

**BANK LEUMI LE-ISRAEL B.M.
AND ITS INVESTEE COMPANIES**

**Environmental, Social and Corporate Governance
Report for 2023**

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Introduction

Organizational profile

The Bank is a "banking corporation" operating under the Banking Law (Licensing), 1981. The bank's activities are regulated by laws, orders and regulations, and in addition, rules, guidelines and positions of the regulators.

Business activity

The Bank is divided into four main business lines, which specialize in providing banking and financial services to certain customer segments: Retail Banking, Mortgages, Business Banking, Capital Market and Financial Management, and through subsidiaries in Israel and abroad.

For more information regarding Leumi's business activity, please see pages 6-8, 327 and 334-336 of the Bank's Board of Directors' Report as of December 31, 2023.

Bank Leumi's corporate responsibility Journey

The Bank's corporate responsibility does not stand on its own, but is an integral part of its business activity. Given the importance, Leumi has reported on its activities regarding the environment, social and governance aspects as part of this dedicated report, for the sixteenth year in a row.

This report was written in accordance with the accepted standards of the GRI, SASB, the TCFD reporting framework, and the Bank of Israel's public reporting instructions regarding environment, social and governance aspects, and is accessed as one report that includes all of the aforementioned standards and instructions alongside the publication of the Bank's financial statements, based on a coherent concept of completeness, transparency and simplicity in making reporting accessible to all the Bank's shareholders and stakeholders and interested parties. As a result of this concept, Leumi was the first bank in Israel to publish a TCFD Report, as early as 2022, including the TCFD within the framework of the ESG Report, by identifying a trend of consolidation of the reporting standards¹.

The Bank's corporate responsibility campaign is unique and intertwined with the main milestones of the State of Israel.

The Bank began its journey with the decision of the Second Zionist Congress, according to Binyamin Ze'ev Herzl's vision, so that it would serve as a financial institution for the activities of the Zionist movement in the Land of Israel. Since then, the Bank, which was established 122 years ago, has served the country being established, it has contributed greatly to the development in society, the economy and the environment, and is a solid pillar of the Israeli economy:

- 1902** Establishment of Anglo-Palestine Bank, the first Zionist bank
- 1909** The Bank provides the guarantees and the initial financial support to build Tel Aviv
- 1923** The Bank's first branch opens in Tel Aviv

¹ Based on benchmark studies carried out by the Bank. See also on the TCFD website. The Bank's approach, as mentioned, is becoming accepted practice, among other things, in view of regulatory developments, and standards in Israel and around the world, such as: the IFRS' new sustainability standards, the ISSB standard; the European Union directive, the CSRD, and the SEC disclosure regulation on climate, published on March 6, 2024.

- 1948** The Bank was appointed to be the central bank and it issued the first banknotes of the country being established.
- 1951** A change in the Bank's name to "Bank Leumi Le Israel B.M."
- 1964** Bank Leumi's first computer is operated
- 1972** The first ATM for the Bank's services is introduced
- 2002** A strategic partnership with the Follow Me! – Youth Leading Change organization
- 2014** LeumiTech, the high-tech banking division of Leumi Group
- 2015** Participation in the first social bond in Israel
- 2017** PEPPER, the first digital bank in Israel, is established
- 2018** The first in the banking system to launch digital forms - Easy Send
- 2020** Digital mortgage application, without coming to the branch
- 2022** The first bank to allow remote account opening, investment account, partner account, and mortgage by Zoom
- 2022** The first bank in Israel to publish a TCFD Report (environmental and climate risk strategy)
- 2023** The first bank to join open banking in Israel
- 2023** A strategic collaboration agreement is signed with European Investment Bank in the amount of EUR 500 million
- 2023** The issue of green bonds in the amount of USD 500 million
- 2023** The first bank in Israel to launch a digital application in English
- 2023** Transfer of the executive headquarters to the city of Lod in a modern campus, which was built according to green construction standards and energy efficiency

And there is still a long way ahead of us...

Leumi's vision and strategy

"To lead proactive, innovative, and responsible banking for the benefit of our customers and to implement accelerated growth focused on the customer"

Leumi's vision is that Bank Leumi will be the financial house that provides the most appropriate, simple, fast and smart solution to the targeted customers.

Underlying the vision that combines both business leadership and convenience is the aspiration to provide the best response to the financial needs of our customers, in a dynamic business environment, while being based on values of transparency, responsibility and fairness. The realization of these values is through the cultivation of human capital and the assimilation of innovation and creativity while maintaining the Bank's stability and achieving adequate profitability.

As the leading financial group in Israel that has a significant impact on the entire public, Leumi examines the trends and changes in the business environment in which it operates, and implements a strategy that responds to these changes. In addition, and out of understanding of the Group's impact on the business and public space, Leumi also regards its commitment to the community as a social and ethical anchor it will continue to cultivate.

Leumi adopted a strategy of accelerated growth, both on the credit side and on the passive side in selected segments, while focusing on the return on capital. Accordingly, a set of long-term business criteria was created, in light of which the Bank's Board of Directors monitors the implementation of the strategy. In order to realize its vision and strategy, the Bank is leading regular processes for the formulation and implementation of strategy in the Leumi Group while leading strategic projects focused on creating significant business value, leading in customer experience and promoting innovation. Meanwhile, in 2023, Leumi continued to develop a series of services and processes that promote a leading customer experience tailored to the customer's needs alongside processes that preserve the Bank's technological and digital leadership, while deepening the implementation of the Bank's ESG strategy.

Leumi's ESG vision and strategy

The Bank's ESG vision is derived from Leumi's vision, based on leadership in all ESG aspects, while reflecting environmental, social, and governance challenges in the spirit of the UN's Sustainable Development Goals (SDGs). The realization of the bank's ESG vision is based on a coherent leadership strategy in all environment and climate, social and governance aspects, from the concept that these aspects combine business opportunities, risks, and social and organizational responsibility for the Bank's shareholders and stakeholders and interested parties, including: investors, employees, customers, suppliers and community.

The strategy formulated as aforesaid is based on three main anchors:

Determining strategic and business environmental, social and governance targets

As part of Bank Leumi's effort to boost its contribution to environmental, social and governance (ESG) aspects, it developed a management strategy for environmental and climate aspects, which was approved by the management and Board of Directors, while integrating environmental and climate aspects as an integral part of the Bank's strategy, including the promotion of business opportunities alongside the management of environmental and climate risks. The plan includes annual and long-term goals, which combine the Bank's core activities with the material ESG issues.

Standardization of best practices

Leumi attributes utmost importance to the implementation of corporate governance, definition of policy, and determining optimal ESG criteria as a central milestone, taking into consideration the development of local and international regulation. In order to formulate optimal criteria, the Bank implemented a cross-organizational process to revise the main points of the Bank's policy papers in all areas of its ESG activity, including: environment, social, and governance aspects by definition, including: an integrative environmental and climate policy covering all the responsibilities of the Board of Directors, the management, and the various Bank divisions, credit policy, investment policy and market risk management, procurement policy, investment advisory policy, and business continuity policy.

ESG collaborations with international and local entities

Leumi considers the strategic ESG collaborations with local and global entities a main anchor of the Bank's strategy under an overall concept that the climate crisis, alongside the implementation of the Bank's social responsibility in its activities, is based on a basic need for cross-sector cooperation in all aspects of corporate responsibility.

The implementation of this strategy, with its three anchors, is detailed in this report.

Promotion of the UN Sustainable Goals (SDGs)

In 2015 the United Nations adopted the Sustainable Development Goals: a series of goals and targets to be realized by 2030 for the purpose of promoting global sustainable development. The program, known as the 2030 Agenda, includes 17 goals and 169 targets for which real performance indices were formulated. The targets encompass numerous topics, and include decent work and economic growth, reduced inequalities, gender equality, quality education, and the fight against climate action, among others.

As a leading financial institution in Israel, Leumi Group has a material impact on the social and economic fabric in Israel. Leumi Group attaches great importance to committing to the effort for achieving these SDGs and uses them as inspiration in its operations.

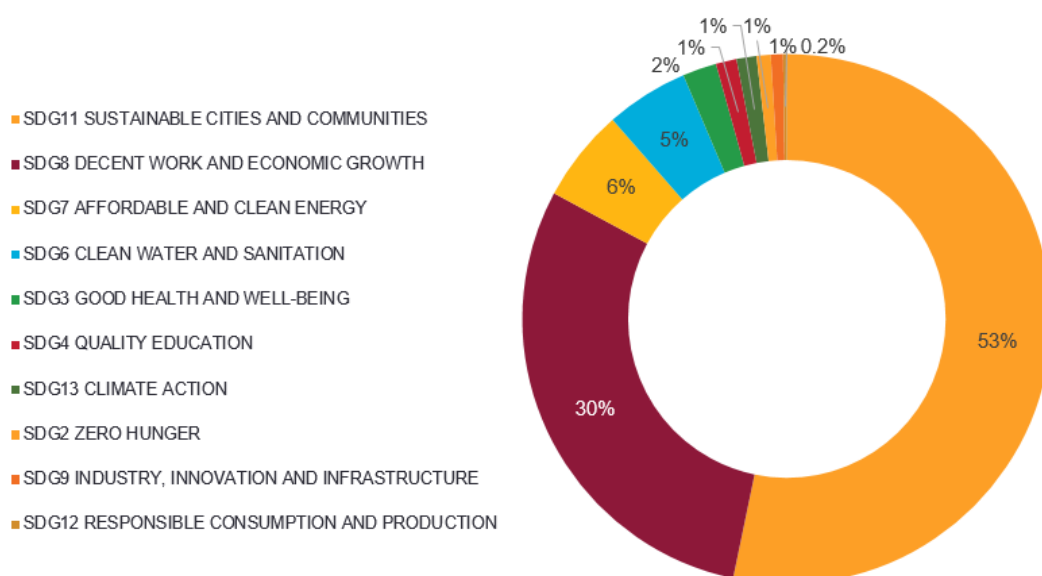


The Bank contributes in its activity to the promotion and development of the SDG targets, through two main levels, as follows²:

In the Bank's main core activity areas (credit and investments)

Sustainable finance at Leumi in 2023 amounted to a total of approx. NIS 90.3 billion, of which approx. NIS 23.8 billion was for environmental activities and approx. NIS 67 billion was for social activities³:

Breakdown by SDGs



² The Bank's reference to the SDG aspects in its activity in this chapter serves mainly for the purpose of making the SDG targets accessible to the public; it does not indicate an in-depth measurement of each of the SDG targets.

³ For more information regarding the environmental and social financing and investment categories, please see this report. The classification of the financing and investment categories for SDGs is in accordance with the accepted classification for categories in green and/or social bond issues.

Breakdown by sustainable aspects and by type of customer⁴



In quality issues that are materially reflected in the Bank's activities



- Setting a financing and investment target in the amount of NIS 35 billion (in terms of balances) by 2030.
- Setting a target to reduce the carbon footprint by 20% by 2026, compared to 2021.
- Determining an internal credit limit for the oil and coal sector.
- Performance of a Scope 3 calculation in 5 categories, including 100% of the credit portfolio for the Bank's business, real estate, commercial and mortgage customers, and 100% of the investments in tradable companies through Leumi Partners, and the holding in Valley National Bank.
- Issuing Green bonds



- The Bank entered into a strategic collaboration with the European Union's investment bank, the European Investment Bank, to provide credit in the amount of EUR 750 million for environmental and social purposes, under preferential conditions, for small and mid-sized businesses.
- The Bank operates in accordance with basic international principles with regard to social responsibility, human rights, environment and climate. The Bank was the first bank in Israel to join as a member of the UN Global Compact, an international initiative that promotes human rights, since 2008, close to its establishment.
- The Bank has been a member of the ICMA organization⁵ for several years and, starting in 2023, also in ICMA Green Bonds, which promotes the standardization of green and social bonds.
- The bank is a member of the "Maale" organization, which is one of the leading entities for promoting ESG aspects in Israel.
- The bank supports the United Nations Principles for Responsible Banking (PRB).⁶

⁴ 17% of individuals is in respect of mortgages. "Large and mid-sized businesses" refers to business, real estate and commercial customers according to management segments.

⁵ International Capital Market Association.

⁶ Principles for Responsible Banking



- 40% female representation among the Bank's Board of Directors.
- 52.5% female representation among the Bank's senior management.
- 62.2% female representation among the Bank's employees.



- Optimal corporate governance in the Bank's activities

Material issues for reporting in the ESG Report

Identification and definition process for material issues

Defining material issues in the Bank's activity is a central layer in the Bank's ESG strategy as a whole. These issues are examined in several complementary vectors to form an overall concept after carrying out various processes, including a dialogue with all shareholders and stakeholders and interested parties: investors, employees, customers, suppliers, business partners, regulatory entities, and other professional organizations, in Israel and around the world.

The focus of the material issues and their validation was conducted in accordance with the principles of double materiality.

This principle emphasizes the examination of the potential financial effects of the environment and society on the Bank's activities in the short, medium and long term, which have an impact on the Bank's growth engines, on its competitive position and on the creation of value for the shareholders and stakeholders and interested parties in the long term, on the one hand; and the examination of the impact of the Bank's activity on the environment and society, on the other hand.

The Bank's ESG concept is derived from the Bank's strategy; it does not stand on its own, is an integral part of the activity, and is embedded in the various Bank units, in all its aspects.

The process of defining the material issues was carried out according to this concept, and was based on integrative analysis, between the three anchors, as follows:

- The strategic focus areas defined by the Bank.
- The leading and emerging risks identified by the Bank.
- The issues identified as being of high importance in the active dialogue between the Bank and its shareholders and stakeholders and interested parties:

This dialogue included, among other things, validation of the findings of a large-scale survey that was carried out about 3 years ago; qualitative research to examine value propositions for customers that was carried out in the second half of 2022; and an in-depth process carried out at the end of 2023, which included a unique questionnaire built by the Bank. The questionnaire included, among other things, the sharing of the Bank's vision, ESG strategy, and its main targets, while examining the compatibility between these issues and the interested party's perception, alongside free answers to references and a personal dialogue.

We note that, due to the importance that the Bank places on the active engagement with shareholders and stakeholders and interested parties, a central anchor in the Bank's ESG strategy as mentioned above, is the ESG collaboration with local and international entities.

The materiality process was approved in the reliability audit Performed by the EY accounting firm, and approved by the board of directors as part of the approval of this report.

The material issues defined

The material issues defined by the Bank as a result of this integrative process, between the strategic focus of the Bank and the leading and emerging risks, as detailed in the financial statements and risk reports as of December 31, 2023, and the material issues as seen by the Bank's shareholders and stakeholders and interested parties, are as follows:

1. Sustainable activity

The climate crisis has a potential risk, but also an economic opportunity and a strategic and business responsibility to accompany the Bank's customers and the economy in the transition to an economy that reduces greenhouse gas emissions as a whole. In addition, the Bank promotes social aspects in its core activity, with regard to financing and investments in the corporate sector, and promoting financial inclusion in Israel.

2. Business ethics and fairness towards customers

The Bank ensures to conduct itself in a transparent and fair manner with the aim of providing its customers with services and products of added value. This principle is reflected in the Bank's vision – "To lead proactive, innovative, and responsible banking for the benefit of our customers and to implement accelerated growth focused on the customer", both in the strategic aspect and in the fair manner of risk management by the Bank.

3. Gender diversity

The diversity aspect as a whole, and gender diversity in particular, is an important aspect of the Bank's management. Gender diversity is not only of moral importance from a perspective of fairness, equal opportunities and social inclusion, but it also enables management based on a variety of opinions, perceptions, and diverse perspectives. In addition, equal opportunities not only financially support the implementation of the Bank's business strategy, but also support the expansion of economic activity in Israel as a whole.

Material matrices

The following are all the issues identified in the double materiality process, from the strategic focuses, the leading and emerging risks from the dialogue with shareholders and stakeholders and interested parties, from which **the three most material issues were selected:**

- 1) Sustainable activity;
- 2) Business ethics and fairness towards customers;
- 3) Gender diversity.

