Credit Committee	
<b>Composition</b>	Mr. Moshe Vidman - Chair, Mr. Yossi Shachak, Mr. Yoav Nachshon , Mr. Zvi Ephrat, Ms. Liora Ofer, Ms. Osnat Ronen and Mr. Gideon Siterman.
<b>Role</b>	This committee is authorized to discuss general policy issues concerning credit, to formulate recommendations to be brought before the Board of Directors plenum, to discuss the annual and multi-annual work plan of the Credit Control Department and to receive periodic reports concerning credit risk. The committee is also authorized to discuss credit applications which are exceptional to the credit policy and to recommend their approval to the Board of Directors plenum.
Risk Management Committee	
<b>Composition</b>	Mr. Moshe Vidman - Chair, Mr. Avi Zigelman, Mr. Yonatan Kaplan, Mr. Ron Gazit, Ms. Sabina Biran, Mr. Avraham Zeldman and Mr. Jacob Abraham Neyman.
<b>Role</b>	This committee is authorized to discuss issues and policy related to risk management and control at the Bank, capital planning at the Bank and internal control. The committee is authorized to discuss the risk appetite document as well as the master policy document with regard to the risk management and control framework. The committee is also authorized to discuss and to formulate recommendations to be brought before the Board of Directors plenum with regard to overall strategy objectives and to overall risk policy. The committee is also authorized to discuss issues concerning liquidity risk management, business continuity management, new products, the capital adequacy assessment process and the quarterly risk document - and to recommend that the Board of Directors approve the various risk management policy documents.

Remuneration Committee	
<b>Composition</b>	Mr. Avi Zigelman - Chair, Mr. Gideon Siterman, Ms. Sabina Biran, Mr. Jacob Abraham Neyman, Mr. Yossi Shachak and Ms. Osnat Ronen.
<b>Role</b>	This committee is authorized to discuss and to make recommendations to the Board of Directors with regard to remuneration policy and procedures, as required by the Corporate Act and in conformity with Proper Conduct of Banking Business Regulations. The remuneration policy is required to be in conformity with the Bank's organizational culture, its long-term strategic goals and its control environment - such that remuneration incentives would not encourage risk taking beyond the Bank's specified risk appetite and would allow the Bank to maintain a robust capital base. The committee convenes at least once per year to review the implementation of the remuneration policy. Once every three years, the committee would make its recommendations to the Board of Directors with regard to approval or revision of the policy set. This committee also makes recommendations to the Board of Directors with regard to principles for employment and retirement terms of Bank executives and employees and also approves officer remuneration, prior to approval by the Board of Directors and by the General Meeting of shareholders, as the case may be.
Audit Committee	
<b>Composition</b>	Mr. Avi Zigelman - Chair, Mr. Gideon Siterman, Mr. Joseph Shachak, Ms. Sabina Biran, Mr. Mordechai Meir, Mr. Jacob Abraham Neyman and Ms. Osnat Ronen.
<b>Role</b>	The roles and responsibilities of this committee are: discuss any faults identified in conducting Bank business and to propose ways to remedy these faults to the Board of Directors, to specify arrangements with regard to handling complaints by Bank employees with regard to any faults identified in conducting Bank business, to review the quarterly and annual reports to the public, to discuss them and recommend their approval, to approve transactions and actions as specified in the Corporate Act and to approve transactions with related persons in conformity with Proper Conduct of Banking Business Regulation 312. The Board of Directors also appointed the Audit Committee to be the entity responsible, on behalf of the Board of Directors, for supervision of the execution of the enforcement plan of securities laws and anti-trust laws, as well as its implementation.

## Work of the Board of Directors and consultation with stakeholders

During 2015, the Bank Board of Directors held 26 plenary meetings, 5 seminars for Board members and 66 committee meetings. In conformity with the Corporate Act, shareholders may also propose issues for discussion prior to the General Meeting of shareholders. The Board of Directors is not empowered to consult with various stakeholders.

Various issues are brought before the Board of Directors for discussion and for reporting, so that in most cases the issues brought by management have already been discussed with professional and control functions at the Bank, as applicable - and by Bank management. Management recommendations are included, as applicable, in background material provided to Board members.

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

The right of Board members to obtain information and to consult with various entities in the course of discharging their duties is in conformity with provisions of the Corporate Act, 1999 ("the Corporate Act") and Proper Conduct of Banking Business regulation 301 by the Supervisor of Banks with regard to "The Board of Directors" ("Regulation 301") and is included in operating procedures of the Board of Directors.

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

### Avoiding conflict of interest

The Bank applies all statutory provisions with regard to avoiding conflict of interest among Board members. The Bank acts, in this matter, in conformity with provisions of the Corporate Act, -1999 and provisions of Proper Conduct of Banking Business regulation 312 "Banking Corporation's Business with Related Parties". The Bank's enforcement plan also includes detailed instructions on this matter.

### Board member and executive remuneration

Board member remuneration is in conformity with Corporate Regulations (Rules for remuneration and expense reimbursement for independent board members). The remuneration policy is approved by the General Meeting of shareholders, whose resolutions are reported to the public. The pay and remuneration of the Chairman of the Board of Directors were approved by the General Meeting of shareholders and are based, inter alia, on Bank performance. For the term in office of the Chairman of the Board of Directors, which started in December 2015, the Chairman's remuneration only consists of fixed remuneration. Senior management at the Bank are eligible to receive fixed pay plus remuneration based on Bank performance and on their own individual contribution.

### Assessment of effectiveness of Board operations

The Bank has started to assess the effectiveness of the Board of Directors' work, in conformity with Bank of Israel regulation 301, using structured questionnaires prepared by an external advisor on behalf of the Board of Directors. Once a year, the Board of Directors self-assesses the effectiveness of its operations, in discussion attended exclusively by Board members.



## Social responsibility at Group management and Board of Directors

The issue of corporate social responsibility was presented to the Board of Directors during the 2015 work plan discussions. The Board of Directors also discussed aspects of social responsibility as part of current discussions of Bank operations on other matters, such as community relations, employee status etc. The Board of Directors, at its meeting held on August 3, 2015, approved the issues classified as material.

The process for reporting to the Board of Directors is included in policy documents, brought for discussion by the Risk Management Committee and by the Board of Directors plenary, whereby:

- ∞ Once a month, the Bank President presents his report, an overview of all Bank operations and special event, including issues of social responsibility.
- ∞ Once a quarter, Bank management presents an overview to the Board of Directors and to its Risk Management Committee, including discussion of all risks facing the Bank, developments in risk control and management in the reported quarter and, occasionally, issues of social responsibility.



## Commitment to regulatory compliance

### Our commitment:

The Bank strictly complies with the law and implements any corporate governance rules and regulations applicable there to. This area is managed by the Risk Control Division, assisted by the Legal Division. The Risk Control Division verifies Bank activities on these fronts:

- ∞ **Organized deployment of operating procedures** – The Bank strictly complies with statutory provisions through an organized set of operating procedures and processes. The process of implementing laws and statutory provisions and updates there to are monitored by the Compliance Department of the Risk Management Division.
- ∞ **Training** – Training on various regulatory issues is delivered as part of banking training delivered as part of training of Bank employees and specifically, based on role and department.
- ∞ **Control implementation** – Compliance is verified, inter alia, by implementing controls over compliance with provisions in various areas.
- ∞ **Handling exceptions** – The Bank handles any exceptions identified controls, at both HO and branches. This includes implementation of recommendations for improved processes and controls, verifying that faults are corrected, lessons learned and disciplinary action taken, if needed.
- ∞ **Audit** – Conducting independent audit of compliance and operating risk in material units and processes at the Bank.
- ∞ **Fair competition** – The Bank adheres to fair competition with its competitors, does not promote any public agenda and does not apply any lobbying.