Strategic focus areas

Leading in service while leveraging digital capabilities; leveraging advanced data capabilities; customer service and experience; innovation and collaborations with fintech companies; ESG environment and climate.

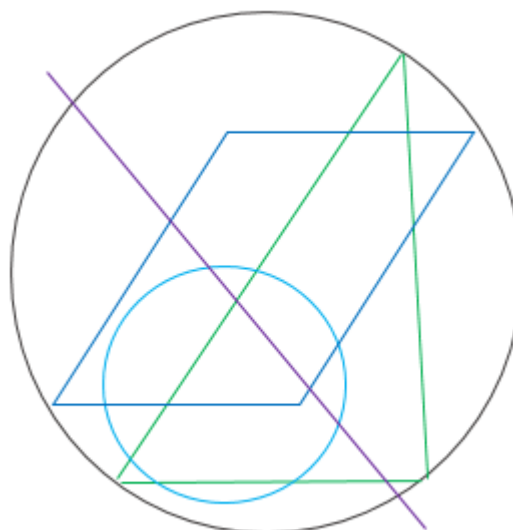
Leading and emerging risks

Macroeconomic risk; information security and cyber risk; strategic risk; technology risk; construction and real estate industry risk; regulatory risk; and climate and environmental risk.

Issues of importance to shareholders and stakeholders and interested parties

1) Business ethics and fairness towards customers; 2) commitment to the environment, responsible investments, and environmental and climate risk management; 3) making services and financial knowledge accessible to disadvantaged populations; 4) diversity and equality in employment; 5) fair employment conditions and employee development and retention; 6) involvement in the community and responsible procurement; 7) customer privacy and information security; and 8) prevention of corruption.

Leumi's materiality review process reflects a dynamic and complex process that includes many variables in the Bank's internal and external activity environment while balancing the various interests of the Bank's shareholders and interested parties, and in view of the Bank's vision "To lead proactive, innovative, and responsible banking for the benefit of our customers and to implement accelerated growth focused on the customer".



For more information regarding the strategic focuses and the leading and emerging risks, see pages 6, 19, 63 and 99 in the Annual Report as of December 31, 2023, and pages 10, 18-20 and 91 in the Risk Report as of December 31, 2023, including their evaluation method (OVA), their manner of management, including the two most significant risks.

Targets and metrics in relation to the material issues

| Issue | Details | Metrics and time frame for reporting | Performance in 2023 |
|----------------------|---|---|--|
| Sustainable activity | Environmental financing and investment in the amount of NIS 35 billion (in terms of balances) by 2030. | An annual report on performance in all categories in this report and in the Bank's financial statement, alongside an internal target for some | A balance of NIS 23.8 billion |
| | Internal limit for credit exposure for coal and oil extraction and refining | Fixed limit reviewed annually | Compliance with the limit |
| | 20% reduction of operational carbon footprint emissions by 2026 in relation to 2021 | Detailed metrics according to the scope (1, 2 and 3), and types of activities, which are reported annually in this report | A decrease of 12.3% in relation to 2021 |
| | Social financing and investments, including financial inclusion | An annual report on performance in all categories in this report and in the Bank's financial statement, alongside an internal target for some | a balance of approx. NIS 67 billion |
| | Financial inclusion in other areas beyond the granting of credit, such as: accessibility for the disabled, service in various | Inclusion of these aspects in the Bank's ongoing activities | Initiatives and performance as detailed in this report |

| Issue | Details | Metrics and time frame for reporting | Performance in 2023 |
|---|--|---|---|
| | languages, and financial education | | |
| Business ethics and fairness towards customers | Inclusion of these aspects in the Bank's operations, such as: conduct risk management, code of ethics, measures to prevent bribery and corruption, training and learning | KRI in the conduct risk management, which are estimated and reported to the Bank's management and Board of Directors once per quarter, alongside initiatives and ongoing actions according to a work plan | Reduction in justified public complaints and risk management alongside initiatives and actions as detailed in this report |
| Gender diversity | Maintaining at least 50% women in senior management ⁷ | Annual review and reporting in this report | 52.5% |
| | At least 30% representation of women on the Board of Directors | Reporting in this report ⁸ | 40% |

For more information regarding the reporting on initiatives in relation to each of the material issues and for performance, see this report.

Impact resulting from the Bank's activities and its measurement

Introduction

The trend of corporate responsibility as a whole has undergone a significant change in the last decade. This trend intensified, among other things, after the financial crisis in 2008, the Corona pandemic in 2020, and the global recognition of the effects of the climate crisis, alongside technological, environmental and social changes in Israel and around the world.

These processes led, in turn, to various organizations, regulators, associations and business companies, investors and donors, beginning to implement measurement processes in relation to their activities, both direct and

⁷ Senior management is the management layer that reports to the Bank's Vice Presidents (the second level management layer below the Bank's CEO).

⁸ The Bank is a corporation without a core of control, and the composition of the Board of Directors is not under its control. For more information, see page 328 of the Annual Report as of December 31, 2023, and the Corporate Governance chapter of this report.

indirect, as a management tool for resource allocation and decision-making and to increase transparency towards shareholders and stakeholders and interested parties.

In view of the identification of this trend and from the recognition that Leumi places importance on the impact stemming from its activities, the Bank presents, for the first time, in this chapter, an in-depth analysis of material issues, which has the ability to base the measurement of the impact from their implementation in a research and methodological manner.

Alongside the material issues for which a quantitative impact measurement was made, a qualitative impact assessment of additional issues in the Bank's activity is presented, under the detailed presentation of the Bank's initiatives and activities in this report.

The material areas of impact measurement are mainly attributed to the following aspects: financial inclusion, climate and environmental impact, impact in SDG aspects, community, customers, employees and innovation.

Measuring the impact of the environmental credit provided by Leumi as part of the green bond impact report

USD 500 million - in credit to customers for solar energy and clean and public transportation

123,000 tons - reduction of greenhouse gas emissions (TCO₂e), every year

On January 12, 2023, Leumi issued a green bond (CoCo) in which it raised USD 500 million. As an integral part of this report, the Bank is publishing the Impact Report of the issued green bond. This report includes all aspects of the allocation and the qualitative and quantitative environmental impact as a result of the uses made of the proceeds raised by the bonds.

For the purpose of performing the environmental impact calculations, the Bank collaborated with the Israeli startup company Green Swan Lab, which developed a working model of impact measurement based on a peer review of at least three independent entities. The entities that validated the Bank's Impact Report are: S&P, a senior official at ICMA, and the CEO of a company with environmental impact measurement expertise.

The allocation of the assets according to the Impact Report is focused according to the Bank's strategy in two main areas: renewable and solar energy and clean transportation (electric vehicles, public transportation and light rail), and for these two also in a balanced distribution between private customers and business customers.

The Bank's choice of these two main areas was made taking into consideration of the document "Israel 2050, a Thriving Economy in a Sustainable Environment, the Program's Impact on Macroeconomic Growth in Israel" (Ministry of Environmental Protection and the Israel Democracy Institute, 2021), according to which the transportation sector and the solar and renewable energy sector are the two main recommendations for reducing carbon emissions at the level of the economy as a whole (please see pages 10, 14 and 68).

Also in the report, a dedicated business case is presented that includes a variety of credits for renewable energy that were provided to Teralight, in which the Bank also owns approx. 16% through the subsidiary Leumi Partners. The presentation of this dedicated business case reflects, alongside the measurement of the impact, also an in-depth process and evaluation carried out by the Bank with one of its customers, and the companies in which he invests.

For the full Impact Report and S&P's opinion, please see the Bank's Investor Relations website, and for more information, see page 20 of this report.

Measuring the carbon footprint resulting from the Bank's activity, both direct and indirect, stemming from the core activity and the supply chain

As of December 31, 2023, the Bank reduced the operational carbon footprint by 12.3% in relation to 2021. The Bank's carbon footprint from operating activities for 2023 is 28,892.91 tons equivalent (tCO_{2e})⁹.

Measurement of Scope 3 from financial activity - 100% of the business credit portfolio, mortgages and traded securities.

In addition, as part of Leumi's commitment to reduce its climate impact, for the first time the Bank performed a calculation of the carbon footprint attributed to its financial activity. These emissions are part of the Bank's Scope 3 emissions. The calculation is based on the Partnership for Financial Carbon Accounting ("PCAF") methodology, the leading framework for measuring credit portfolio emissions as well as emissions from investments made by financial institutions.

This year, the Bank expanded the measurement of the carbon footprint of its direct and indirect activities. With regard to the indirect activity, Scope 3, the calculation was performed for 5 categories, including 100% of the credit portfolio for the Bank's business, real estate, commercial and mortgage customers, and 100% of the investments in tradable companies through Leumi Partners, and the holding in Valley National Bank. The calculation according to this methodology was performed in relation to both 2022 and 2023.

For more information, please see pages 30 and 34 in the Environment and Climate chapter in this report.

Measuring the impact resulting from Leumi's collaboration with the EIF's innovation fund

Between the years 2016-2023, Leumi collaborated with the European Union's EIF fund.

This agreement is another layer in the unique collaboration that the Bank maintains with the European Investment Bank (EIB), since the EIF is an EIB fund.

In this framework, the Bank offered credit to customers who meet the threshold conditions and criteria established by the fund, on preferential terms for small and mid-sized businesses that promote technological and digital innovation, growing businesses, research activity, venture capital development, etc.

The total credit provided in this fund is USD 570 million.

According to a detailed study submitted to the European Union Parliament by the EIF, the impact on customers who participated in this program is, among other things, in several metrics:

- A 20% increase in the employment data of customers who took credit in the project.
- An average increase of 30% in turnover.
- An increase in investments in intangible assets.

For more information regarding the impact measurement and data from this activity, see page 6 of the detailed Impact Report submitted to the European Union Parliament "Report from the Commission to the European Parliament and the Council, Ex Post Evaluation of Horizon 2020"¹⁰

9 This figure includes emissions in the three scopes at Bank Leumi; the components of the carbon footprint for 2022 were calculated according to the report file of the Ministry of Environmental Protection for 2021. This figure includes emissions in the three scopes at Bank Leumi; the components of the carbon footprint for 2022 were calculated according to the report file of the Israeli Ministry of Environmental Protection for 2021, and for the calculation of Scope 3, the coefficients published annually by the British Environmental Protection Agency (DEFRA) were used.

10 <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=COM%3A2024%3A49%3AFIN&%3Bqid=1706527941657&print=true>

Measuring the impact resulting from the Bank's support for the association "Follow Me! – Youth Leading Change"

Over the past 20 years, Leumi has contributed to the impact in the amount of more than NIS 100 million, through the volunteering of thousands of the Bank's employees.

Leumi Group has been a supporting partner of the "Follow Me! – Youth Leading Change" for the past 20 years, since 2002. Leumi Group is a key donor of the NGO and supports its activity in the outlying areas. As part of the collaboration, hundreds of Leumi employees volunteer in a wide range of the NGO's activities, including lectures on smart financial consumption for trainees, and financial mentoring for graduates and the association's management team. "Follow Me!" aims to increase the social integration of youth at risk by engaging in educational activities, developing their leadership skills, and providing them with tools for optimum integration into society.

Key impact metrics, according to surveys conducted by the association among its graduates:

- 80% of the graduates were eligible for a matriculation certificate vs. 69% in the general population.
- 96% of the graduates join the army, vs. 69% in the general population.
- 68% of graduates over the age of 25 acquired higher education, compared with 37% in OECD countries.
- 84% The rate of volunteering among Follow Me! graduates amounts to 84%, compared with a rate of only 24% in the overall population.
- 5% work in the voluntary sector.
- 66% of the association's graduates work in the private/business sector.
- 29% are employed in the public sector (about half in security and education).
- 79% of graduates over the age of 31 are employed in the labor market.
- 36% of the graduates did a year of service/military preparedness courses, compared to 11% in the general population.

Measuring the impact resulting from the transfer of the Bank's management offices to Lod

Close to the publication date of this report, on March 18, 2024, the transfer of the Bank's headquarters and management offices from Tel Aviv to the city of Lod was completed.

This project, which began a few years ago and was completed as of this publication, has a significant impact on the environment, the community, the businesses and the Bank's employees.

The main aspects resulting from the positive impact of this transition are as follows:

- Green construction - To move the Bank's headquarters and management buildings, several office buildings were built on the Leumi campus in Lod. This construction was carried out according to the Israeli green building standard (5281) and also received the LEED international green building standard.
- Regional infrastructure development of a locality defined as a social periphery - The Bank's move to the city of Lod may support regional development in Lod, including attracting more companies to move to localities in the social periphery.
- Reducing traffic congestion in the Tel Aviv metropolis - Operating convenient transportation and shuttle services for bank employees from train station centers and other central points, both on arrival and departure from work, support the reduction of carbon emissions.

For more information regarding the positive impact of the construction and relocation of employment centers, see the study by Arie Shahar et al. "Global Development in a Local City, Local and Regional Effects of the Industrial Park in Kiryat Gat" (Institute for Urban and Regional Studies), in relation to the establishment of an Intel plant in the city of Kiryat Gat.

For more information regarding the importance of reducing traffic congestion and its effect on productivity aspects, see also "Special report of the Bank of Israel's Research Division: Raising the Standard of Living in Israel by Increasing Labor Productivity, August 2019 (page 31).

Dialogue with stakeholders and interested parties

Having a continuous dialogue with all of Leumi's stakeholders and stakeholders and interested parties constitutes a significant layer in the management and formulation of the corporate responsibility work plans at the Bank. The dialogue enables us to better understand the needs of each group and we greatly value the perspectives and insights of all our stakeholders and stakeholders and interested parties. Periodically, focus groups and customer satisfaction surveys are held, in order to receive feedback on the digital services and to map the needs and issues for improvement.

The main dialogue channels with shareholders and stakeholders and interested parties are as follows:

| STAKEHOLDERS AND INTERESTED PARTIES | DIALOGUE CHANNELS |
|---|--|
| Investors and shareholders | <ul style="list-style-type: none"> Investor relations website Annual shareholders' meeting Financial statements - quarterly and annual Conference call with investors shortly after publication of each quarterly/annual report Ongoing dialogue with institutional investors, analysts and rating agencies |
| Customers | <ul style="list-style-type: none"> Periodic and immediate service surveys regarding a set of topics Meetings (at the business, in branches and online) Customer service centers and public inquiries Social Networks Conferences and events Environmental and climate related questionnaires |
| Employees | <ul style="list-style-type: none"> Conferences and employee meetings, including "live broadcast" with the CEO Regular written and video communication Dedicated application - Leumi Stream Tutorials and training Annual feedback and employee evaluation Employee engagement surveys "Meetings of the Personal Kind", meetings with members of management in activities outside of work Internal communication channels in each division, divisional conferences, and honoring the outstanding Meetings of the One Hundred Forum and the Leadership Forum to strengthen the managerial backbone Meetings and various processes for employees during the Iron Swords War |

STAKEHOLDERS AND INTERESTED PARTIES **DIALOGUE CHANNELS**

| | |
|---|---|
| Suppliers | Satisfaction surveys Tours and meetings with suppliers |
| Regulators and relevant government ministries | Periodic dialogue Participation in discussions and committees Conversations at various levels on relevant topics |
| Social organizations and the social and business community | Ongoing dialogue with various diverse ESG entities in Israel and around the world Collaboration with associations and social and environmental organizations Volunteering by employees Participation in in-person and online conferences |



Environment and climate

TCFD - Corporate Governance, Strategy, Risk management, Objectives and Indicators

Introduction

Climate change is one of the most significant challenges facing the world. Climate changes have the potential for far-reaching effects on the economy and society, and may pose a threat to global prosperity if they are not properly addressed. The risk was recently defined in the Global Risk Report published by the World Economic Forum¹¹, and is also defined by the Bank as one of the material risks in its activity.