**Audit** – Conducting independent audit of compliance and operating risk in material units and processes at the Bank.

## Regular control over proper conduct

The Group continuously and strictly adheres to statutory and regulatory provisions. The Compliance Division is responsible for deployment of a compliance culture and is in charge of deployment and implementation processes of laws, rules and regulations, including in the consumer domain within Bank operations, acts to deploy compliance issues through operating procedures and training and controls compliance with the directives in various areas.

The Bank has mapped the regulations and appointed persons responsible for ensuring compliance with these regulations in all areas. Each division is responsible for regulatory compliance in its own area.

As part of the compliance activity, the Bank delivers training to Bank employees on the following topics: Compliance in general, AML, securities laws, cross-border risk, anti-trust law, consumer provisions, proper disclosure and the Code of Ethics. The Bank also refers to mandatory non-discrimination against various populations, including operations involving minorities. In addition, the Bank conducts operating risk surveys with reference to embezzlement and operates a current system for embezzlement monitoring.

The Bank regularly maintains and updates the compliance infrastructure survey. This survey is designed to ensure that consumer-related provisions with regard to customers are implemented. A comprehensive survey, completed in 2014, is regularly revised with any changes in regulation or any control or audit findings.

In 2015, no significant fines were imposed on the Bank for non-compliance with laws and regulations.

As part of proper management, the Bank does not promote any public agenda nor does it apply any lobbying. The Bank makes no contributions to any political parties, politicians or official institutions. Such contributions are prohibited in Israel and the Bank complies with the law. The Bank only operates in the public arena as required and only in the context of Bank business. The Bank is member of the Bank Association and is active on the Association's Executive Board and Legal Committee. The Bank is member of the Public Company Association and conducts a dialogue with the government, the public and private environment on matters related to the banking system as a whole.



## Investigation with regard to Bank business in the USA

In a letter dated August 2013, Mizrahi Bank Switzerland was informed by the US Department of Justice that an investigation of its business has been launched. In June 2014, the Bank was first informed of expansion of the US DOJ investigation, which would apply to all inter-state activities of the Bank Group with its US customers.

The US DOJ required the Bank to provide data and information with regard to a wide range of issues concerning inter-state transactions with US customers of the Bank Group, including quantitative data with regard to accounts of US customers for the period from January 1, 2002 through July 2014 ("the **effective period**").

In order to collate the information and data thus required by the US DOJ, the Bank engaged, in August 2014, the services of external experts for data research and validation, who joined the Bank Group's team of legal counsel (in Israel and in the USA). The Bank has completed creation of a computer-based repository to include the quantitative information about US customers. Validation of quantitative data concerning the Bank branch in Los Angeles and London as well as Bank Mizrahi in Switzerland and in Israel - this validation has been completed and this data has been provided to the US DOJ.

Furthermore, the process of collecting electronic messages with regard to US customers at different Bank locations has been completed - but the review of these messages with regard to Bank branches in Israel has yet to be completed by the Bank experts and advisors.

According to the letters and on-going discussions, the Bank should provide additional information and documents and is acting to provide such information

and documents. Moreover, meetings are held with US DOJ representatives, at which the requested information is presented. In the aforesaid letters, discussions and meetings, the US DOJ specified actions which the Bank should take in order to conclude the inquiry.

However, even at this stage there are no negotiations taking place with the US DOJ with regard to the inquiry outcome or to its implications in terms of any arrangement and in terms of any monetary implications for the Bank Group, if any, of such an arrangement when formulated.

According to the opinion of the Bank's legal counsel, based on data in the computer-based repository and considering arrangements made by the US DOJ with other banks with regard to investigations concerning undisclosed accounts of US taxpayers, certain data in the repository may be relevant to Bank Group exposure, should the Bank's position about these data not prevail.

Based on this opinion, the Bank has recorded a provision calculated for the data and components which legal counsel is of the opinion that they should be taken into account in calculating such provision. Note that the Bank's legal counsel have expressed their opinion that it is not possible to estimate the potential loss which the Bank Group may incur with respect to this inquiry, the relevant exposure amount nor the exposure range for the Bank Group.

Because, as noted above, discussions with the US DOJ with regard to formulating an appropriate outline for the Bank Group have yet to start, it may transpire in future that the realized loss significantly exceeds the provision made to date.

## Risk management and business continuity

### Our commitment to risk management and control:

The Bank has an organized system in place for risk control and management including, inter alia, policy documents on risk control and management in various areas. These policy documents, which are approved at least annually by the Risk Management Committee of the Board of Directors, the Board of Directors plenum and Bank management, govern inter alia how the Bank handles credit risk, market risk, interest risk, liquidity risk, internal control, operating risk, compliance, enforcement, prohibition of money laundering and new products.

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

Bank operations with regard to risk management are in conformity with Proper Conduct of Banking Business regulation 310 concerning "Risk Management", issued by the Supervisor of Banks in 2012. The regulation is primarily based on Basel guidelines for risk management, as reflected in recommendations made by the Basel Committee. The regulation includes a corporate-wide risk management concept, listing principles for risk management. The regulation also clarifies the processes required of the Board of Directors in order to duly

discharge its duties pursuant to Proper Conduct of Banking Business Regulation 310, including a requirement to appoint a Risk Management Committee of the Board of Directors. According to the regulation, senior management is responsible for regular risk management, and is required to create a Risk Management function, and to appoint a Chief Risk Officer to head this function. The regulation lists the responsibilities and position of the Risk Management function and the Bank fully implements this regulation.

The Bank has in place custom policy documents in various areas of risk management and control, in support of implementation of statutory and regulatory provisions. In these documents, and in particular - in the master policy document, the Bank Board of Directors has specified the risk appetite and has determined that the Bank has zero tolerance to improper implementation of statutory and regulatory provisions.

A range of policy documents - and in particular, the risk management policy, capital planning and internal control documents, govern internal control at the Bank. This framework supports aspects of the Code of Ethics, determines the reporting chain in case of improper action and specified guidelines for the internal control culture at the Bank. As part of internal control, several dedicated policy documents specify inter alia the management, measurement and required reporting for handling such risk. Risk management is conducted at Group level; specifically, appropriate forums and procedures have been created to ensure that risk management and control processes at Bank Yahav are in line with Group policy.

Note that the Bank's policy documents explicitly specify the roles of the various corporate governance layers for handling internal control (including: compliance, AML, legal, operations, fraud & embezzlement) - including roles of the Board of Directors, management and roles of the specified three lines of defense at the Bank: business lines, control line and audit line.