The financial sector plays an important role in handling the implications of climate change by supporting the transition to a sustainable and low- carbon economy, which balances out society's environmental, social and economic needs. Accordingly, The management of climate-related aspects is an integral part of the Bank's goals, both in order to maintain its own financial stability; this approach is also based on the ambition to help customers cope with the impacts of the global climate crisis on their business activities.

The environmental and climate aspects constitute a significant layer in the Bank's activity and in the Bank's ESG strategy.

The Bank regularly examines environmental aspects, trends in climate change, business changes, regulators and other changes in the business environment in which it operates, and forms a strategy appropriate for these changes. In environmental and climate issues, Leumi aspires to meet the 2050 Net Zero goal, established in the Paris Agreement. To that end, the Bank has defined long-term strategic goals in addition to the continuous progress with the multi-year work plan, and will review from time to time, including according to developments in the external environment, regulation, and the availability of information in order to examine its ability to meet and/or set Net Zero goals for 2050.

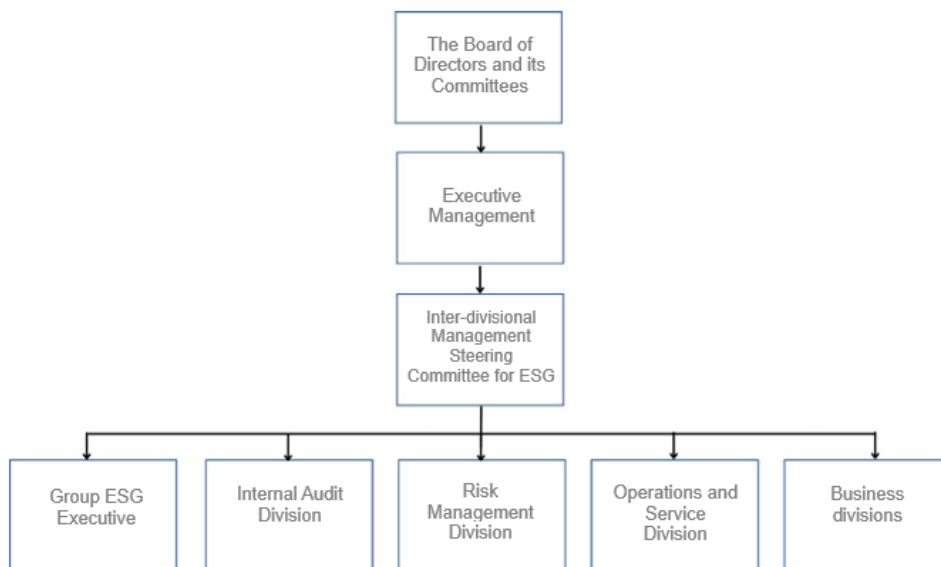
The publication of the TCFD Report as an integral part of this ESG Report of the Bank, along with the publication of the financial statements, is a result of this strategy. The Bank was the first bank in Israel to publish a TCFD Report in 2022, and this is the second TCFD Report published by the Bank.

The process of implementing the recommendations of the TCFD reporting framework involves the assimilation of approaches and methodologies within the Bank's governance, business activity and risk management. It also requires gathering data from internal and external sources, and constantly improving the auxiliary processes. The Bank will strive to continuously improve and optimize the above in the coming years in accordance with the multi-year work plan.

¹¹ <https://www.weforum.org/agenda/2024/01/global-risks-report-2024/>

Corporate governance in relation to environment and climate

The Bank acknowledges that the climate issue has a long-term strategic impact and it generates new risks and opportunities in its operations. Accordingly, within the framework of the Bank's environmental and climate policy, a management structure and division of responsibilities was defined, the main points of which are as follows:



The Board of Directors

Bank Leumi's Board of Directors is entrusted with setting the Bank's strategy on climate issues, which is updated from time to time; approving the Bank's policy, which guides it in its ongoing activity; issuing instructions to the administrative branches; overseeing the fulfillment of these instructions; and adequate oversight and control over the Bank's activities.

The Bank's Board of Directors considers it important to have a process to identify risks and business opportunities and develop the tools, products, and expertise necessary to promote the transition to a sustainable economy.

Board of Directors' Committees

The organizational structure and the climate risk management framework are integrated into the current corporate governance structure, as an inseparable part thereof. The Board of Directors' committees, each in its respective field, discuss and oversee these aspects as an inseparable part of their activity, as follows:



The Bank's management

The Bank's management outlines the ESG strategy, policy, and principles for the management of ESG aspects, of which environmental and climate aspects are a significant layer, which is approved by the Bank's Board of Directors.

Bank Leumi formulated an environment and climate policy, which was first approved by the Bank's Board of Directors and management in 2022, and then validated and updated in 2023. The policy includes an organizational structure and a framework for managing climate risks that integrate into the existing corporate governance structure and are an integral part thereof. The framework comprises setting the strategy and the long-term goals, the policy, the division of responsibility between the Bank's different units, reporting mechanisms, and mechanisms to oversee and control the implementation of the strategy and the policy.

Discussions in the Bank's Board of Directors and management

In 2023, the Board of Directors and its committees and the Bank's management held discussions on ESG issues, some of them in an integrative manner in the Bank's ongoing activities, such as credit policy, investments, business continuity, periodic exposure reports, etc., which include relevant references to ESG aspects, alongside dedicated discussions on issues such as: environmental and climate policy, charitable donations, key collaborations and this report.

Inter-divisional management committee for outlining the ESG strategy

A dedicated committee was appointed in the Bank that is tasked with outlining and implementing the overall ESG strategy, with emphasis on climate risk management. The committee includes the Chief Risk Manager and members of senior management from all the Bank's divisions, and is chaired by the CEO's Chief of Staff. The committee is in charge of making steering decisions on implementing the strategy, furthering the strategy, overseeing its implementation, coordinating between various organs of the Bank and regularly addressing various issues.

In 2023, the steering committee, including in dedicated teams, held discussions, and training with external entities and reports, on the main issues, as follows: performance of a Scope 3 calculation for part of the credit portfolio, specific targets and projects in the work plan, determining an internal credit limit for oil and coal, a multi-year work plan on the implementation of a Bank of Israel directive regarding climate risk management principles, regulatory and benchmark reviews, extreme climate scenarios and more.

Group ESG Executive and International Operations

The Group ESG Executive, reporting to the Chief of Staff of the Bank's CEO, is responsible for formulating and recommending to the Board of Directors the strategy for environmental and climate management, creating strategic collaborations, identifying and realizing climate related opportunities, including green credit and the building of products, tools and services that promote a sustainable environment, and leading their implementation in the Bank, alongside assimilation processes with all the relevant business and operational units in the Bank.

The following is a breakdown of the responsibilities of the Bank's divisions regarding environment and climate

The **Strategy Department** supports the Board of Directors in the outlining of the long-term strategic goals of the Leumi Group and it is responsible for recommending the ESG strategy to the Board of Directors in general and the issue of climate in particular.

Divisions in the first line of defense

- **Business divisions** - The Bank's business unit managements are accountable for the strategy's actual implementation and for the work plan for the management of climate related financial activity, including taking advantage of business opportunities and green financing in particular. This responsibility includes, among other things, identifying, assessing, measuring, monitoring, mitigating, and reporting the risks inherent to the products, activities, processes, and systems for which they are responsible, and for managing a proper control environment in the context of their activity.
- **Operation and Service Division** - Management of the issue of environmental quality, the direct effects of carbon emissions, energy consumption, water consumption, fuels, waste, and transportation. It is also the division's responsibility to collect data regarding the reduction of the carbon footprint and to carry out regular annual measurements.

The **Risk Management Division, as a second line of defense**, is in charge of formulating the Board of Directors' policy on climate issues and of making recommendations for its revision, while prioritizing and focusing on high-risk areas. The division's responsibilities include forming and developing methodologies for identifying and measuring climate risks (at the single customer level and at the Bank level), and for putting together a work plan to integrate and measure the methodology. In addition, the Division is responsible for periodic monitoring and reporting to management and the board of directors on the risk profile and ways of coping with the risk, within the risk report. In general, risks are managed with an integrated, corporate level perspective, all along the managerial chain and across business units, using consistent methodologies and terminologies. The Risk Management Division has formed a climate risks management policy, which sets the risk management principles and defines the areas of responsibility and the reporting mechanisms. Furthermore, a work plan has been formed, which consists of improving the methodologies and the measurement methods, in addition to the actions the Bank is taking to identify and map out the exposure to climate risks.

The **Internal Audit Division, as a third line of defense**, is responsible for examining the correctness and effectiveness of the risk management processes according to the policy and identifying weaknesses in the internal controls, relaying findings arising from field audits that may indicate changes in behavioral norms, to the business lines and the Risk Management Division, and ensuring that appropriate procedures are in place to minimize risks.

Training in the Bank and Group divisions regarding environment and climate

The bank considers the assimilation processes of the environmental and climate aspects to be a central layer in the implementation of the strategy and in the management of climate risks. In this framework, various training sessions have so far been given in most of the Bank's divisions and subsidiaries for the purpose of implementing the various methodologies in the Bank, including credit classification and green investments, and investment advice, implementing mechanical tools that support the use of the Bank, and implementing questionnaires on climate risk issues.

These training sessions were given to a wide range of employees in the Bank, according to the relevance of their activities, including: in the Business and commercial division, the Banking division, relevant forums in the Risk Management Division, the Capital Markets Division management, the Investment and Pension Advisory Division, the Strategy Division, Public Inquiries, employees of the subsidiary company VIDEA, Leumi Partners management, Leumi UK management, Operation and Service Division management and more.

ESG stewardship voting guidelines

The Bank has adopted, as part of the activities of the Leumi Partners subsidiary, a document detailing ESG principles, which are expected to be a supporting consideration in voting and investment decisions. These principles are a layer within the framework of all the considerations regarding a decision on the manner of voting, including ESG, environment and climate, and social considerations, as far as gender and ethnic diversity is concerned. It should be noted that the bank is subject to a regulatory limit of holding no more than 20% in a company and a prohibition on controlling a company (including through a voting agreement), and therefore its ability to influence these issues is limited by its very nature.

Environment and climate strategy

The Bank's ESG vision is derived from Leumi's vision, based on leadership in all ESG aspects, while reflecting environmental, social, and governance challenges in the spirit of the UN's Sustainable Development Goals (SDGs). The realization of the bank's ESG vision is based on a coherent leadership strategy in all environment and climate, governance and social aspects, from the concept that these aspects combine business opportunities, risks, and social and organizational responsibility for all the Bank's shareholders and stakeholders and interested parties, including: investors, employees, customers, suppliers and community. The strategy formulated as aforesaid is based on three main anchors:

The implementation of this comprehensive strategy is reflected in environmental and climate aspects, in several areas:

Encouraging green initiatives through financing and investments that help reduce pollution and reduce the effects of climate change

Improving energy efficiency and greenhouse gas emission reduction

Determining a limit with regard to coal and oil

More information on these layers is as follows:

Encouraging green initiatives through financing and investments that help reduce pollution and reduce the effects of climate change

In 2021, the Bank set a target for financing and investments in activities that promote a green environment in the amount of NIS 35 billion (in terms of balances) by the year 2030.

For this purpose, the Bank operates on several levels to identify opportunities and develop products and initiatives to increase the exposure to green credit as mentioned.

For more information regarding the metrics and performance, see page 29 of this report.

These opportunities and products include, among others, the actions and products detailed below:

Strategic collaboration with the European Union's investment bank in the amount of EUR 750 million

The Bank recognizes that dealing with the climate crisis requires cooperation and an effective effort that includes governments, regulators, financial entities and business companies. In view of the above, the Bank has defined the ESG collaborations with local and international entities as one of the main layers in the implementation of the Bank's ESG strategy.

One of the central and leading entities in the world in this context is the European Investment Bank (EIB), the investment bank of the European Union, which focuses on climate and environment, infrastructure development and support for small and mid-sized businesses.

Leumi has a unique strategic partnership with the EIB, in which the EIB will provide Leumi with a financing line totaling EUR 750 million, which will be used to provide credit on preferential terms to small and mid-sized

businesses in Israel, with an emphasis on green credit and financing of green and social projects (please see also an immediate report dated February 1, 2024, Ref: 2024-01-012258).

This agreement is another layer in the unique collaboration that the Bank maintains with the European Investment Fund (EIF), which is an EIB fund. In the years 2016-2023, Leumi collaborated with the EIF fund of the European Union. In this framework, the Bank offered credit to customers who meet the threshold conditions and criteria established by the fund, on preferential terms for small and mid-sized businesses that promote technological and digital innovation, growing businesses, research activity, venture capital development, etc. The total credit provided in this fund is USD 570 million.

The Bank's issuance of green bonds in the amount of USD 500 million

On January 12, 2023, Leumi issued a green bond (CoCo) in which it raised USD 500 million. The green bonds support the Bank's efforts to adapt its financing strategy to its goal, promoting the transition to a low-carbon economy and increasing the green financing activity. This issuance strengthened Leumi's presence in global markets, and the international investors' faith in the Bank. In 2020, Bank Leumi became the first Israeli bank to issue a CoCo Debenture to foreign investors, and the first bank to make a senior debt offering overseas in 2022. This move positioned the Bank as a leading international entity. The issuance of the green bond was carried out based on a framework document in accordance with the international standard, as approved by S&P, as a second party opinion.

As an integral part of this report, the Bank is publishing the Impact Report of the issued green bond. This report includes all aspects of the allocation and the qualitative and quantitative environmental impact as a result of the uses made of the proceeds raised by the bonds.

For the purpose of performing the environmental impact calculations, the Bank collaborated with the Israeli startup company Green Swan Lab, which developed a working model of impact measurement based on a peer review of the Impact Report by at least three independent entities. In view of the great complexity in the measurement of environmental impact, the Bank drew comfort from the fact that this impact report was validated by three independent and separate entities, including S&P, a senior official at ICMA, and the CEO of a company with environmental impact measurement expertise.

Beyond the importance the Bank saw in this model when carrying out the impact report of the green bond, the collaboration with an Israeli climate-tech start-up company constitutes a significant layer in the Bank's considerations, from an overall view of supporting high-tech companies in Israel, and as the home bank of those companies in Israel through Leumi Tech.

The allocation of the assets according to the Impact Report is focused according to the Bank's strategy in two main areas: renewable and solar energy and clean transportation (electric vehicles, public transportation and light rail), and for these two also in a balanced distribution between private customers and business customers.

The Bank's choice of these two main areas was made taking into consideration of the document "Israel 2050, a Thriving Economy in a Sustainable Environment, the Program's Impact on Macroeconomic Growth in Israel" (Ministry of Environmental Protection and the Israel Democracy Institute, 2021), according to which the transportation sector and the solar and renewable energy sector are the two main recommendations for reducing carbon emissions at the level of the economy as a whole (please see pages 10, 14 and 68).

Also in the report, a dedicated business case is presented that includes a variety of credits for renewable energy that were provided to Teralight, in which the Bank also owns approx. 16% through the subsidiary Leumi Partners.

The presentation of this dedicated business case reflects, alongside the measurement of the impact, also an in-depth process and evaluation carried out by the Bank with one of its customers, and the companies in which he invests.

For the full Impact Report and S&P's opinion, please see the Bank's Investor Relations website.

Valley National Bank's issuance of green bonds in the amount of USD 150 million

In addition to the green bond issued by the Bank, Valley National Bancorp, in which the Bank holds approx. 14.2% of its shares, after the completion of the merger with Bank Leumi USA in 2022, issued a green bond in the amount of USD 150 million in 2022.

Development of green credit products for business and retail customers

Specific green value propositions for customers, such as: financing home systems for green energy production and electric vehicles.

Development of investment products and structured deposits that integrate green companies

The Bank has developed several deposits, mostly based on stock baskets with high ESG scores, and on active green energy companies.

Trading room activity in carbon certificates

The Bank carries out activity in a trading room in carbon certificates, without disclosure on the Bank's books at the request of its customers.

For more information regarding the Bank's performance in the products listed above, see page 29 in the chapter Environmental and Climate Goals and Metrics.