## Involvement of management and of the Board of Directors in control over implementation of social responsibility

Corporate social responsibility is managed by several units at the Bank, with each entity responsible for monitoring matters they are normally responsible for, including authorization ranking and reporting to higher levels, that monitor the implementation and handling of each area by these units. Thus, for example, in the energy consumption area, there is a committee for improved energy efficiency, which receives regular reports on this matter and controls its implementation.

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

Concurrently with the regular process at these units, data about social responsibility is summarized and monitored at least annually from all Bank units. These data are presented to Bank management and to the Board of Directors. Members of Bank management and Board members are also involved in setting strategies on sustainability and social responsibility, as part of approval of policy documents and discussion of the Bank's work plan. Furthermore, the Bank Board of Directors plenum approves the Bank's corporate social responsibility report and the work plan on this matter is presented to the Board of Directors plenum.

Once a year, Bank management presents to the Risk Management Committee and to the Board of Directors the Bank's annual ICAAP document, which includes an overview of corporate governance activities related to risk management, risk evolution during the reported year and outcome of the survey to review the quality of risk management conducted by the Bank.

Furthermore, as from the end of 2015, the Bank issues, in conformity with Bank of Israel directives, a quarterly risk report online, which contains a similar overview with regard to development of risk management and control at the Bank, corporate governance activity with regard to risk management etc.

## Review of effectiveness of risk management processes

Once a year, the Bank reviews the effectiveness of its risk management. This process uses structured questionnaires which review the positions of various Risk Owners and risk controllers at the Bank, as to the level of risk inherent in activities which they manage or control, as well as their position on the quality of risk management and control.

The outcome of these annual surveys are also compared to previous results to identify any gaps in risk management and control and to identify evolving trends in opinions of managers with regard to the specific risk level and to the quality of risk management and control. These surveys create a dialogue between Risk Owners and risk controllers, since the process includes a review of differences in subjective ratings (within each group of raters or between different rater groups), with the aim of finding out the reason for such differences. If any gaps are identified by those responding to the survey for any specific risk, it is verified that this gap is handled in the Bank's annual work plan. The outcome of these surveys and dialogue are brought for discussion by Bank management, the Risk Control Committee and the Board of Directors Plenum - and are provided as reference to the Bank of Israel.



## Environmental and social risk management in lending

### Our commitment:

As part of its credit risk management policy, the Bank has set policy on environmental risk management in lending. This policy, as part of the Bank's risk management and control process, accounts for considerations based on customer quality, repayment capacity, financial robustness, liquidity, reliability, seniority with the Bank, account management and collateral quality - as well as environmental considerations. This is based on the understanding that customer operations may have environmental impact. Based on this concept, the Bank strives to find a balance between the various considerations, including environmental considerations, when providing products and services to its customers.

Employee training with regard to environmental risk – For optimal deployment and implementation of the Bank's environmental risk management policy, all relevant employees, for credit approval processes and environmental risk assessment in extending credit, receive training on this topic. The Bank provides training and guidance to relevant populations with regard to environmental risk.

Development of policy with regard to environmental risk – The Bank has put in place a master policy for handling aspects of risk management across all Bank operations, as well as a custom policy document for handling environmental risk. All lending operations are conducted in conformity with this policy.

Environmental risk assessment upon extending significant loans – The business units are responsible for testing and highlighting the customer's environmental risk.

Environmental risk is managed at the Bank by the Business Banking Division; as part of this policy the Bank specifies a methodology for identification, assessment and handling of environmental risk. The environmental risk policy, for which the Risk Control Division is responsible, is approved annually by the Board of Directors as part of the policy documents.

Environmental risk to the Bank is the risk of loss which may be incurred due to deterioration in the borrower's financial position due to high costs incurred as a result of environmental hazard (such as: air pollution, soil pollution, climate change, hazardous materials etc.) and regulation concerning environmental protection, or due to impairment of collateral exposed to environmental risk or to the Bank being indirectly liable for an environmental hazard caused by a project funded by the Bank. Environmental risk also includes other risk factors derived from this risk including goodwill, third party liability etc.

Social risk is one of the risk factors facing the banking system and may arise from regulatory provisions. Social risk in banking (such as: money laundering) are included as part of overall risk management at the Bank. In line with Group policy, the Bank reviews all risk and customer information before extending credit; this is a comprehensive process which includes review of all aspects indicating the customer quality, financial robustness, repayment capacity and conduct.

In recent years, global awareness of the potential financial exposure arising from regulations related to environmental protection has grown. In conformity with directives of the Supervisor of Banks, banks are required to act to incorporate management of exposure to environmental risk within all risks at the Bank, including specification of work processes for identification of significant risk when granting credit and inclusion of risk assessment, if any, within periodic assessment of quality of credit extended. As part of this process, the Valuation Unit also reviews, as needed, any environmental aspects related to land, in order to identify any actual or suspected soil pollution and accordingly, determines the collateral value of the assets referred to it.

The Bank's policy documents include dedicated environmental risks policies, including methodology for identification, assessment and handling of environmental risk. The environmental risks policies are approved annually by the Bank's Board of Directors as part of the policy documents. A major component for including environmental risk in overall lending considerations is internalizing and deployment of awareness of relevant persons to this matter, among those involved in extending loans of material amounts. In 2015, the Business Division headquarters delivered training in this area, assisted by external advisors on environmental protection and on legal aspects, to relevant staff at the Business Division and at the Legal Division. The issue of environmental risk is also imparted to employees as part of the Senior Lending Course, with a lecture provided by representatives of the Business Division or of the Risk Control Division with regard to the Bank's lending policy. This lecture refers, inter alia, to the issue of environmental risk.



## Business continuity

The Group is committed to maintain continuously available service at a specified level at all times. The Group is prepared to address significant events which may impact this objective. These events may be external (such as: impact to Bank facilities, impact to its data center, war, plague, earthquake etc.) or internal, only affecting the Bank (such as: impact to facilities, technology failure, fire, employee strikes etc.)

Bank management ensures that a business continuity management framework is in place and managed by the Planning, Operations and Customer Asset Division. Each division manager at the Bank is responsible for verifying the material services and business processes, subject to the business continuity management framework. Each division manager is responsible for creating detailed plans for preparations in their field, in line with this policy and in coordination with the Business Continuity Manager. These plans ensure the Bank's capacity to provide vital services at all times, in response to Bank of Israel requirements. As part of the business continuity plan, the Group acts in compliance with regulatory requirements concerning business continuity management, proper disclosure of operating risk and directives with regard to backup and recovery. As part of this preparation, the Bank prepares to handle cyber events and regularly exercises its response teams, in co-operation with emergency and business continuity constituents at the Bank.

The Group conducts exercises from time to time, in conformity with a multi-annual exercise plan. At the end of each exercise, lessons are learned and reported to management. In 2015, operating procedures on work during emergencies were revised, including the procedure on preparing for snow fall and a procedure was created with regard to short-term power disruption (see below).

## Business continuity in case of severe weather and earthquakes

Mizrahi-Tefahot has a business continuity policy in place, with one of the reference scenarios addressed being earthquakes. For the Bank, an earthquake is risk which carries potential economic implications. The risk is of impact to buildings, telephony and IT systems, resulting in disruption to provision of service and information to customers. There is also risk of impact to employees and road blocks which would prevent employees from reaching their place of work at the Bank. There is also the risk that the Bank would be unable to provide minimum service targets, such as ATM replenishment, providing information to customers and conducting basic banking transactions. There is also the risk that the Bank may be unable to handle scenarios of power outage and issues with fuel supply to generators if needed.

As part of Group preparation for emergencies, the Bank has created an operating procedure and preparations for a snow event. In order to improve the Bank's capacity to prepare for snow / inclement weather events and to function during such event, which governs preparation by Bank units for a snow event. In such events, there is a risk of road closings, difficulties in employees getting to work, difficulties in opening branches and impact to the Bank's capacity to provide service to its customers. This procedure includes staging and transportation of employees, reinforcements to banking call centers to support customers of branches in staging areas, delivering messages to internal and external audiences etc.

The Group has created the Snow Forum, which handles advance preparation and current handling of such events.

In addition, this year the Bank created a procedure for short-term power failures, designed to enable continued branch operation in case of a local or regional power failure. This procedure was put into operation during inclement weather events in October in the Sharon region, in response to power failures. Instructions were disseminated regarding work under such conditions, while maintaining continuous contact with branch managers in affected areas. The Bank also disseminated instructions on work under such circumstances.



## Preserving human rights

### Our commitment:

The Bank sees great importance in having all Bank employees be capable of handling issues related to human rights, in all aspects of their work. This is a major cornerstone of Bank life and one of its key values.

**Preserving human rights in Bank operations** – As part of the Bank's commitment to preserve human rights, the Bank preserves human rights in all areas and avoids any action or business initiative which may impact human rights. To this end, the Bank delivers training on topics including the following: Preventing sexual harassment, customized training for security staff on limitations on the use of force etc.

### Training employees on human rights topics

The Bank sees great importance in having all Bank employees be capable of handling issues related to human rights. To this end, the Bank provides training with regard to human rights, including training for deployment of the Code of Ethics and prevention of sexual harassment. In 2015, Mizrahi-Tefahot Group delivered 24,661 hours of training on policies and procedures with regard to human rights aspects relevant to Bank operations. In 2014, these hours numbered 16,336 and in 2013 – 19,834. In these trainings, employees received content related to: Preventing sexual harassment in the work place, equal opportunities at work and accessible service, ethics and public inquiries.

### Handling complaints concerning discrimination

In 2015, Mizrahi-Tefahot received seven complaints concerning discrimination, of which three concerning discrimination by ethnic background and four concerning people with disabilities. All of these complaints were reviewed and found to be un-justified. In 2015, no complaints on these matters were filed at Bank Yahav and at overseas affiliates.



## Deployment of business ethics

### Our commitment:

In 2008, the Board of Directors approved the Bank's Code of Ethics. The Code of Ethics includes the base values for Bank operations, including fairness, integrity, transparency and human dignity. The Bank's Code of Ethics is deployed across the organization through various training efforts.

The Bank's Code of Ethics reflects the Bank Spirit and its organizational culture, as reflected by its management and staff. The Code of Ethics defines appropriate rules of conduct for all those acting on behalf of the Bank, based on analysis of events observed in the field and is a tool for handling issues and dilemmas arising in the normal course of work.

Bank Code of Ethics - values which guide Bank operations:

### The Code of Ethics

- ∞ **Commitment**
- ∞ **Integrity**
- ∞ **Fairness**
- ∞ **Transparency**
- ∞ **Reliability**
- ∞ **Loyalty**
- ∞ **Preserving Human Rights**
- ∞ **Excellence**

The issue of ethics is regularly and intensively addressed on different levels across the organization. To ensure that Ethics remain constantly engaging and highly actual, the Bank established an Ethics Committee, headed by the Bank Secretary. The committee includes representatives from headquarter units and branches. The committee assisted in deployment of the Code of Ethics. The Ethics Committee convenes monthly and continues to regularly deploy the code by publishing dilemmas to Bank staff, discussing dilemmas raised from the field and reviewing the deployment process of the Code of Ethics.

During the year, many inquiries reach the Committee through various channels. These inquiries are discussed by the Committee or referred for handling by the relevant units, as the case may be.

### Deployment of the Code of Ethics

The Group deploys the Code of Ethics throughout its operations and controls this deployment as follows:

- ∞ **Ethics E-Learning module** – Every new hire is required to use an eLearning kit concerning the content of the Bank's Code of Ethics. The Bank controls this activity.
- ∞ **Proactive discussion of ethical dilemmas** – As part of the work plan, a proactive discussion of ethical dilemmas is conducted once per quarter, at Bank units in Israel and overseas. These are regularly reported to the Ethics Committee.
- ∞ **Management meeting concerning ethical issues** – A monthly meeting between Bank management and managers (from Sector Manager and higher) is convened to discuss ethical issues.

- ∞ **Ethical dilemmas** – Publishing of ethical dilemmas on the Code of Ethics website.
- ∞ **Introduction of Ethics as a topic in core courses** - A training unit on Ethics is incorporated in some banking courses.
- ∞ **Manager training** – Manager training includes discussions of ethical issues relevant for managers, based on values in the Code of Ethics.
- ∞ **Ethics Day** – In 2015, the Bank declared, for the first time, an Ethics Day - dedicated to enterprise-wide activities designed to foster organizational discourse and to expose employees to dilemmas based on the work life of their colleagues. As part of this activity, the units exchanged ethical issues in their areas, resulting in a large number of events being collected. The Ethics Committee then classified these dilemmas under several categories - and those dilemmas found to be of general interest would be analyzed by the Committee and would be made public on the Code of Ethics website. The winning units in this activity were announced at a meeting attended by the Bank President & CEO and were also recognized at the annual balance sheet conference.
- ∞ **Inquiry hot line** – The Group allows employees to send any inquiries, including those concerning ethical issues, 24 hours a day through a hot line, the public inquiry center and the Bank website. The Bank has a procedure in place which guarantees protection of the information provider and inquiries may also be sent anonymously. Information about ways to send inquiries is listed on the organizational portal, on the notice board at overseas affiliates and is made public in branches. Moreover, in conformity with a new directive by the Bank of Israel, the Bank issued a public statement with regard to public complaints, worded as specified by the Supervisor of Banks. The Bank maintains constant contact with the person who filed the complaint, unless this is not feasible (as in the case of a complaint made anonymously).

## Measuring the effectiveness of Code deployment

In 2015, a survey was conducted to review the effectiveness of deployment of the Code of Ethics among Bank units, further to the survey conducted in 2013. This survey reviewed, inter alia, the need to revise the values in the Code of Ethics and highlights for expanding ethics activities across the organization.



## Our commitment to preventing corruption

Mizrahi-Tefahot constantly strives to prevent occurrence of corruption events - by employees, customers and others. Corruption prevention is managed at the Bank on several fronts, due to the nature of bank operations and in conformity with Section 38 of Proper Conduct of Banking Business regulation 350, whereby banking corporations should identify areas with roles which generate potential conflict of interest for employees, reduce them and subject them to monitoring and independent review. In this regard, the Bank specified a policy on addressing aspects of operating risk and internal control (master policy) and created control and continuous monitoring processes.