ESG in investment advice

The investment advisory policy includes a layer with ESG aspects¹², which is implemented in various actions, as follows:

- Making ESG considerations accessible in the advisory process: the Bank's investment advisors have been trained to reflect ESG aspects in the advisory process to the Bank's customers who show interest, so that they can weigh them in the investment decision.
- Reviews on ESG investments for customers from the Bank's advisors: the Advisory Division sends the investment consultants, from time to time, reviews regarding investments in products in which the ESG dimension is a major investment consideration.

¹² investment advisory policy was formulated in accordance with the directive published by the Securities Authority dated December 2022 for fund managers and large license holders regarding the integration of ESG considerations in the investment or risk management decision-making processes under Section 97(b) of the Joint Investment Trust Law, 1994 and under Section 28(b) of the Law Regulating Investment Consulting, Investment Marketing and Investment Portfolio Management, 1995.

- ESG rating of securities and mutual funds: the Bank, in collaboration with a research company, makes ESG ratings of securities and mutual funds available for the Bank's customers and for the use of the Bank's investment advisors.
- Training for the Bank's investment advisors: the Bank defined an assimilation process for an investment advisory policy, including training in the areas relevant to the Bank's investment advisors. Within this framework, in 2023 there were 12 training sessions in this area, which are also included in the current information of the Investment Advisory Division for 2024. In addition, training on environmental and climate aspects was provided to all pension advisors at the bank.

Improving energy efficiency and greenhouse gas emission reduction

Leumi has defined goals for 2026 to reduce the greenhouse gas emissions from the operational activities, reduce the Bank sites' electricity consumption, and reduce fuel consumption per distance traveled. 20% reduction targets were set from the 2021 baseline year. This measure implements the Bank's strategy to reduce the environmental impact of its operational activity, while optimizing the use of resources as part of its operating activity.

In addition, the Bank regularly calculates greenhouse gas emissions resulting from its activities (energy consumption, fuel combustion and more). Leumi performs the measurement using the calculation tools of the Ministry of Environmental Protection¹³ and the emission coefficients of DEFRA (Department for Environment, Food & Rural Affairs of the UK Government), and reports annually to the Ministry of Environmental Protection, and in this report, regarding the carbon footprint. The Bank has also held the ISO 14001 environmental quality standard for a decade.

For more information regarding the metrics and performance, see page 30 of this report.

Determining a limit with regard to coal and oil

The finance industry as a whole is not characterized by a direct contribution to climate change impacts, but is rather indirectly exposed to these impacts by financing industries and economic activities based, among other things, on the use of fossil fuels. It is a common practice among international banking entities to gradually mitigate the exposure to industries that exacerbate the effects of climate change. Bank Leumi is taking action to limit its exposure to activities that exacerbate the effect of climate change, while supporting the necessary transition to a low carbon economy at the same time. To this end, the Bank has set a limit on polluting areas of activity, as follows: limited exposure in the credit portfolio (solo) to customers in the coal production and in the oil production and refining sectors — terminating financing for new projects (that are not considered operating activity), however, the Bank will support customers in these sectors in operations intended to mitigate the impact of environmental pollution. Moreover, the Bank set an internal limit for the scope of exposure in these areas.

¹³ The calculation for 2022 was made according to the report file for 2021.

Management of environmental and climate risks

Bank Leumi regards climate risks as an integral part of the Bank's overall risk management strategy, both in order to maintain its stability, and as a business opportunity. Climate risks are not considered stand-alone risks by the Bank, but as risk factors with significant potential to intensify the traditional risks managed by the Bank. This concept led the Bank to expand its risk management framework to include climate and environmental risks in an integrative manner. At this stage, the Bank is focusing on creating a methodology for identifying material climate risks and their impact within the framework of traditional risk assessments, and in the future it aims to fully integrate management tools for these risk factors into each of the relevant risk management frameworks at the Bank.

The Bank's process for assimilating climate risk management principles in the risk management processes is carried out in accordance with accepted global practices, as well as in accordance with local regulatory guidelines. As part of the processes for the integration of climate risks in traditional risk management frameworks, at the current stage the Bank has focused on the effects of climate risks on credit risk (with an emphasis on business credit), which the Bank perceives as the main risk exposed to climate risk, and to a lesser extent on other risks such as operational risk, market risk, regulatory risk, strategic risk, legal risk and reputational risk. In the future, the Bank aims to map the effects of climate risks for each of the various risks managed by the Bank, and as climate risks are found to have significant potential effects on other risks as well, to incorporate climate aspects into the management of these risks in an integrative manner.

Climate risk is a complex risk to manage for several reasons. First, being an emerging risk characterized by change at a higher rate than other risks, and characterized by high uncertainty surrounding the timing and intensity of the risk's realization. In addition, the lack of up-to-date, complete and high-quality information regarding the exposure of the Israeli economy and its various factors to climate risks also makes effective risk management difficult. Also, the difficulty in using historical statistical information for risk assessment, due to its rapid rate of development, requires the Bank to use unique and innovative risk management methodologies. Despite the many challenges, which emphasize the need to take a cautious and dynamic approach to this issue, the Bank is constantly monitoring developments in the field, studying the issue and working to adjust the risk management tools and methodologies in accordance with the development and availability of information.

Identifying climate risks and their impact on the Bank's traditional risks

Climate risks are the set of business damages that may be caused to the Bank as a result of climate change and its diverse effects. These risks are divided into two types of risks - physical risks and transition risks. Physical risks include risks caused by gradual changes in climate patterns and geographic patterns (chronic risks), such as sea level rise or average temperature rise. In addition, the physical risks also include the effects of extreme climate events (acute risks), the frequency and intensity of which is expected to increase with climate change, including storms, floods and fires.

Transition risks are all the risks caused by changes in the business environment in which the Bank operates due to the global transition to a low-carbon economy, as part of the attempt to reduce greenhouse gas emissions that lead to climate change. Transition risks include reputational risk, market risk, regulatory risk and technology risk. All of these risks are expected to affect the Bank's business activities and intensify the traditional risks it manages.

Along with the climate risks, the Bank is also exposed to environmental risks, which are risks caused by damage to the environment, for example due to a regulatory sanction or legal liability. Relevant environmental risk factors may be air, water and soil pollution or damage to biodiversity. From the Bank's perspective, the

environmental risks are also seen as amplifying factors of the traditional risks. Despite the accepted separation between environmental and climate risks, the Bank aims to manage these risks jointly in cases where it is possible and where it creates value. This is in order to optimize work processes in the Bank, and due to the difficulty in separating the risk factors in some cases (for example, the difficulty in separating damage to a borrower's reputation due to both its environmental and climatic effects).

The Bank's potential effects stemming from these risks can be classified into two categories:

- Direct damage: Damage that may be incurred by the Bank in case, for example, of physical damage to its infrastructure that is critical to its business continuity, and/or if the Bank is found to be responsible for an environmental or climate hazard, including the possibility of the Bank being required to incur the costs of removing an environmental hazard or is found responsible for an environmental hazard towards a third party.
- Indirect damage: Damage that may be caused due to harm to the business activity of the Bank's customers, the value of their collateral or the value of their investment portfolio due to climate and environmental risks. For example, indirect damage may be caused to the Bank that financed the activities of a company, if the company is harmed by changes in consumer tastes or by increasing regulation that will make it difficult to continue its business activities. The damage incurred by that company could compromise its repayment capacity, thus indirectly affecting the Bank's asset value. The Bank focuses most of its effort on managing the risks associated with the indirect damages, since their potential business impact on the bank is found to be more substantial.

The following are examples of the possible effects of climate risks on traditional banking risks, as identified by the Bank:

| Risk | Definition of the risk | Examples of possible effects of climate and environmental risks on the risk |
|-------------|--|---|
| Credit risk | Credit risk is the Bank's risk of loss as a result of the possibility that a counterparty fails to meet its agreed commitments towards the Bank. | <ul style="list-style-type: none"> • Physical damage to the borrowers' assets due to extreme climate events that will lead to an impairment of the collateral and an inability of the borrower to meet his obligations to the Bank. • Damage to the borrowers' profits due to an increase in their operating expenses resulting from an increase in the prices of raw materials and energy, the imposition of a carbon tax or other costs related to regulation and market requirements to reduce the carbon footprint, in a way that will harm their ability to meet their obligations to the Bank. An impairment of borrowers' assets due to the decrease in demand for them resulting from changes in market needs due to climate change, including disruptive technological developments. |

| Risk | Definition of the risk | Examples of possible effects of climate and environmental risks on the risk |
|-------------------------|---|--|
| Market risk | Risk of loss stemming from a change in the value of assets and liabilities due to a change in the price level in the markets, a change in interest rates, exchange rates, inflation and share prices. | <ul style="list-style-type: none"> • An impairment of the Bank's holdings in securities of companies operating in sectors with a high environmental/climate impact, and which are expected to be the focus of regulation in the coming years and to suffer a decrease in value due to changing consumer tastes. • Extreme climate events may lead to a change in the value of financial instruments related to areas affected by that extreme event, including commodities and exchange rates. |
| Operational risk | The risk of loss as a result of inadequate, or failure of, internal processes, officers of the Bank and systems, or external events. | <ul style="list-style-type: none"> • Physical damage to the assets or the infrastructures necessary for the Bank's business continuity, such as damage to communication infrastructures or disruptions in the electricity supply due to the realization of extreme climate events. |
| Regulatory risk | The risk that changes made in legislation and regulation will affect the Group's income and expenses, the capital, the Group's areas of activity or the business environment in which it operates. | <ul style="list-style-type: none"> • The increase in the regulatory burden on the Bank, which may lead to an increase in the current operating expenses required for regulatory compliance. • The increase in the regulatory burden on the bank as a result of regulations that will require the Bank to make adjustments in the strategic management of its business activities, in its risk management and in the products it provides to its customers. |
| Legal risk | Legal risk is defined as exposure to damage resulting from lawsuits against the Bank, providing a poor legal opinion, drawing up poor agreements, failure to provide appropriate instructions due to | <ul style="list-style-type: none"> • In recent years, there has been an increase in the trend of business companies' losses in climate claims, which impose liabilities on them due to their impact on the damages of the climate crisis. • In Israel, banks were previously charged with the obligation to clean up contaminated land that was used as collateral for the bank. |

| Risk | Definition of the risk | Examples of possible effects of climate and environmental risks on the risk |
|--------------------------|--|---|
| | changes in legislation and rulings and fines and supervisory activity. | |
| Reputational risk | The risk of compromising the trust of the Bank's various stakeholders, such as customers, shareholders, bondholders - as a result of conduct, action, or omission by the Group, its officers, employees or other involved parties. This risk refers to the perceptions of the shareholders, stakeholders, the public, influencers and the media, whether they are fact-based or otherwise. | <ul style="list-style-type: none"> • Departing customers or failure to recruit new customers for whom the issue of the climate or the environment is a central issue in their choice of the financing bank. • Providing business credit to customers with a negative reputation due to a high environmental or climate impact may jeopardize the Bank's reputation as a financier of customer activities. |

Identification and assessment of climate risks in business credit

As part of the Bank's operations to identify, assess and manage climate risks, the Bank has formulated a methodology for identifying and assessing climate risks for business credit customers. In the methodology, different economic sectors were assembled into groups with a similar climate risk profile (according to their level of exposure to different climate risks, from a defined risk taxonomy), and the relevant and material climate and environmental risks were mapped for each group. Based on this process, each group's relative root level of exposure to these risks was assessed. Last year the Bank also carried out an initial assessment of the exposure to risks at the level of each of the individual economic sectors, and it will further examine the proper way to use this level of detail within its processes.

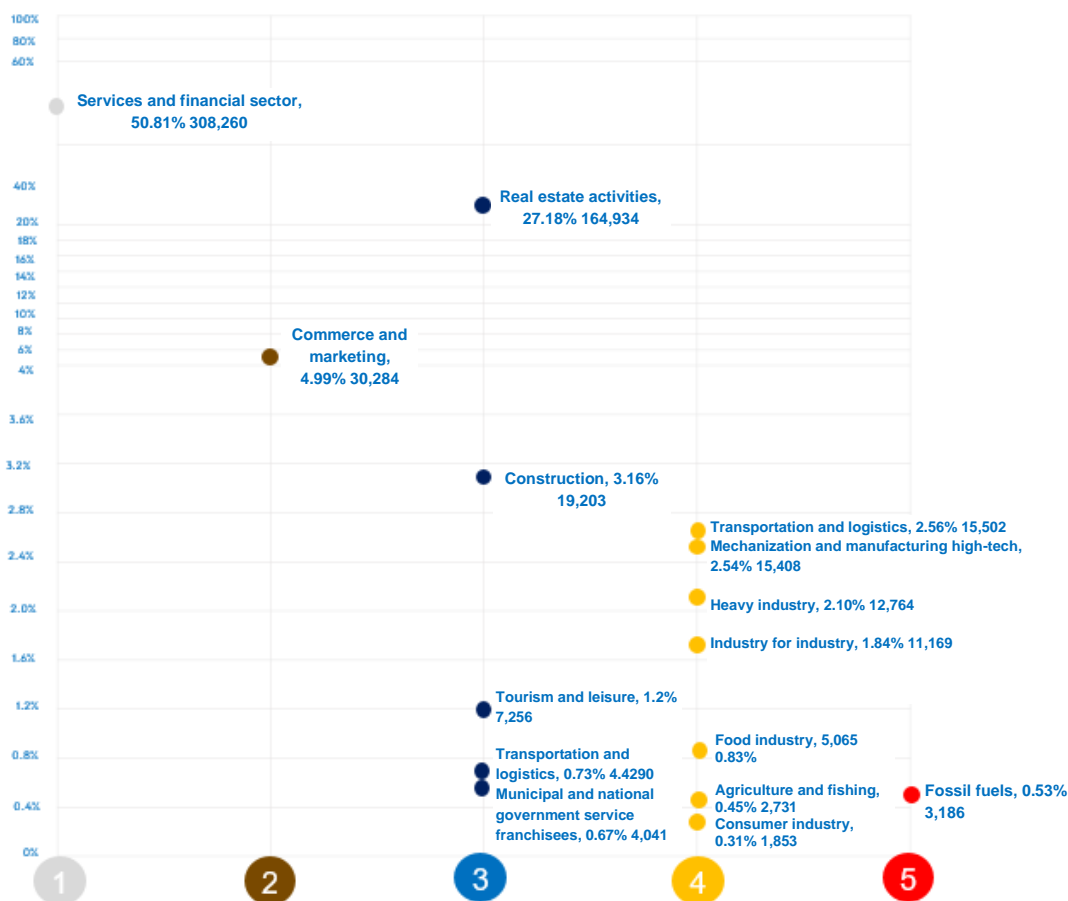
Subsequently, a dedicated questionnaire was formulated for each group of sectors with a similar risk profile in order to identify the level of the individual borrower's individual exposure to these risks. The purpose of the

questionnaire is to assess the borrower's level of climate risk management that may affect its business activity, in order to assess its residual and specific risk level and to enable the decision makers to integrate climate risk considerations while basing themselves on information and data in the business decision-making processes. In this way, the Bank aims to identify potential risks, and it adjusts the desired level of exposure according to its risk appetite. The Bank is working to implement the questionnaires as part of the credit underwriting process for all business customers, in accordance with the materiality threshold determined according to the risk level of the sector in which the customer operates and the extent of the credit.






Metrics for assessing the Bank's exposure to business credit risk related to climate change

In order to monitor the Bank's exposure to credit risks related to climate change, the Bank uses various indices and measurement tools. At this stage, in accordance with the data available to the Bank, for the purpose of assessing its exposure, the Bank uses data based on the underlying sector risk, while in the future, with the accumulation of more accurate data in relation to its customers, the Bank aims to make use of the residual risk data - which are more individually suited to its portfolio.

Exposure to groups of sectors with a similar climate risk profile - the Bank:



Exposure to climate risk levels - the Bank:

| Climate risk level | | Financial amount | Rate from credit portfolio |
|--------------------|---|------------------|----------------------------|
| | | NIS millions | Percentages |
| 1 |  | 308.260 | 50.8 |
| 2 |  | 30.284 | 5.0 |
| 3 |  | 200.524 | 33.0 |
| 4 |  | 64.493 | 10.6 |
| 5 |  | 3.186 | 0.6 |
| Total | | 606.748 | 100 |

Exposure to high-emission economic sectors characterized by increased transition risk - the Bank (Solo)¹⁴:

| Liability rate | Chemical industry and cement manufacturers ¹⁵ | Transportation, shipping and vehicle manufacture ¹⁶ | Manufacturers of metal products and wood and paper products ¹⁷ | Electricity generation from fossil fuels ¹⁸ | Animal agriculture ¹⁹ | Fossil fuels ²⁰ | Total |
|----------------|--|--|---|--|----------------------------------|----------------------------|-------|
| 31.12.2023 | 1.42% | 1.22% | 0.55% | 0.71% | 0.16% | 1.03% | 5.08% |
| 31.12.2022 | 1.72% | 1.34% | 0.61% | 0.62% | 0.17% | 1.31% | 5.77% |

Business continuity risk management in relation to climate risk

Bank Leumi strives to maintain the continuity of its operations at all times; therefore, it is making preparations to deal with external and/ or internal events, the occurrence of which may cause significant operational disruption to the Bank's business activities, including climate risks. The Bank implements a business continuity management policy that aims to reduce the damage caused by this type of disruption, to maintain the continuity of business activity, the proper functioning of payment and clearing systems, the provision of banking services to the public, preserving the Bank's goodwill and profitability, and concern for the interests of the depositors and holders of the corporation's securities.

¹⁴In order to define sectors with high emissions, which are characterized by increased exposure to some of the transition risks related to the extent of emissions (such as carbon taxation, regulations to reduce emissions, legal liability and exposure to disruptive technology and innovation risks), the Bank used lists of industries with high emissions from leading global work frameworks on the subject - UNEP- FI, PACTA, SBTI.

¹⁵Production of chemicals and their products, pharmaceutical industry, rubber and plastic product industry and cement manufacturers.

¹⁶Economic sectors: land transport, sea transport, air transport, postal services and national couriers, motor vehicle industry and ship and boat building.

¹⁷Economic sectors: manufacture of wood and paper products (except furniture) and manufacture of metal products (iron and steel, non-ferrous metals).

¹⁸Economic sector: electricity supply, gas, steam and air conditioning, transmission and distribution of electricity.

¹⁹Economic sectors: animal husbandry, the fishing industry and aquaculture, including the management of a mixed agricultural farm.

²⁰Oil, natural gas and coal mining activities, including supply, transportation and retail trade of fuel.

In the past year, the Bank has updated its business continuity plan and its business continuity policy so that it includes a relevant reference to climate risks and will allow the Bank business continuity during an extreme climate event (realization of an acute physical risk). In this framework, among other things, in order to maintain its energy continuity, the new Bank headquarters in Lod is connected to a dedicated private power plant. In addition, the Bank's servers are protected in a dedicated underground facility, which has unique protection mechanisms against various climate risks. The implementation of this program is led by the Operations and Service Division, subordinate to the Bank's Business Continuity Manager (Head of the Operations and Service Division) and the Board of Directors. More information regarding the policy underlying the plan can be found in this report, in the Climate and Environmental Risk Management chapter.

Investment risk management in view of climate risks

As part of the Bank's nostro investment management, the Bank also takes climate risks into account in its decision-making. Identification of the climate risks that affect the risk in securities being considered by the Bank for investment is done with the help of an external ESG rating, which is provided to companies by a leading international rater. The ESG rating also includes reference to the securities' exposure to climate risks. According to the work procedures of the Nostro Unit, the Bank must examine the ESG rating of companies prior to the decision to invest in their securities, and this information is taken into account as part of all considerations regarding investment in the security.

Regulatory risk

Regulatory risk is a risk that is expected to increase in the coming years with the introduction of new climate regulations in Israel and around the world that are expected to affect the banking system in Israel and the business environment in which the Bank operates. In Israel, the Bank of Israel's Proper Conduct of Banking Business Directive 345 - Principles for Effective Management of Climate-Related Financial Risks, which requires banks to manage climate risk in the context of traditional financial risks, is the first sign of change on the subject.

Legal risk

As part of the legal risk management regarding environmental and climate aspects, the Bank updated the relevant credit approval documents, the relevant collateral and the various relevant financing agreements so that various conditions and references in the environmental risk aspects will be included.

Reputational Risk

This risk refers to the perceptions of the Bank's stakeholders and interested parties regarding the Bank and trust in it (including shareholders, bondholders, business partners, the public, influencers and the media), whether they are fact-based or otherwise. With the growing awareness of climate change and its effects, climate aspects are expected to be a more significant factor in the perception of the Bank among stakeholders and interested parties, and in particular global stakeholders and interested parties. The risk is dynamic and changes depending on various topics and populations. The Bank integrated a reference to climate aspects into the reputation risk management policy, including the publication of regular communications regarding the Bank's activities in these aspects.

Strategic risk

The Bank periodically carries out a risk control process on the business strategy in which the various risks that may affect the Bank's business strategy are examined, including reference to climate risks. The Bank strives to adapt its business strategy to all the risks expected to affect its business activity and in the process also to the climate risks whose impact on the Bank's business activity is expected to increase.

Climate scenario analysis

Climate scenario analysis is a strategic planning tool that enables organizations to predict and evaluate possible future outcomes of climate change, and to examine the expected business impacts. This tool is designed to enable dealing with the inherent uncertainty present in long-term climate forecasts, the realization of which is influenced, among other things, by the global response to climate change and the pace of transition to a low-carbon economy. By examining a variety of plausible scenarios, the Bank can better understand the various risks, and their related impacts, if various climate scenarios materialize. The Bank aims to integrate the various climate scenarios into the framework of the regular scenario analyses it performs for various needs, including for the ICAAP process. The scenarios are expected to provide a comprehensive and thorough understanding of the climate risks to enable the Bank to prepare for the expected effects of the scenarios on its business activities.

At the end of 2023, for the first time the Bank began a comprehensive and complete process for stress tests based on various climate scenarios, in accordance with leading global practices. The Bank's analysis includes a variety of climate scenarios that encompass physical risks and transition risks, where for the applicability of the scenario, the Bank separates scenarios characterized by transition risks and scenarios characterized by physical risks.

The climate scenarios analyzed by the Bank are based on the NGFS methodology and scenario classification. These six scenarios, which include the Net-Zero 2050 scenario, differ among themselves according to the pace of the global transition to a low-carbon economy. In each of the scenarios, the Bank examines several key variables, and their aggregate effect on its credit portfolio:

- Each scenario is characterized by different multi-year macroeconomic effects, according to the different transition risks that characterize it over the timeline.
- Each of the scenarios is characterized by different transition costs to a low-carbon economy for companies from different areas of activity.
- In different carbon prices that are expected to be imposed on the companies.

As part of the Bank's analysis in relation to the physical risks, the Bank examines the effects of flood and heat risks. The effects of these risks are examined in relation to the Bank's mortgage portfolio, the Bank's real estate collateral in the Business Division, and in relation to the business credit portfolio. In this framework, in each of the climate scenarios the Bank examines the expected pace and intensity of the physical risks' realization, in each area unit in Israel (with a geographical resolution of approx. 2 square kilometers), and their expected impact on the Bank's credit portfolio and its collateral, using a dedicated damage function.

As aforementioned, the climate scenarios are analyzed in accordance with an advanced global methodology based on complex economic and statistical models that have undergone a unique adaptation to the Israeli market, both in terms of the transition risks and in terms of the physical risks that will materialize in Israel. The Bank's work process in this framework includes an examination of the expected effects of each of the scenarios on the financial performance and the value of the relevant assets of each of the Bank's business portfolio customers. On this basis, the Bank evaluates the expected change over time in the credit ratings of its customers

due to the realization of the climate scenarios, the likelihood of them reaching credit failure and the expected credit losses due to the realization of the scenario (PD, LGD, EL).

Climate scenario analysis provides a structured framework for assessing and managing the complex risks associated with climate change. By using this approach, the Bank can better understand the potential effects of various climate scenarios on its business activity, and formulate a data-based strategy to reduce these risks. In such a way, the Bank uses this tool to manage climate risks and also as a tool for evaluating and quantifying the financial damage to be faced by the Bank in various climate scenarios, as well as for the purpose of ensuring regulatory compliance with the Bank of Israel's directive on the subject (Proper Conduct of Banking Business Directive 345).

Results of the analysis for 2023

In the first stage, with the help of international expert consultants, the Bank performed a scenario analysis for the credit risk in the Business Division and in the Mortgage Division, based on the exposure data from September 2023. Although as of the date of publication of the report, the Bank continues to analyze the data and refine the methodology and results in order to reach more accurate conclusions, it is already possible at this stage, based on the initial data available to the Bank, to indicate several trends from the analysis results. From the analysis of the transition scenarios characterized by strong transition risks, with an emphasis on the Net-Zero 2050 scenario, it appears that in an overall view, in the next decade the average credit rating of the business borrowers, who are exposed to the transition risks, is expected to gradually decrease due to the impact of the transition risks on their financial performance. In some cases the decrease may even be significant, and in extreme cases even lead to credit failures. From the analysis of the physical scenario, it appears that its effect on the Bank is expected to be more moderate. According to the scenario data, the overall assessment of flood damage from river basins to the Bank's mortgage portfolio is expected to be relatively low in the coming decades (in the three RCP scenarios examined - RCP2.6, RCP6.0, RCP8.5). The impact on the Bank's commercial real estate securities, on the other hand, may be more significant, due, among other things, to a higher geographic concentration of these assets (in relation to the mortgage portfolio) in areas more exposed to risk. It should be clarified again that these conclusions are based on the preliminary results of the analysis, and that the Bank will continue to analyze the data in order to obtain more accurate and complete results.

The information presented in this chapter is "forward-looking information". For the meaning of this concept, see page 74 in the chapter "About the Report" in this report.

In the future, the Bank also plans to perform the analysis in relation to its marketable and real investment portfolios.

Future measures

The Bank is constantly working to improve its capabilities in the management of climate risks and their impact on its business activities, and plans to implement additional measures that will enable optimal identification, assessment and management of climate risks. In particular, the Bank is expected to complete all of its obligations for full compliance with the Proper Conduct of Banking Business Directive 345 within the defined regulatory schedule. In this framework, the Bank will expand the processes currently applied on the subject with an emphasis on credit and market risks, in the context of risk identification and assessment, within the framework of internal controls, and in the use of proportionate and relevant mitigation measures in relation to material risks.

In order to ensure that climate risks are managed based on data, the Bank is working on developing additional indicators to identify and assess the Bank's exposure to climate risks in all relevant risks, starting to track them and integrating them into the Bank's internal reporting lines. In addition, the Bank will continue to provide structured training to all relevant parties in all lines of defense regarding climate risks and the effective use of methodologies and tools available to the Bank for their management.

Environmental and climate objectives and indicators

Bank Leumi has set strategic medium-term and long-term climate targets. It also integrates many aspects into its activity that contribute to reducing climate effects and to the transition to an environmental economy, the main aspects are as follows:

Increasing exposure to activities that help reduce pollution or reduce the effects of climate change

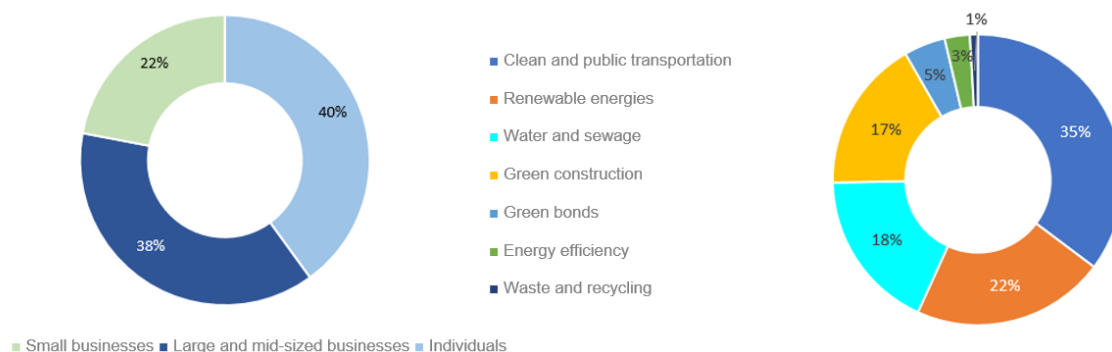
In 2021, the Bank set a strategic target according to which it aims for the balance of environmental financing and investments to amount to NIS 35 billion by 2030.

In addition to this goal, the Bank also works to increase exposure to activities that help reduce pollution or reduce the effects of climate change through existing linked loans, its investments, as well as offering structured green deposits, as follows:

Environmental financing and investments

The Bank has formed a methodology and the criteria to identify and manage the financing and investments related to objectives that support climate goals. The adopted methodology is in the spirit of the Green Bond Principles (GBP)²¹ standard, which helps in formulating characteristics for an international green bond, and the draft of the Israeli taxonomy, and in adjustments for the unique characteristics of the Israeli economy.

The balance of environmental financing and investments²² as of December 31, 2023 amounted to approx. NIS 23.8 billion:



Sustainability-linked loans

Alongside the Bank's assimilation processes with regard to environmental financing, according to the aforementioned targets, for the first time the Bank also reports in this report on sustainability-linked loans, which included various sustainability conditions and targets within the framework of the financing agreements.

In 2023, these loans amounted to a total of NIS 1.48 billion.

²¹ Green Bond Principles (GBP) - An international organization whose purpose is to define principles for the development of a sustainable economy.
Principles for Responsible Banking (PRB) - A sustainable banking framework, with over 300 signed banks representing almost half of the global banking industry.

²² Including off-balance sheet credit.

Development of investment products and structured deposits that integrate ESG aspects

The Bank has developed 8 deposits that are mainly based on stock baskets of companies with high ESG ratings and on companies that are active in terms of green energy. In 2023, they totaled approx. NIS 5 million.

Trading room activity in carbon certificates

The Bank carries out activity in a trading room in carbon certificates, without disclosure on the Bank's books at the request of its customers.

Reducing carbon and greenhouse gas emissions from direct and indirect activity (Scope 1-3)

Emissions attributed to Leumi's operational activities

Leumi sets itself a goal to reduce the adverse effects on the quality of the environment, the climate and the available natural resources in its areas of operation through its operational activities and through its business activities. Leumi invests significant efforts in identifying measures that would result in greater efficiency and energy savings having a direct impact on Leumi's carbon footprint.

Each year, the Bank regularly calculates greenhouse gas emissions resulting from its activities (energy consumption, fuel combustion and more) and reports its carbon footprint. Emissions are calculated according to the calculation methodology of the accepted global standard on the subject (GHG protocol), and using the Ministry of Environmental Protection's calculation tools. In order to calculate the emissions in Scope 3, the Bank uses the emission coefficients published by DEFRA (Department for Environment Food & Rural Affairs, UK government).

Greenhouse gas emissions are divided, according to practice, into three groups, which in the Bank are reflected in the main operations, as follows:

Accordingly, Leumi has defined goals for 2026 to reduce the greenhouse gas emissions from operational activities, reduce the Bank sites' electricity consumption, and reduce fuel consumption per distance traveled by 20% from the 2021 base year²³.

As of December 31, 2023, the Bank has reduced the operational carbon footprint by 12.3% in relation to 2021.

The Bank's carbon footprint for 2023 is 28,892.91 tons equivalent (tCO₂e²⁴).

One of the main reasons for the decrease, with an emphasis on Scope 2, was a switch to electricity consumption from a new private producer, whose electricity generation is more energy efficient and whose activity has fewer emissions. The decrease this year was despite an increase in the consumption of refrigerant gases at the Bank

²³ ²³ All the data mentioned in this chapter refer only to the operational environmental performance of Bank Leumi, which employs approx. 96% of all employees in the Group and is the source of over 88.74% of its profits.