This matter is handled by several units at the Bank, which handle different issues:

- ∞ **Cases of fraud and embezzlement by employees** are handled by the Risk Control Division.
- ∞ **Cases of fraud by Bank customers** are handled by the Information Security and Cyber Departments of the Risk Control Division and the Technology Division, by Mizrahi-Tefahot Security Services in the Human Resources and Administration Division and by the clearinghouse.
- ∞ **Cases of theft and robbery** are handled by Mizrahi-Tefahot Security Services, the Information Security Department and the Operating Risk Management Department.
- ∞ **Cases related to information security and cyber** are handled by the Information Security and Cyber Departments of the Risk Control Division and the Technology Division.

- ∞ **Cases of ethical nature** are handled by the Chair of the Ethics Committee (the Bank Secretary).

In all of these cases, when an unusual event is suspected due to monitoring or due to information obtained, the Audit Division is informed and involved in review of such event.

In cases where corruption events are uncovered, they are addressed and the Bank conducts a debriefing in order to learn lessons so as to prevent any recurrence. In addition, whenever required, the Bank files a complaint with the police. The Bank is conducting several key processes to address these issues on two main fronts: prevention and training as well as handling of exceptional cases and events:

### Prevention and training

- ∞ **Regular dissemination of operating procedures to employees** – The Bank specifies rules of conduct for employees, disseminating them to all employees based on the nature of their banking role.
- ∞ **E-learning kits for employee training** – The Bank provide E-learning kits for employees on diverse topics, including: Preventing fraud and embezzlement, information security, Code of Ethics and inside information.
- ∞ **Event debriefing** – The Bank has a methodology in place to debrief events in order to learn lessons from past events and to take action as required to avoid their recurrence.
- ∞ **Deployment of the Code of Ethics** – The Bank deploys the Code of Ethics at its different units through various means, based on a well-organized plan.
- ∞ **Anonymous hot line for employee inquiries** – The Bank operates an anonymous hot line and fax for employee inquiries as needed.

## Handling cases and learning lessons

- ∞ **Operating identification and control circles** – The Bank operates three identification and control circles: The first circle is control at branches and business units; the second circle is at the Human Resources and Administration Division, the Accounting and Financial Reporting Division, the Legal Division and the Risk Control Division; the third circle is at the Internal Audit Division. These three circles are designed to allow for early identification of such cases, in as much as possible.
- ∞ **Operating Risk Portal at the Bank ("PSTL")** – This is a database of all relevant events, based on directives from the Bank of Israel, which classifies - out of all events - those which are exceptional / material for analysis, reporting and debriefing, if required.
- ∞ **Operating risk steering committee** – Convenes regularly at least once every quarter, to receive an overview of events and action taken.
- ∞ **Fraud and Embezzlement Forum ("FOMA")** – This forum convenes regularly with representatives from all relevant divisions, to review information about exceptional events with regard to fraud and embezzlement at the Bank, with lessons learned and debriefing. When required, this forum may be convened as needed upon occurrence of any exceptional event.

## Preventing fraud and embezzlement

The Bank regularly monitors operations of all branches, designed to identify unusual transactions in customer accounts. Embezzlement monitoring covers activities at all Bank branches, designed to identify embezzlement-related risk. In any case of suspicion of embezzlement or misconduct, the Audit Division conducts an in-depth inquiry into the matter. If any breach of Bank procedures by any Bank employee is discovered, the Bank takes disciplinary measures against such employee, in line with the severity of the breach and in line with the values included in the Bank's Code of Ethics. Findings of such inquiry are reported to the Bank President and to management - and based on the circumstances, also to the Board of Directors' Audit Committee. In addition, a debrief takes place and lessons are learned to avoid similar occurrences in future. In cases of suspected embezzlement, a complaint is filed with the Police and the event is reported to the Bank of Israel.

The Bank has created a procedure for handling events with regard to embezzlement, fraud and breach of laws and procedures, in which the Bank specified the guidelines and rules for identification, management, monitoring and control of exposure to risk of embezzlement, fraud and breach of statute. The Bank also specified the organizational structure to implement role separation, work processes, operating procedures, IT systems and other tools designed to mitigate such risk.



## Reporting of suspicious events and handling of corruption events

Each employee is required to report any suspicion of embezzlement, fraud and breach of statute. This report may be made anonymously. The operating procedure specifies protection for whistle-blowers in order to encourage Bank employees to fulfill their reporting duty without any concern about being impacted by such reporting. Such report may be made by one of the following ways: structured reporting form, free-form email, free-form written text, direct telephone call or fax, through the Audit Hot line.

The procedure specifies that any material fraud or embezzlement events are to be immediately reported to the Chairman of the Board of Directors and to the Bank President. In case of any significant event, the inquiry report is sent to the Chairman of the Board of Directors' Audit Committee, to the Audit Committee, to the Chairman of the Board of Directors and to the Bank President. In 2015, two cases of embezzlement by employees were discovered. These events were reported to the Bank of Israel and complaints were filed with the police. The employees responsible for these were terminated. In 2015, no such events were reported at Bank Yahav and at overseas affiliates.

## Employee training with regard to corruption

In 2015, 19,767 hours of training on preventing corruption were delivered to employees. During the year, testing was conducted to identify risk related to corruption at all Group units.





# Targets

## Achievement of 2015 targets

Topic	Target	Status
Ethics	"Annual ethics day" – A cross-unit activity will be held, by which various Bank units would be exposed to ethical dilemmas faced by other Bank units.	Done
	The Bank will conduct further focus groups and will conduct another survey to assess the progress of the process of deployment of the Code of Ethics among Bank employees.	Done
	Further deploy the Code of Ethics at the Bank, through a refresher workshop for branch and HO managers on the "Seven-step model to discuss ethical issues" and delivery of training kits by managers to the branch / unit.	Done
Preventing corruption	Further deploy the topic of preventing corruption, through training delivered to employees.	Done

## Next steps: Targets for 2016

- ∞ Continued preparation for management of environmental risk on multiple levels (risk mapping and identification, assessment and mitigation of identified risk).
- ∞ Continued deployment of environmental risk management among relevant employees, through customized training.
- ∞ Deployment of social and environmental risk among employees: In 2016, the Bank would continue to deploy this issue among relevant employees through customized training, conducting an Ethics Day and reviewing an update to the Code of Ethics.



# External controls and benchmark index



# Quality assurance certification

## Mizrahi-Tefahot Group, 2015 Corporate Social Responsibility Report

### Introduction

Corporate Governance Institute – This is an independent public entity which promotes the concept of corporate social responsibility. The Institute operates as part of the Academic Law and Business Center, which is a private college (recognized by the Higher Education Council) for law and business administration. The Institute operates, inter alia, by conducting professional meetings, compiling reports, studies and market overviews, translating global applied methodologies into Hebrew etc. In May 2016, Mizrahi-Tefahot Group contacted the Institute, in order to conduct a quality assurance process for its 2015 Corporate Social Responsibility Report.

It is noted that the Institute is paid to cover its time spent on this process. Furthermore, note that the neither Institute nor Mr. Liad Ortar (who authored this work) are in any business advisory contact with Mizrahi-Tefahot Group and the quality assurance process was independent. During the Quality Assurance process, the draft report was reviewed, comments were made and a statement to ensure the aforementioned quality was worded.