²⁴ This figure includes emissions in the three scopes at Bank Leumi; the components of the carbon footprint for 2022 were calculated according to the report file of the Israeli Ministry of Environmental Protection for 2021, and for the calculation of Scope 3, the coefficients published annually by the British Environmental Protection Agency (DEFRA) were used.

due to a malfunction, which led to an increase in the Bank's direct emissions, and despite the expansion of the scope of detection within Scope 3 (see more information below).

The intensity of the Bank's carbon footprint for 2023 is 0.131 tons equivalent (tCO₂e)/m², a decrease of approx. 7% compared to 2021.

Noting the Bank's progress towards meeting the target, at the end of 2023 and in the first quarter of 2024, the Bank carried out a detailed examination for a possible expansion of its operational greenhouse gas emission targets, according to the three scopes for 2030, and according to the SBTI standard. This infrastructure work and its analysis will be one of the layers of the Bank's work plan in this context, for examining the Bank's ability to set SBTI targets for 2030, including detailed annual quantitative targets.

The main targets defined regarding the reduction of operational carbon emissions are as follows:

| The targets by scope ²⁵ : | | | | |
|--------------------------------------|---|------------------|-------------------|---------------------|
| Scope 1 | Reducing emissions in Scope 1 by 10%, for the 5 years 2022-2026 compared to 2021 | | | |
| Scope 2 | Reducing emissions in Scope 2 by 25%, for the 5 years 2022-2026 compared to 2021, by energy efficiency and switching to electricity suppliers with a reduced carbon footprint | | | |
| Scope 3 | Reducing emissions in Scope 3 by 5%, for the 5 years 2022-2026 compared to 2021, by streamlining the procurement and operational processes | | | |
| The targets by measurement units: | | | | |
| Target | Measurement unit | Reduction amount | 2021 base figures | Quantitative target |
| Reduction of GHG emissions | tCO ₂ e | 20% | 32.954 | 26362.8 |
| Reduction of electricity consumption | GWh | 20% | 62 | 49.6 |
| Reduction of fuel consumption | Mega-Lt | 20% | 1.1 | 0.88 |

²⁵ In order to enable effective management of the emission reduction targets, the Bank split the reduction targets into targets for each of the three emission scopes.

Details of operational carbon footprint by scope:

| SCOPE | MEASUREMENT UNIT | 2020 | 2021 | 2022 | 2023 |
|-------------------------|-----------------------|----------|----------|----------|----------|
| Scope 1 | Ton CO _{2eq} | 3164.8 | 3.362 | 4475.09 | 4880.24 |
| Scope 2 ²⁶ | Ton CO _{2eq} | 29.432 | 28.282 | 26058.13 | 22118.41 |
| Scope 3 | Ton CO _{2eq} | 1428.3 | 1.311 | 1616.4 | 1894.25 |
| Total | Ton CO _{2eq} | 34025.10 | 32955.00 | 32149.62 | 28892.90 |
| Energy intensity | Tons per sq.m. | 0.138 | 0.141 | 0.144 | 0.131 |
| Data coverage | | 100 | 100 | 100 | 100 |

Energy intensity

Since the Leumi Group provides banking services and is not a manufacturing company, the Group does not calculate energy intensity per manufacturing unit.

The Leumi Group measures its energy intensity to test the effectiveness of measures taken to reduce power consumption. The intensity is measured according to power consumption relative to the area in which energy was consumed (square meter)²⁷. Following the measures taken to increase energy efficiency, there is a steady decline in the energy intensity of the Leumi Group relative to the area of the properties over the years.

| | 2020 | 2021 | 2022 | 2023 |
|---|-------|-------|-------|--------|
| Energy intensity by total electricity (total KWh/square meter) | 264.2 | 364.9 | 356.3 | 255.13 |

Energy Consumption²⁸

Electricity consumption: A large part of the Leumi Group's energy consumption stems from electricity consumption in its offices. The Bank invests in projects and in processes that result in lowering this consumption. In 2023, Leumi consumed approx. 56.2 GWh, and approx. 74% of the electricity consumed by Leumi was purchased from a private electricity producer that produces electricity from natural gas, which has a reduced environmental impact compared to the electricity produced by the IEC (among other things, by coal). The Leumi Group's electricity consumption was 9.3% lower in 2023, compared with 2021.

²⁶ The Bank calculates Scope 2 according to a market-based approach (reflecting emissions from electricity that the companies have deliberately chosen, and it derives emission factors from contractual instruments, which include any type of contract between two parties for the sale and purchase of packaged energy certificates or for non-packaged instruments themselves). According to a location-based approach (reflecting the average emission intensity of networks where energy consumption occurs, using mainly average emission factor data in the network), the Bank's emissions in Scope 2 in recent years are: 2021 - 30,618; 2022 - 30,612; 2023 - 26,421.53 (all data in tons of CO_{2eq}).

²⁷ Total 223,816 sq.m. in 2022.

²⁸ The 2016-2022 data has been corrected: now the data does not include the private leasing vehicles (executive and official vehicles only).

Fuel consumption: Leumi's fuel consumption stems mainly from the Bank's vehicle fleet. In 2023, approx. 927,364 liters of gasoline and approx. 59,738 liters of diesel fuel were consumed (only for vehicles). This reflects a 10.2% decrease in gas consumption compared to 2021.

Power plant powered by natural gas: As part of the plan to reduce the operational-environmental impact, Bank Leumi has established a power plant powered by natural gas with an installed capacity of 5 MW to supply electricity to the Bank's central headquarters campus in Lod. The power plant will be the campus's primary energy source.

The Bank put substantial effort into reducing the energy consumption from its operations, including through:

- Green building - When designing the construction of a new building and in renovating existing structures, environmental aspects are considered such as thermal window coating on warm facades, remote control systems, pre-determined times or sensors to automatically turn-off air conditioners and lighting and more. In addition, the Bank's new campus building in Lod was built according to the LEED standard, and the 5281 standard for green construction in Israel.
- Reducing Branch Visits - The Bank offers advanced digital solutions that allow its customers to receive service without having to visit the branch (such as the "book an appointment" and "message your banker" services). These solutions help reduce the number of customers who arrive at the branches, and as a result, they reduce air pollution and fuel consumption.
- Transportation service for employees - The Bank has a transportation system for employees from their home area to and from work, which reduces the use of private vehicles.
- The Bank's vehicle fleet - Leumi is working to transition the Bank's vehicle fleet from gasoline-powered vehicles to hybrid and electric vehicles.
- Encouraging the use of bicycles In the framework of promoting sustainable transportation at Leumi, bicycle parking spaces were built at headquarters in Tel Aviv and in the Leumi Service Campus in Lod.
- Replacement of lighting fixtures by cost effective ones - In 2023, steps were also taken in this area in branches and headquarters buildings. Furthermore, several LED lighting fixtures were installed, which are characterized by high-energy efficiency and a life that is longer than average.
- Analysis of energy consumption patterns at the branches In the framework of renovation and energy efficiency projects, Leumi frequently installs energy monitoring systems and smart building systems at the branches and headquarters buildings, to enable analysis of energy consumption patterns.

Water consumption

According to the nature of the Bank's activity, most water consumption is intended for office purposes²⁹. To correctly monitor and manage water consumption, a water leak detection and neutralization system is installed in Leumi. In addition, smart water taps were installed in all branches and in most headquarters units. Hence, and through additional water saving control, the Bank's water consumption has remained consistent over the years.

The total consumption for 2023 amounts to approx. 103,441 cu.m., normalized in relation to the number of employees, the water consumption per Bank employee is approx. 13.76 cu.m.

²⁹ The water that the Bank uses is mains water, which also contains desalinated water depending on the region and the season.

| WATER CONSUMPTION | 2020 | 2021 | 2022 | 2023 |
|-------------------------------------|----------|----------|-------|----------|
| Total water use (in cu.m. millions) | 0.117997 | 0.120134 | 0.119 | 0.103441 |
| Data coverage | 100 | 100 | 100 | 100 |

Waste

As part of the Bank's efforts to reduce carbon pollution and reduce the climate effects in its activities, over the years the Bank has carried out an extensive waste removal activity in all its forms.

In 2023, the waste was transferred to circulation and treatment as follows:

| TYPES OF WASTE | UNITS | 2023 |
|-----------------------------|-------|---------|
| Cartons | Tons | 63.069 |
| Paper | Tons | 360.855 |
| Electronic waste | Tons | 30.8 |
| Oil separator pumping waste | cu.m. | 48.5 |
| Battery waste | Tons | 10 |
| Toner containers | Tons | 5.727 |

Scope 3 emissions, attributed to the Bank's financial activity

As part of Leumi's commitment to reduce its climate impact, for the first time the Bank performed a calculation of the carbon footprint attributed to its financial activity. These emissions are part of the Bank's Scope 3 emissions. The calculation is based on the Partnership for Financial Carbon Accounting ("PCAF") methodology, the leading framework for measuring credit portfolio emissions as well as emissions from investments made by financial institutions.

During 2023, Bank Leumi performed a preliminary calculation of the emissions attributed to its financial activity. For this purpose, it developed a calculation methodology according to the PCAF rules, accompanied by an international consulting firm. In this preliminary calculation, the Bank's customers with credit balances of over NIS 100 million, in selected sectors that are significantly exposed to climate risks, were calculated, which constitute approx. 4% of the Bank's credit portfolio as of December 31, 2022.

In preparation for the publication of this report, the Bank performed an even more comprehensive calculation of the emissions associated with its financial activity, accompanied by a consulting firm, referring to 100% of the credit portfolio of business, commercial, real estate and mortgage customers, and to 100% of the holdings in tradable shares through Leumi Partners, alongside the holding in Valley National Bank. In this framework, the Bank updated and expanded its calculation methodology, based on local data in Israel as much as possible. The calculation according to this methodology was performed in relation to both 2022 and 2023.

The Bank aims to continue to develop the analysis capabilities for the environmental effects of its business activities, and will continue to expand the scope and quality of its reporting, and to improve its methodology from year to year according to the availability and quality of data in the Israeli economy.

Scope 3 - Summary of all included and calculated categories

| Category number ³⁰ | Name | Contents |
|-------------------------------|---------------------------------|---|
| 1 | Products and services purchased | Paper consumption, toner consumption, water consumption |
| 5 | Waste produced in operations | General waste, paper and cardboard recycling, electronic waste recycling, toner recycling, sewage |
| 6 | Business trips | Flights and overnight stays |
| 13 | Leased properties | Electricity consumption of the Bank's tenants |
| 15 | Investments (including credit) | 100% of the credit portfolio of business, commercial, real estate and mortgage customers, and 100% of the holdings in tradable shares through Leumi Partners, alongside the holding in Valley National Bank |

Limited exposure to polluting areas of activity

The finance industry as a whole is not characterized by a direct contribution to climate change impacts, but is rather indirectly exposed to these impacts by financing industries and economic activities based, among other things, on the use of fossil fuels. It is a common practice among international banking entities to gradually mitigate the exposure to industries that exacerbate the effects of climate change. Bank Leumi is taking action to limit its exposure to activities that exacerbate the effect of climate change, while supporting the necessary transition to a low carbon economy at the same time. For this purpose, Leumi established an internal quantitative limit on coal production and oil production and refining in the proportion of the Bank's credit portfolio.

30 According to the taxonomy of the GHG protocol

The Bank's strategy in the context of reducing activity in polluting credit was defined as an internal limitation and for this area only, in view of the need to support the Israeli economy in the necessary transition to a low-carbon economy, alongside the Bank's negligible exposure to oil and gas activity, which in a large part of its sub-sectors, Leumi has no activity at all.

The Bank's credit balance as of December 31, 2023 for oil and gas activity amounted to a negligible rate of 0.32% of the Bank's credit portfolio.

Conduct of suppliers on environmental issues and green procurement

As part of procurement processes, suppliers are required to declare that they are not involved in giving and/or accepting bribes and, according to the nature of their activity, they are also committed to protecting human rights, complying with the provisions of the law and the relevant authorities regarding the environment and climate, tort liability and responsibility regarding safety and health at work. In addition, in procurement procedures where there are quality criteria, they are asked to respond to a corporate responsibility appendix.

Depending on the nature of the supplier's activity, aspects of air pollution, waste in production processes and the use of green products are examined, among others. The Real Estate Division carries out inspections and controls over construction, cleaning and maintenance companies whose activities may have adverse effects on the quality of the environment. Among other things, inspections are carried out regarding the materials used by these suppliers and, if necessary, the suppliers are required to present certificates accordingly, including safety sheets (MSDS), landfill certificates for construction waste, standards, etc.

In 2023, the amount of the Bank's green procurement was approx. NIS 50.4 million.

The Bank determined internal targets in the various procurement issues, including in the amount of green, social and "blue and white" procurement.

As part of the Bank's measures to reduce negative environmental impact derived from procurement activities, the main actions below are carried out:

- As much as possible, procurement that includes the use of recycled materials, energy-saving products and environmentally friendly products.
- Gradual transition of the Bank's fleet of leasing vehicles from gasoline-powered vehicles to hybrid and electric vehicles.
- Paper waste recycling.
- Electronic waste recycling.
- Use of smart and economical lighting.

Additional processes for assimilating, controlling and supporting environmental and sustainability aspects in the Bank's procurement processes:

- In the procurement processes of construction, maintenance and electrical products such as lighting and refrigerators, recommended environmental criteria are used, with the aim of reducing the negative environmental impact resulting from the Bank's activities. The list mentions cleaning agents, product packaging, the degradation rate of materials, use of recycled or easily recyclable materials, modularity and convenience of reuse, use of hazardous materials, energy and water resource conservation, and more.

- In addition, as part of the Bank's specifications for workstation procurement, the Bank requests from the manufacturer information regarding the product's electricity consumption. This figure is taken into account in the product evaluation process.

For more information on the aspects of responsible, social procurement, and an evaluation of suppliers' conduct, please see pages 56-57 in the Company chapter of this report.

Additional measures that support the transition to an environmental economy

Regulation - In 2023, there were no cases of non-compliance and/or fines in environmental matters.

Green mail - The transition of customers to digital mail enables paper savings along with convenient, simpler and faster access for customers.

Waste - The main waste at the Bank is electronic waste and paper waste, which are collected and sent for disposal by licensed contractors.

Reduced printing - In 2023, a project to reduce printing continued at Leumi.

Safety and environmental policy - Within the framework of this policy, the Bank works to invest the necessary resources to prevent cases of environmental pollution and waste of natural resources, minimizing the risk factors for environmental hazards and constantly improving its performance.

Environmental quality trustees - Environmental quality trustees have been appointed in the branches and headquarters, who are responsible for managing environmental aspects and monitoring electricity and water consumption.

Digital service - A central anchor in the Bank's vision is to lead proactive, innovative and responsible banking for the Bank's customers while making the services accessible in an appropriate, simple, fast and smart way for customers. This leadership not only enables better customer service, but also reduces paper consumption, and carbon emissions from the use of transportation required to reach the branch.

For more information on making digital services accessible to customers, please see page 50 in the Company chapter of this report.

Social



Introduction

Underlying Leumi's vision "To lead proactive, innovative, and responsible banking for the benefit of our customers and to implement accelerated growth focused on the customer", is the combination of business leadership and convenience, and the aspiration to provide the best response to the financial needs of our customers, in a dynamic business environment, while being based on values of transparency, responsibility and fairness. The realization of these values is through the cultivation of human capital and the assimilation of innovation and creativity while maintaining the Bank's stability and achieving adequate profitability.

A significant anchor in the Bank's ESG vision and strategy, and the Bank's vision as a whole, refers to all of the Bank's shareholders and stakeholders and interested parties in the social sphere, including the Bank's employees, customers, and the community.

This chapter below deals with all the aspects that concern the Bank's shareholders and stakeholders and interested parties in corporate aspects, including the Bank's corporate governance structure in the corporate sector, the Bank's employees, its customers, the community, and suppliers, and includes a focus on specific issues of importance such as financial inclusion, and it is written with attention to the Bank of Israel's emphases in the social sphere.

Corporate governance in relation to social aspects

The Bank recognizes that a central anchor in its role as a leading bank in Israel, whose heritage and history is closely tied to the economic and social history of the State of Israel, is the inclusion of social aspects in all of its activities.

In view of the above, the aspects of society as a whole are also consolidated under the Bank's corporate governance, as this chapter will explain:

The Bank's Board of Directors

Bank Leumi's Board of Directors is entrusted with determining the Bank's strategy, including regarding social aspects, approving the relevant policy documents, determining guidelines for the executive branches, overseeing the fulfillment of the guidelines and adequate oversight and control over the Bank's activities.

In this framework, social aspects, which are brought for the approval of the Board of Directors and included in the various policy documents and/or in this report, are as follows: making banking services accessible, promoting social leadership, financial education and digital literacy, financial support programs, contributing to the community, encouraging employee volunteerism during working hours, interested party dialogue regarding social aspects and policy application to suppliers and service providers.

Board of Directors Committee

The organizational structure and the Board of Directors' work framework and its responsibilities regarding social aspects integrate into the existing corporate governance structure and are an integral part thereof.

Accordingly, one of the Bank's Board of Directors' committees is the Resources Committee, where among its areas of responsibility is to recommend to the Board of Directors the corporate and environmental social

responsibility (ESG) strategy of the Bank and the Group, and its suitability to the overall strategy of the Bank, and how to communicate the Bank's social activities, prior to its approval by the Board of Directors.

The Bank's management

The Bank's management outlines the ESG strategy, policy, and principles for the management of ESG aspects, of which social aspects are a significant layer that is approved by the Bank's Board of Directors.

The various social aspects are integrated into the activities of the Bank's central divisions according to their area of responsibility:

Human Resources Division: Its main responsibility is with regard to employees, including the employee experience.

Business Divisions: They integrate the provision of social credit and support for the Bank's customers into their activity as detailed.

Financial Division: Its main responsibility is in activity with the Bank's suppliers.

Operations and Service Division: Its main responsibility relates to physical accessibility, employee safety and real estate.

Leumi Technologies Division: Its main responsibility regarding social aspects relates to information security, customer privacy, and the development of digital products for customer well-being.

Risk Management Division: The main responsibility regarding social aspects is to serve as a second line of defense for the divisions' activities, including being responsible for the consolidation of the conduct countries, including management of that risk.

Internal Audit Division: Its responsibility is as a third line of defense carrying out various audits on the activities of the Bank's divisions.

Discussions in the Bank's Board of Directors and management

In 2023, the Board of Directors and its committees and the Bank's management held discussions on social issues, ESG aspects, including dedicated discussions on human capital issues, strategic collaborations, donations, and a discussion on this annual report.

Inter-divisional management committee for outlining the ESG strategy

A dedicated committee was appointed in the Bank that is tasked with outlining and implementing the overall ESG strategy, with emphasis on climate risk management. The committee includes the Chief Risk Manager and members of senior management from all the Bank's divisions, and is chaired by the CEO's Chief of Staff. The committee is in charge of making steering decisions on implementing the strategy, furthering the strategy, overseeing its implementation, coordinating between various organs of the Bank and regularly addressing various issues.

Group ESG manager and international activity

The Group ESG Manager, reporting to the Chief of Staff of the Bank's CEO, integrates all the divisions' activities in the aforementioned social issues, including trust, the creation of strategic business partnerships, and leading their implementation in the Bank, according to relevance.

Social metrics and targets

In view of the importance that the bank places on the social aspects of its activity, we will note several social targets, out of all the internal goals set by the Bank, as follows:

| SOCIAL SPHERE | TARGET | PERFORMANCE IN 2023 |
|----------------|--|--|
| Employees | Gender diversity that includes maintaining at least 50% women in senior management | 52.5% |
| Customers | Setting internal credit targets in some social credit categories | Some of which is included in the Social Credit Performance chapter (see more information in this chapter). |
| Community | Volunteering at a rate of over 50% of all employees | Approximately 4,900 Leumi employees volunteered in the community, representing 59% of all bank employees. |
| Suppliers | Internal targets regarding green, social and blue and white procurement issues | Performance in accordance with the targets. |
| Safety at work | Reduction of work accidents, training for contractors, training for safety officers, control over the correction of safety defects, and safety surveys conducted in the Bank's buildings and branches. | Performance in accordance with the targets. |

Leumi employees

Introduction

Bank Leumi's most important asset is the human resource, which is the force that drives the Bank to lead and succeed. For this reason, Leumi sees great importance in investing in employees and in professional development, while adapting their knowledge to the changing world of banking. Leumi's employees benefit from the leading value proposition in the financial system alongside a pleasant, caring, and empowering work environment.

In 2023, the Bank employed 8,177 employees, of which 62.2% were women and 37.8% were men.

Most of the employees are employed full-time, and approx. 0.8% of all employees are employed part-time.

The average age of Leumi employees in 2023 is 42.6.

99% of the Group's employees work in Israel. Leumi has only one subsidiary abroad, Leumi UK.

The main aspects included in this report regarding employees are as follows:

Diversity, inclusion, and equal opportunity

Leumi Group and its employees are a microcosm of Israeli society and therefore reflect a occupational diversity. Employment diversity contributes to the advance of innovation and creativity at Leumi on the one hand, and creates equal opportunities for different populations in Israeli society, on the other.

The policy of diversity and equal opportunities in the Leumi Group is reflected in several main areas: recruitment of employees from diverse populations, with an emphasis on underemployed segments, such as the Arab, Ethiopian and ultra-Orthodox communities, through the adjustment of the criteria for intake and the provision of special concessions and equal gender opportunities in the Leumi Group in all areas of activity, at all levels and in all fields.

Gender diversity

The following are key data on gender diversity aspects among the Bank's employees:

Distribution by age

| BY AGE | WOMEN | MEN | RATE OF WOMEN |
|----------|-------|-------|---------------|
| All ages | 5,089 | 3,088 | 62% |
| Up to 30 | 1,087 | 333 | 77% |
| 30-50 | 2,710 | 1,855 | 59% |
| 50+ | 1,292 | 900 | 59% |

Distribution by management level and occupation

| BY MANAGEMENT LEVEL | WOMEN | MEN | RATE OF WOMEN |
|--|-------|-----|---------------|
| Total in management positions | 1,287 | 969 | 57.0% |
| Senior management | 64 | 58 | 52.5% |
| Mid-level management | 609 | 473 | 56.3% |
| Junior management | 614 | 438 | 58.4% |
| STEM positions | 521 | 596 | 46.6% |
| Management positions in revenue generating functions | 516 | 487 | 51.0% |

For more information, please see Leumi's statement on the subject "Non-Discrimination, Equal Opportunities and Diversity in Employment".

Fair compensation

The Equal salary report for 2022 that was published in June 2023 indicated wage gaps ranging between 3% in favor of women and up to 10% in favor of men, in the taxable income impacted by components such as shifts, overtime, etc. At the same time, when considering the salary for contributions, there are only minor differences.

Pay gaps, if they do exist, mainly result from personal parameters, such as seniority, overtime, shifts and being on call. In the past, the compensation policy was mainly based on employee seniority, so that gaps were created over the years. In the last two years, there has been a significant change in the Bank's compensation distribution policy, which includes a link between compensation and employee performance, which is designed to lead to a reduction in wage gaps between men and women over the course of time. In addition, Leumi has uniform wage tables for men and women, in order to prevent wage gaps when onboarding new employees.

In 2019, the Bank signed a new collective agreement pursuant to which the minimum monthly payment in respect of contribution: paid to women and men was increased to NIS 6,000, and in July 2021 the amount was increased to NIS 6,200.

In 2023, 42% out of the 10% employees at the highest pay grade in Leumi were women.

With regard to previous years, there are no significant differences in the ratio between the average wages of men and women. Furthermore, in new employee recruitment at the Bank, there are no significant differences between men's and women's wages.

Recruitment of quality and diverse personnel

Leumi strives to hire quality and remains in constant contact with various entities in order to locate potential candidates of quality for the various vacancies. As such, Leumi has created joint ventures with academic institutions, the Ministry of Labor, etc.

In 2023, approx. 1,500 positions at Bank Leumi were filled by external recruitment, and in addition, approx. 1,350 positions were filled by internal employee mobility. In the recruitment processes, parameters according to age, gender and management level are taken into consideration in order to produce an optimal mix of Bank employees. In 2023, the Bank absorbed 293 ultra-orthodox, Arab and new immigrants aged 45 and over, and those with disabilities, which constitute 20% of all recruited employees.

The Bank attributes great importance to recruiting and retaining diverse human capital, and it acts to expand the employment of employees from diverse populations in Israeli society. This commitment enriches the Bank's variety of talents and is a pillar of the Bank's social responsibility as a whole.

In order to implement these goals, Leumi works, among other things, with the following initiatives and actions:

Employment and recruitment of employees with disabilities

Bank Leumi participates in the venture of the Or Yerushalayim NGO, to employ people with disabilities in various jobs, with the accompaniment of professional counselors from the NGO, Imagestore and Leumi's professional unit. In addition, Leumi is involved in a program to integrate employees with hearing disabilities in the banking centers in cooperation with Esek Shave, a tri-sector initiative (business, public, social) to promote the professional and academic employment of people with disabilities. In addition, the Banks developed a program together with Beit Eckstein, under which employees on the autistic spectrum are employed in dedicated positions at the Bank.

Employment and recruitment of diverse populations

The Bank places great importance on actions carried out for diversification and inclusion in the Bank employees from populations that are underrepresented in employment.

6.1% of all Leumi's employees are from the Arab community, of which approx. 1.6% are in management positions. Approx. 1% of all Leumi employees are members of the Ethiopian community, and approx. 0.5% of all Leumi employees are new immigrants. Last year, the Bank promoted two significant projects in which 73 female employees from the ultra-orthodox community were absorbed, of which approx. 75% continued to work in the Bank. In addition, Leumi's banking center in Jerusalem employs a high percentage of the working ultra-orthodox public, who wish to integrate into the job market.

The Bank carries out supportive activities for the recruitment and employment of employees from a diverse population, including:

- Partnership in a diversity and inclusion forum with a variety of companies from across the Israeli economy in order to create an opportunity for learning and enrichment from our colleagues.
- Participation in professional conferences.
- Collaborations with various organizations for the purpose of locating candidates from underemployed populations, such as: Equal Employment - helps people with disabilities find work and guidance in the employment market; Olim Beyahad - helps immigrants from Ethiopian society integrate into the labor market; Forum for Equal Employment - on behalf of the Ministry of Economy; "Follow Me" - the placement unit of Follow Me, which helps graduates find work, diverse populations from all over the country; BDO - an academic college for finance that holds banking courses; "Rayan" and "Hechven" programs - help workers from the Arab society integrate into the labor market.

For more information, see Leumi's statement on the subject "Employment of Workers".

Employee turnover at Leumi

One of Leumi's indicators of a good and healthy organizational culture is the Bank's ability to retain its talented and skilled employees over time. In 2023, the voluntary departure rate at Leumi was approx. 13.4%, and the involuntary departure rate was approx. 33.3%. The percentage of employee absence was approx. 19.4%. The employee turnover rate in 2023 at Leumi was approx. 8.1%. Compared to this, in programs to retain excellent employees, the percentage of departure is 2.3%.

The total days of absence in 2023 was 319,688 (in 2023, 494 work days were lost at Leumi, which is approx. 6 work days per 100 employees, due to work and road accidents).

Employee feedback and satisfaction

Once a year, at the beginning of the year, a structured cross-organizational process of evaluation and feedback is carried out for employees and managers in all bank units, known as the "annual evaluation process". The process is a central management channel for development and empowerment, for defining goals and promoting their achievement looking ahead. At the core of the process is a feedback conversation between direct managers and their employees that refers, among other things, to the values of the Bank's code of ethics. The feedback conversation is structured; it provides an opportunity for the manager to give feedback regarding the employee's performance and the quality of his work, to coordinate mutual expectations looking ahead and to think together about possible ways to continue learning and developing. The conversation includes a reference to meeting the past year's targets, defining targets and highlights for the next year, and an evaluation based on cultural indicators of excellence.

In addition, in the middle of the year (July/August) there is a "check-in" process, the purpose of which is to allow managers and employees in all the Bank's units to meet for an open conversation, to assess the status of the targets up to that point in time and to jointly define actions and emphases that will ensure the full achievement of the targets by the end of the year.

The assessment and feedback processes are accompanied by a support framework of workshops, lectures and supporting tools (a knowledge management website, a collection of examples relevant for goal setting, etc.) for the managers and employees to implement and manage the processes.

In 2023, 98% of Leumi employees underwent an employee evaluation process.

Every year, the Bank also holds satisfaction surveys among employees and managers, in a structured process that includes, among other things, internal goals.

Internal organizational communication, employee engagement and increased transparency

The Bank has a designated unit that is responsible for managing the internal organizational communication and communication channels in the Bank and the divisions, with the aim of sharing with the employees what is happening in the organization, listening to them, maintaining and reinforcing their organizational commitment, and deepening the relationship between the management and the employees. In 2023, the Bank carried out many activities in this area, including lectures by management members on key issues with the aim of connecting employees to Leumi's strategic focus areas, meetings with division heads for the benefit of getting to know each other from a different angle and open dialogue, monthly releases summarizing the activities and more.

Learning, manager development, employee retention, retraining and professional training

Learning and professional training

The human factor is the basis for the work and success of the Leumi Group, which places great importance on the nurturing and development of its employees in order to instill in them a sense of identification and pride in their workplace and to continue to be a point of attraction for quality people. Leumi's management supports the business units and the achievement of their business goals by encouraging learning, training and development processes, focused on improving the professional and managerial abilities of employees and managers, their engagement with Leumi and their adaptation to the changing environment.

The Organizational Development and Learning Division in Leumi's Human Resources Division is a strategic partner in achieving the organization's business and development goals, and is involved in all organizational processes, professional training and development plans. Development and learning are an integral part of the value proposition for the employee and a significant component of employee engagement. The learning mix at Leumi is hybrid and combines one-on-one meetings, along with distance learning and online learning, in order to ensure effectiveness and flexibility.

Main initiatives and data regarding development and learning are as follows:

- The Bank has a detailed training and learning program that includes an annual and multi-year plan that covers all the relevant topics, according to the frequency determined in relation to each topic.
- In 2023, approx. 328 thousand hours of learning were recorded. 88% of Leumi employees underwent comprehensive compliance training, 98% of Leumi employees underwent information security and cyber training, 93% of Leumi employees underwent safety training and 94% of Leumi service provider employees underwent accessibility training.
- Courses and training programs: focusing on strengthening the professional knowledge of employees and managers.
- Decentralized and digital learning: Leumi works to promote decentralized learning such as discussion meetings, round tables, management development and management forums as well as expanding digital learning as part of the learning culture in the organization.
- Organizational consulting in the various divisions: a team of internal organizational advisors that provides responses for the needs of organizational development in all divisions, among other things, providing support for the management of organizational changes, management development, support for managers, plans for engagement and internal communication.
- Knowledge management: providing the required knowledge to the employee during the execution of the work process, optimizing search options and supporting new projects and regulations. Accessibility of the work processes, accessibility of the knowledge required in compliance aspects and intra-organizational communication sites.

| | 2020 | 2021 | 2022 | 2023 |
|--|--------|--------|--------|--------|
| Total training days³¹ | 17.737 | 25.625 | 40,933 | 41.050 |
| Average training hours per employee | 15.5 | 21 | 33 | 32 |

For more information, see Leumi's statement on the subject "Employee Learning and Development".

³¹ Training day = 8 hours.