### Work methodology

The process of ensuring the quality of corporate social responsibility reports is primarily designed to improve the quality of reporting output, by providing professional feedback. This process reviews whether the report is compliant with three major principles:

1. **Inclusiveness** – Complete reference to issues of the reporting process itself and to reported matters and inclusion of a wide range of stakeholders in the report.
2. **Materiality** – Reference to matters which are material for company operations.
3. **Responsiveness** – Reporting of matters raised by stakeholders.

### Findings

This report by Mizrahi-Tefahot Group is the third report being published, joining the trend of adoption of sustainability reporting by the entire banking system in Israel, in conformity with the requirement by the Supervisor of Banks. The report adopts the GRI reporting guidelines - G4 - in compliance with the Comprehensive reporting framework. I hereby certify that Mizrahi-Tefahot Group is in compliance with the scope of disclosure and reporting required for this level and is compliant with the three aforementioned principles.

First, let me start by saying that evidently, several issues raised in the previous quality assurance process were indeed given due attention - first and foremost, the issue of ensuring human rights across the supply chain. As a general comment, the report is written in a clear, professional manner and definitely provides a response to social challenges faced by the Bank. Moreover, issuing an abridged report and special highlighting of achievements in the most recent year are also significant improvements. The key recommendations listed below

are designed to allow for further improvement of reporting at Mizrahi-Tefahot Group:

- ∞ **Process of determination of material issues to be reported** – As noted in the report, and rightly so, Mizrahi-Tefahot Group is among the largest and most influential financial institutions in Israel. Therefore, it is expected that, in addition to global and local studies conducted, the Bank would study macro-economic and micro-economic policy documents issued by official state entities, such as the Ministry of Finance, Bank of Israel and the OECD. It is further recommended that policy documents of non-government entities be taken into consideration. These documents can provide us with a complete social snapshot to identify the economic challenges faced by Israeli society. Obviously, in order to meet these challenges the banking system should be an integral part of this effort.
- ∞ **Including employees in corporate social responsibility challenges** – The report notes that this year, the Bank started delivering training to employees. This is an important, innovative approach which is beneficial - hence more details about this approach could contribute significantly to improvement in this area.

- ∞ **Disclosure of approach to environmental risk management** - The Israeli banking system has a fairly restrictive approach to reporting how it manages environmental risk. Other financial institutions around the world prefer to adopt a more expansive approach and even present their methodology for risk identification and management. It is my opinion that disclosure of such processes may only help Bank customers to more properly prepare their credit applications and may guide environmental regulators with regard to the efficiency of the policies they institute.

Sincerely yours,

**Liad Ortar**  
Manager

The Corporate Social Responsibility Institute  
The Academic Law and Business Center



## GRI Index

### GRI G4 Performance indicator - Comprehensive

#### Profile benchmarks (G4 General standard disclosures)

CPI	Description	Status	Report page	UNGC
<b>Strategy</b>				
<b>G4 -1</b>	Certification by Chairman of the Board of Directors / CEO as to the relevance of social responsibility for the company and its strategy	Full	3	No specific CoP requirement
<b>G4-2</b>	Key impacts, risks and opportunities with regard to these aspects: Company impact on sustainability and on stakeholders and impact of trends, threats and opportunities related to sustainability on the company	Full	4	
<b>G4-3</b>	Organization name and description of organizational profile	Full	11	No specific CoP requirement
<b>G4-4</b>	Description of major products / services.	Full	20-33	
<b>G4-5</b>	Geographic location of company headquarters.	Full	11	
<b>G4-6</b>	Number of countries in which the company does business, major countries of operation or for issues covered by the report.	Full	10-13	
<b>G4-7</b>	Nature of ownership and legal form of incorporation.	Full	10-14	
<b>G4-8</b>	Markets served by the company	Full	20-21	
<b>G4-9</b>	Company size and information about the company	Full	10-14	6
<b>G4-10</b>	Composition of employees by employment type, contract type and region, by gender	Full	65-67	
<b>G4-11</b>	Percentage of employees under collective bargaining agreement	Full	78	
<b>G4-12</b>	Description of key components of the organization's supply chain	Full	60-61	No specific CoP requirement
<b>G4-13</b>	Significant changes in the organization, including size, structure, ownership and supply chain	Full	בקבוצה לא אירעו שינויים מהותיים בשנת 2015	No specific CoP requirement

CPI	Description	Status	Report page	UNGC
G4-14	Explanation of the implementation of the diligence approach based on the Rio principles	Full	83-84	7
G4-15	List principles or other external initiatives adopted by the organization	Full	100-101	1-10
G4-16	Membership of associations / organizations and/or national or international advocacy organizations	Full	98	1-10
<b>Identification of material issues</b>				
G4-17	List entities / companies as listed on the company's consolidated financial statements	Full	10-14	No specific CoP requirement
G4-18	Process for defining the report content and description of organization impact on any issue classified as material	Full	6-9	
G4-19	List of material issues identified in the process of preparing the report	Full	7-8	
G4-20	Definition of material issues within the organization and impact boundaries of these issues	Full	8	
G4-21	Impact boundaries of material issues outside of the organization	Full	8	
G4-22	Explanation of reasons for and implications of any re-statement of data on previous reports.	Full	67	
G4-23	Material changes to reporting of scope or boundaries of the report etc. compared to previous reporting periods.		There were no material changes in the Group in 2015.	
<b>Dialogue with stakeholders</b>				
G4-24	Groups of stakeholder groups with which the Bank conducts a dialogue	Full	41-43, 58-59, 79, 91	No specific CoP requirement
G4-25	The basis for identification and selection of stakeholders with which the Bank conducts a dialogue	Full	6,9, 41-43, 58-59, 79, 91	
G4-26	Approaches to including stakeholders	Full	6,9, 41-43, 58-59, 79, 91	
G4-27	Key issues raised in dialogue with stakeholders	Full	6,9, 41-43, 58-59, 79, 91	

CPI	Description	Status	Report page	UNGC
<b>Report profile</b>				
<b>G4-28</b>	Reported period	Full	5	No specific CoP requirement
<b>G4-29</b>	Note that this is the first report, or publication date of the most recent report	Full	5	
<b>G4-30</b>	Reporting frequency (annual or bi-annual)	Full	5	
<b>G4-31</b>	Contact person for questions regarding the report or report content	Full	4	
<b>G4-32</b>	Report content in compliance with GRI-G4 standard	Full	5	
<b>G4-33</b>	Policy and actual performance with regard to external quality assurance for the report	Full	113-114	
<b>Corporate governance</b>				
<b>G4-34</b>	Corporate governance structure of the company, including Board of Directors committees	Full	94-95	No specific CoP requirement
<b>G4-35</b>	Delegation of authority of the Board of Directors	Full	96-97	
<b>G4-36</b>	Appointment of senior executive responsible for social responsibility	Full	4	
<b>G4-37</b>	Description of consultation process between the Board of Directors and stakeholders of the organization	Full	96-97	
<b>G4-38</b>	Description of the Board of Directors	Full	94-95	
<b>G4-39</b>	Is the Chairman of the Board of Directors also the CEO of the organization?	Full	14	
<b>G4-40</b>	Processes for determining the composition, skills and experience required of Board members and committees, in order to set strategy for the company on social, economic and environmental issues.	Full	94	
<b>G4-41</b>	Processes for avoiding conflict of interests on the Board of Directors	Full	96	
<b>G4-42</b>	Role of Board members and of management of the organization in development, confirmation and revision of company vision and values, strategy, policy and objectives related to sustainability and social responsibility	Full	101	
<b>G4-43</b>	Means used by the organization to collectively promote the Board of Directors' understanding (and knowledge) in content domains of sustainability and social responsibility	Full	97, 101	
<b>G4-44</b>	Details of self-assessment processes of Board of Directors performance, related to social responsibility	Full	96	

CPI	Description	Status	Report page	UNGC	
G4-45	Details of Board of Directors procedures for supervision, identification and management of economic, social and environmental performance, including relevant threats and opportunities and role of the Board of Directors in deploying due diligence processes in this area	Full	94-97	No specific CoP requirement	
G4-46	Role of the Board of Directors in supervision of identification of effectiveness of the risk management (assessment) process by the organization in content domains of sustainability and social responsibility	Full	101		
G4-47	Listing of frequency of supervision by the Board of Directors on identification and management of economic, social and environmental performance, including relevant threats and opportunities and compliance with international standards, guidelines and codes.	Full	94-97		
G4-48	The most senior manager or committee of the organization who review and approve the organization's sustainability report	Full	97		
G4-49	Description of process for communicating important issues (in economic, social and environmental areas) to the Board of Directors	Full	97, 101		
G4-50	Description of number and topics of critical concerns communicated to the Board of Directors with regard to corporate social responsibility and the mechanisms used to address and resolve them	Full	97		
G4-51	Description of remuneration policy of the Board of Directors and senior executives	Full	95-96		
G4-52	Description of process for determining remuneration at the organization. Are external advisors involved in this process? Are they independent (of management)? Do these advisors have other relationships with the organization?	Full	95-96		
G4-53	Describe how opinions of various stakeholders about executive remuneration at the Bank are accounted for, including reporting of results of vote on the remuneration policy, if possible	Full	95-96		
G4-54	Ratio of top salary to median salary	Full	72		
G4-55	Ratio of change in top salary to change in median one	Full	72		
<b>Ethics and integrity</b>					
G4-56	Description of organization values, principles, standards and behavior norms.	Full	106-107		10
G4-57	Description of internal and external mechanisms for seeking advice on legal and ethical issues	Full	106-107		
G4-58	Description of internal and external mechanisms for reporting issues of illegal or unethical behavior	Full	108-110		

## Performance benchmarks on material issues (G4 Specific standard disclosures)

CPI	Description	Status	Report page	UNGC
<b>Economic performance</b>				
<b>G4-DMA</b>	Management approach	Full	10-11	No specific CoP requirement
<b>G4-EC1</b>	Direct economic value generated by the company	Full	15	No specific CoP requirement
<b>G4-EC2</b>	Description of financial implications and other risks and opportunities due to climate change	Full	102-104	7
<b>G4-EC3</b>	Details of coverage of company obligations with respect to employee retirement / remuneration programs	Full	76-77	No specific CoP requirement
<b>G4-EC4</b>	Government support / grants / assistance provided to the company in the reported period	Full	15	No specific CoP requirement
<b>Employment on international markets</b>				
<b>G4-DMA</b>	Management approach	Full	71	No specific CoP requirement
<b>G4-EC5</b>	Range of initial wage level at the organization compared to the minimum wage	Full	71	6
<b>G4-EC6</b>	Percentage of senior management from the local community	Full	66	6
<b>Indirect economic impact</b>				
<b>G4-DMA</b>	Management approach	Full	10, 47	No specific CoP requirement
<b>G4-EC7</b>	Description of development and impact of investments in infrastructure and services primarily provided for public benefit through commercial arrangement, donation in kind or pro bono	Full	57	No specific CoP requirement
<b>G4-EC8</b>	Explanation and description of material indirect economic impact of the organization and the extent of such impact	Full	47-61	No specific CoP requirement
<b>Local hiring (responsible supply chain management)</b>				
<b>G4-DMA</b>	Management approach	Full	60	No specific CoP requirement
<b>G4-EC9</b>	Details of policies, procedures and actual expense percentage of procurement from local suppliers in major operating regions	Full	60-61	No specific CoP requirement

CPI	Description	Status	Report page	UNGC
<b>Promoting fair work environment and employment terms</b>				
G4-DMA	Management approach	Full	68	6
G4-LA1	Number and percentage of employees hired and departed by age bracket, gender and region	Full	67	6
G4-LA2	Description of benefits received by full-time employees, to which part-time or temporary employees are not entitled, by region and significant areas of operations	Full	68-70	No specific CoP requirement
G4-LA3	Number of employees returning to the same position after parental leave (by gender)	Full	67	6
<b>Labor / management relations</b>				
G4-DMA	Management approach	Full	78	3
G4-LA4	Minimum notice period upon re-organization	Full	78	3
<b>Staff training and development</b>				
G4-DMA	Management approach	Full	74	6
G4-LA9	Annual average number of training hours	Full	75	6
G4-LA10	Description of programs for skill development that support the continued employability of employees	Full	74-76	No specific CoP requirement
G4-LA11	Percentage of employees receiving regular performance and career development reviews	Full	79	6
<b>Diversity and equal opportunities</b>				
G4-DMA	Management approach	Full	71	6
G4-LA12	Composition of staff and of Board of Directors	Full	65	6
<b>Gender equality</b>				
G4-DMA	Management approach	Full	71	6
G4-LA13	Ratio of pay for men and women in each job category, by gender and significant operating segment	Full	72-73	6



CPI	Description	Status	Report page	UNGC
<b>Inclusion of human rights sections in investment contracts at the Bank (preserving human rights)</b>				
G4-DMA	Management approach	Full	71	No specific CoP requirement
G4-HR1	Details of percentage and total number of significant investment agreements and contracts that include human rights clauses or that have undergone human rights screening	Full	60-61	No specific CoP requirement
G4-HR2	Total hours of employee training on policies and procedures concerning aspects of relevant human rights	Full	105	1
<b>Prevention of discrimination</b>				
G4-DMA	Management approach	Full	71	6
G4-HR3	Number of cases of discrimination and action taken	Full	105	6
<b>Local community</b>				
G4-DMA	Management approach	Full	47	1
G4-SO1	Share of operations which impact the local community, evaluation of impact on the community, community development programs	Full	47-61	1
G4-SO2	Operations with significant potential or actual negative impacts on local communities	Full	לבנק אין השפעה שלילית על הקהילה, למעט היבטי סביבה	1
G4-FS13	Access points in low-populated or economically disadvantaged areas by region and type	Full	33	No specific CoP requirement
G4-FS14	Initiatives to make financial products accessible for people with disabilities	Full	34	No specific CoP requirement
<b>Preventing corruption</b>				
G4-DMA	Management approach	Full	108-109	10
G4-SO3	Percentage and total number of business units analyzed for risks related to corruption	Full	109	10
G4-SO4	Communication and training related to prevention of corruption	Full	110	10
G4-SO5	Number of corruption events discovered and action taken	Full	110	10

CPI	Description	Status	Report page	UNGC
<b>Regulatory compliance</b>				
<b>G4-DMA</b>	Management approach	Full	97	No specific CoP requirement
<b>G4-SO8</b>	Monetary value of significant fines	Full	97-99	No specific CoP requirement
<b>Fairness and transparency to customers and promotion of financial education</b>				
<b>G4-DMA</b>	Management approach	Full	23, 47	No specific CoP requirement
<b>G4-PR3</b>	Information to be provided according to procedures and share of products / services subject to such procedures	Full	28	No specific CoP requirement
<b>G4-PR4</b>	Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labeling, by type of outcomes	Full	28	No specific CoP requirement
<b>G4-PR5</b>	Company conduct and ensuring appropriate conduct in all publications and conduct with customers	Full	28	No specific CoP requirement
<b>G4-FS15</b>	Policies for the fair design and sale of financial products and services	Full	30-33	No specific CoP requirement
<b>G4-FS16</b>	Description of initiatives designed to promote financial education for Bank customers and for the general public	Full	52-53	No specific CoP requirement
<b>Marketing communications – product marketing and communications</b>				
<b>G4-DMA</b>	Management approach	Full	40	No specific CoP requirement
<b>G4-PR6</b>	Sale of banned or forbidden products	Full	40	No specific CoP requirement
<b>G4-PR7</b>	Number of substantiated complaints regarding breaches of voluntary regulations and codes with regard to marketing communications	Full	40	No specific CoP requirement
<b>Bank product profile</b>				
<b>G4-DMA</b>	Management approach	Full	37	8
<b>G4-FS6</b>	Value of organization's portfolio by geographic region and by sector	Full	19-21, 37-39	No specific CoP requirement

CPI	Description	Status	Report page	UNGC
G4-FS7	Monetary value of products designed to deliver a specific social benefit for each business line	Full	37-39, 51-54	No specific CoP requirement
G4-FS8	Monetary value of products designed to deliver a specific environmental benefit for each business line	Full	37	8
<b>Social and environmental risk management</b>				
G4-DMA	Management approach	Full	102	8
G4-FS9	Coverage and frequency of audits to assess implementation of environmental and social policies and risk assessment procedures	Full	102-104	8
<b>Ensuring customer privacy</b>				
G4-DMA	Management approach	Full	35	No specific CoP requirement
G4-PR8	Total number of substantiated complaints regarding breaches of customer privacy and loss of customer data	Full	36	No specific CoP requirement
<b>Consumption of materials</b>				
G4-DMA	Management approach	Full	83	7
G4-EN1	Materials used by the company, measured by weight or volume	Full	84-91	7
G4-EN2	What percentage of materials used by the company consists of recycled materials	Full	84-91	8

## Index - UN Global Compact

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6	Elimination of discrimination in respect of employment and occupation	65-68, 71-75, 79, 98, 100-101, 105
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## Principles of the UN Global Compact

Mizrahi-Tefahot Group supports the ten principles of the UN Global Compact initiative and acts to promote them. Below are details of the principles in this initiative:

### Human rights

1. Businesses should support and respect the protection of internationally proclaimed human rights
2. Businesses should make sure that they are not complicit in human rights abuses

### Employment standards

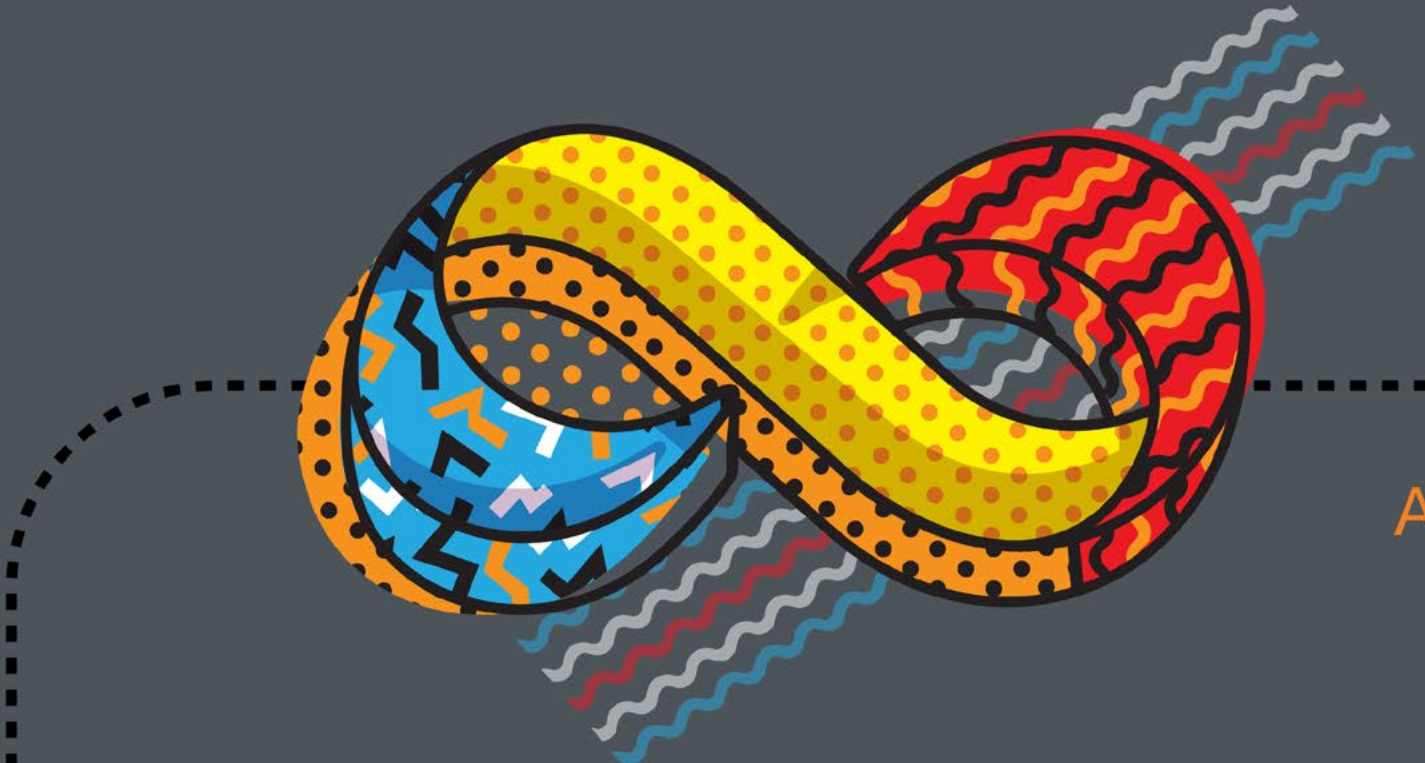
3. Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining
4. Elimination of all forms of forced and compulsory labor
5. Effective abolition of child labor
6. Elimination of discrimination in respect of employment and occupation

### Environmental protection

7. Businesses should support a precautionary approach to environmental challenges
8. Businesses should undertake initiatives to promote greater environmental responsibility
9. Businesses should 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



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