Executive and employee development

The Bank has programs for the development of leadership excellence among the managerial staff were held at Leumi, with the aim of making an impact and attaining an appropriate leap forward in the organization's managerial and leadership capability. As part of the promotion of excellence at Leumi, there are programs for the development of managers with high potential for more complex positions later in their careers, which are reflected in two main forums: the One Hundred Forum, which includes approx. one hundred department heads (senior managers), which was established with the aim of nurturing the managers, increasing their involvement and influence in the Bank's activity and to form an broad management with Leumi's management members, and a Leadership Forum that includes approx. 600 branch managers and head office managers at the department head level, which was established with the aim of increasing their involvement and managerial influence in leading business and organizational processes.

Among the multitude of development programs at the Bank, we note two major programs, as follows:

"Excellence Top"

A program for the development of talent from among the population of mid-level managers, which also won the excellence award of the Human Resources Association, develops managerial and organizational skills that are compatible with the Bank's leadership model and the new work world. The program was started out of the understanding that the Leumi Group has excellent and outstanding managers that the Group wishes to preserve, develop and use them and their managerial experience in order to create ripples of excellence throughout the organization.

The program's goals are to implement a culture of excellence based on the following aspects: spreading a culture of excellence through "modeling" and accompanying units to improve performance and processes; publicizing, honoring and cheering on the outstanding Leadership Forum members (third level middle managers below the CEO); and an opportunity for personal development and development in the position and in the organization.

As part of the program, managers are given tools for personal-managerial development in order to prepare them for their next managerial position, alongside other development tools that include tools for diagnosing and identifying needs, accompanying managers, leading teams and processes.

So far, 12% of all mid-level managers have participated in the programs, approx. 75% of the mentoring processes in the program have been successfully completed, and approx. 30% of the program participants have advanced to a more senior position over the past year.

"The 7 Habits"

The world-renowned executive development program based on Steven Covey's best-selling book, "The 7 Habits of Highly Effective People", aims to provide behavioral tools based on the model, which assist in personal and managerial development. The program is based on seven leadership principles that have been observed in particularly effective and efficient employees and managers, and the managers learn and practically apply the 7 habits in their day-to-day life as managers in the organization and as individuals. Applying the 7 habits model at all points of life enables the employee to develop and grow both managerially and personally.

The program is successfully led in the Bank by internal organizational facilitators (a panel of managers who are also facilitators) with peak demand for over a decade, and generations of managers have already passed the program. Participating managers attest to the program as a "life-changing", and are grateful for the privilege of

belonging to an organization that invests in its managers in this way. Approx. 10 sessions are opened each year, in which over 150 managers participate. The participating managers' satisfaction over the years is very high, including a sense of personal and professional development, at a rate of 90%.

Employee retention and retraining

Leumi has an online platform that allows employees to view open positions at the Bank and to submit applications. This platform encourages the employee to take an active part in the management of his career, increases transparency and reflects Leumi's desire to advance its employees, their development and retention. During 2023, approx. 1,350 placements were carried out through employee mobility.

In view of the changes in the world of technology and digital that have a direct impact on the labor market as a whole, and employment within the banking sector in particular, and which are manifested in the new requisite skills and competencies, Leumi decided to launch the Shift reskilling program. The reskilling process creates a win-win situation for the employee, enabling him to make a career change along with a feeling of development and growth and also serves the organization that is then able to channel its internal workforce into areas with specially tailored requirements and capabilities. Leumi is the first bank to introduce a program of this type and won the Excellence Award of the Human Resources Association in this regard.

In addition to the Shift program, programs were developed for retaining and improving organizational competency, and adapting it to the constantly changing work world. As part of the Upskilling program, Leumi trained its employees in a variety of proficiencies, including data analysis, development of internal resilience, requisite skills for carrying out the job, etc. Furthermore, courses were held within the organization that enable the employees to obtain a qualification certificate in certain non-banking professions that are not included in their specific job description; the aim here being to contribute to the employee's personal development and provide a springboard for a potential future career.

Employee experience, benefits and wellbeing

Leumi invests in employees and their family, out of a holistic view of the employees and the belief that the employee's experience and wellbeing are essential for maintaining the resilience of employees and promoting a healthy lifestyle, while maintaining a sense of identification and connection to the workplace. In this framework, Leumi promotes a variety of activities for its employees and their families to generate an optimal and enjoyable employee experience, which include, organizational peak days, also throughout the year such as Family Day, holidays, Pride Month, summer events, shopping complexes and more.

Leumi employees benefit from a wide range of benefits that are part of the compensation package. The compensation package includes expanded pension terms, travel expenses, per diem, subsidized health and dental insurance, holiday gifts, newspaper and summer camps, financing of academic studies for children of employees, as well as a wide range of subsidized activities for employee welfare.

For more information regarding fair compensation, please see page 40 of this chapter and page 100 of the Risk Report as of December 31, 2023.

In this framework, Leumi promotes a flexible work policy that includes hybrid work (working one day from home) anchored in a labor agreement with the workers' organization, in addition to examining work hours, a work week that includes five days and 39 work hours - about three hours less than is customary in the economy. Employees are given the option to work part-time jobs due to medical or personal circumstances. Student job positions and vacation days granted for exams.

Leumi's female employees are entitled to 15 weeks of maternity leave for the birth of one child, and up to 3 additional weeks for each additional child born in the same birth. The maternity leave can be started up to 7 weeks before the estimated date of birth, as the employee desires. At the end of the maternity leave, non-paid leave is possible, the maximum length of which is a quarter of the number of months the employee worked at the Bank, but not exceeding 12 months from the date of the birth. The maternity leave will begin 6 weeks after the date of the birth, and in total the maternity leave of the primary caregiver and the parent who is not the primary caregiver will not exceed 15 weeks (or more if there is more than one child at the same birth).

A year for breastfeeding is given to the mother as is customary by law. In cases where the employee lives in a different city from her place of work, she is given an additional half hour beyond what is stipulated by law. There are breastfeeding facilities in the Bank's new campus.

Promoting employee health, awareness of a healthy lifestyle, providing tools aimed at encouraging employees to maintain their health, sports activities, awareness of blood donations and more. All employee experience activities are accessible to employees nationwide.

Utilization of sick days: An employee is entitled to use up to 25 sick days for a child under the age of 16 and 5 additional sick days for a child over the age of 16 or for a spouse/parent (these days are part of the employee's total quota of sick days).

In addition, Leumi is promoting a safe work environment for its employees and all visitors to the Bank branches and offices. Leumi has adopted the ISO 45001 standard on occupational health and safety, which calls for professional preparation to maintain health and safety, and managing the safety function based on a "continuous improvement" model. In accordance with the standard, Leumi conducts, among other things, a process to manage safety risks, which consists of detecting risk factors, risk assessment, and control and command of risks.

Bank Leumi carries out various sports and health initiatives, including: sports classes, a new and sophisticated gym, peak days on holidays, a summer event for Leumi families, various lectures, Leumi Market, concept rooms, on-campus leisure services, a workplace league, running groups, sports tournaments, workshops for managing a healthy lifestyle, nutrition and lectures, marches, trips, bicycle trips and more.

For more information, see Leumi's statement on the subject "Employee Health and Welfare".

In addition, workplace accidents and safety incidents are reported, to draw conclusions and take appropriate corrective and/or preventive action. Leumi's safety targets include, among other things, the following goals: reducing workplace accidents with casualties, training construction and maintenance contractors on safety in the workplace, training the branches' safety trustees, controlling the correction of safety defects, performing comprehensive safety surveys by the branches' safety trustees and lower levels. Internal benchmarks and targets were set for each goal, and the Bank monitors and controls them regularly.

For more information, see Leumi's statement on the subject "Employee Safety and Security".

Non-discrimination, harassment and bullying at work

Leumi views incidents of discrimination, harassment and bullying at work very seriously, and deals with them immediately and thoroughly. Any complaint on one of these issues, on any background, by a candidate, employee, or former employee, is checked and examined in depth by the relevant parties at the Bank. The Bank's compliance program on labor laws also deals with these issues, and once a year, the Human Resources Division issues a refresher on this topic to all relevant functions, such as the Recruitment Branch for example, which deals

with the recruitment of new employees, and HR managers at the Bank who deal with existing employees. In any instance in which a complaint is filed or an inquiry is received from an employee or a candidate regarding a claim of discrimination, harassment or bullying at work, the issue is checked in depth by the Human Resources Division and if necessary also in conjunction with the Legal Counsel Division, the internal auditors and additional functions. If the claim is found to be justified, the Bank takes all the requisite measures to deal with the matter, to prevent future cases and to learn the relevant lessons and refresh guidelines if necessary.

In 2023, 2 sexual harassment complaints were submitted, which were addressed by the sexual harassment prevention officer in accordance with the Prevention of Sexual Harassment Law. Complaints are handled by the supervisor in accordance with the provisions of the law and training sessions are conducted for bank employees in order to raise awareness for the prevention of sexual harassment and to create a safe and secure work environment.

The bank carries out various training and assimilation processes on the subject of sexual harassment, including, in 2023, a refresher was carried out on the subject of sexual harassment in which the procedure was presented to all bank employees accompanied by the contact details of the Bank's Supervisor of Sexual Harassment; refresher to verify the existence of a sexual harassment procedure on the unit's bulletin board. In addition, in every relevant course that includes a lecture on the "Code of Ethics", a specific reference to sexual harassment is included.

In 2023, 6 complaints were submitted on the subject of discrimination (based on sexual orientation/disability/religion/gender, etc.), which after examination were found to be unjustified complaints.

Maintaining proper work relations

The labor relations at the Bank are implemented as part of collective agreements and subject to the laws of the State of Israel pertaining to employee rights and obligations on the one hand, and of the Bank's management to the employees, on the other hand. The basic collective agreement is the 1958 Labor Code, following which dozens of collective agreements and collective arrangements have been signed, along with letters of consent and other agreements between management and the workers' union, which confer both rights and obligations at the Bank. In 2023, approx. 96% of Leumi's employees and directors were employed under collective agreements, the other Group employees in Israel were employed under personal professional contracts.

For more information regarding various Leumi employee aspects detailed in this chapter, please see pages 113, 149-150, 200, 206 and 331-332 of the Annual Report.

Iron Swords War - Employee aspects

In the framework of the Iron Swords War, Bank Leumi carried out several activities to support the Bank's employees:

Dialogue meetings to share difficulties and deal with the situation: In view of the various personal difficulties, dialogue groups accompanied by professionals were established, with the aim of providing tools and personal support for dealing with the anxiety of children, relatives called up for reserve duty, and general anxiety.

Hosting Leumi families from the south in hotels with a wide dispersion: From the beginning of the fighting, many employees and their families went to revitalize themselves in hotels. Eligibility was given to workers whose house was destroyed or who live up to 20 kilometers from the Gaza strip.

Packages for families: Families of employees called up for reserve duty received sweets packages at their homes.

Activities for families: Employees and their family members can sign up for adapted activities in the morning, at noon and in the evening.

Families for families: Connection between employees from the south/north regions who would like or are required to leave the region to stay with employees who wish to host.

Leumi Market: In order to support the businesses of the south, a market was held on the Leumi campus with businesses from the south offering their wares.

Hotline: Activation of a social worker hotline for the benefit of all employees.

Emergency line: An emergency line for all employees for all war-related issues.

Employees' reserve service: During the Iron Swords War, 446 employees served in the reserves.

Customers

Introduction

A central pillar in the Bank's vision is to lead proactive, innovative and responsible banking for the customers in a way that provides them with the most appropriate, simple, fast and smart solutions. Implementation of this vision is reflected in all of Leumi's strategy applications, including in aspects of sustainability, innovation, financial education, and service.

The main aspects included in this report regarding the customers are as follows:

Social credit and financial inclusion

According to Leumi's ESG concept, its main ability to make a significant impact, like any business company, is through its core activity. In this framework, the Leumi Group provides credit that advances social goals, thereby contributing to economic and social development through various channels that support the accepted social goals according to international standardization and the Sustainable Development Goals (SDG's), including support for populations that meet the definition of financial inclusion and peripheral areas.

In addition, one of the 17 SDG UN goals for sustainable development is financial inclusion, which includes, among its main goals, poverty reduction and economic development, while increasing the possibility of the entire population to integrate into the financial system, advancing personal well-being, establishing and expanding businesses, investing in education, etc. Due to the importance of the issue, it also receives attention from many international organizations such as the United Nations, the World Bank, the OECD, and the Bank of Israel.

Bank Leumi's policy for promoting financial inclusion includes the Bank's commitment to renew and expand the range of financial services available to the Bank's customers, including for disadvantaged groups, including: minorities, the elderly, youth, peripheral areas, low income individuals, and the young population.

Social credit in categories according to the international GBP standard

The Bank has formed a methodology and the criteria to identify and manage credit related to objectives that support social goals. The adopted methodology is in line with the ICMA standard, which helps to formulate characteristics for an international green bond, the draft of the Israeli taxonomy, and in adjustments for the unique characteristics of the Israeli economy.

Leumi is the first bank in Israel, as of the reporting date, that classifies the social credit it reports according to the international standard, for the second year in a row.

In 2023, funding for the social issues according to the international standard amounted to approx. NIS 67 billion³²:



³² Including off-balance sheet credit. Of the private customers, 23% is for mortgages.

In addition to the classification of credit for social goals according to the international standard, the following is another quantitative report on the social aspects of the Bank's credit activity, which also show the Bank's significant contribution to social development, financial inclusion, and the economy as a whole:

Credit for small and micro businesses

Small businesses are a central layer of economic activity. According to the "Periodic Report of the Agency for Small and Medium Businesses in the Ministry of Economy and Industry for 2023", the number of these businesses has increased consistently in the last decade and their contribution to the GDP of the entire business sector is approx. 45% (please see page 29)³³.

Increasing access to credit for the small business sector is important for the economic development of the economy, and was included as one of the recommendations of the "Bank of Israel's Research Division's plan to accelerate growth in the economy" (please see page 78)³⁴.

The bank recognizes its responsibility to improve access to credit for small businesses, including:

Out of the social credit according to the international standard, the credit for small businesses constitutes 22%.

According to the data reported in the Bank's financial statements as of December 31, 2023, credit to small businesses from the Bank's balance sheet credit portfolio constitutes approx. 15.6%.

For more information, please see page 56 of the Bank's Annual Report as of December 31, 2023.

The strategic collaboration between the Bank and the EIB for the provision of credit for environmental and social purposes (including financial inclusion), on preferential terms for customers, is intended for the small and mid-sized business sector, in the amount of EUR 750 million.

33 <https://www.sba.org.il/hb/PolicyAndInformation/Researches/Pages/SR77.aspx>.

34 <https://www.boi.org.il/media/2h5n1pzk/%D7%AA%D7%9B%D7%A0%D7%99%D7%AA-%D7%91%D7%99-%D7%9C%D7%94%D7%90%D7%A6%D7%AA-%D7%94%D7%A6%D7%9E%D7%99%D7%97%D7%94.pdf>

Credit according to income level

The Bank's financial statements include a disclosure regarding the distribution of balance sheet credit risk (with the exception of derivatives) to individuals in the Bank according to the amount of fixed income transferred to the account.

According to the reported data, as of as of December 31, 2023, the rate of accounts without fixed income in the account and an income amount of less than NIS 10,000, out of the credit risk as mentioned above, is approx. 31.6%.

For more information, please see page 87 of the Bank's Annual Report as of December 31, 2023.

Financial inclusion, initiatives, products and operations

In addition to reporting on financial inclusion stemming from the Bank's core credit activities with its customers, the Bank carries out operations, initiatives, partnerships, products and more, including financial education, for the purpose of promoting financial inclusion among its customers, while adapting to the unique characteristics of each segment, as follows:

Arab segment

Leumi has dedicated branches serving the Arab population, including business centers and representative offices providing mortgages. The bank carries out various initiatives and value propositions for the Arab segment, including:

- A joint venture with motor vehicle companies in Arab society for the purchase of a variety of (both new and used) vehicles.
- Paramedical value propositions
- Value propositions for students studying abroad for all degrees.
- Text messages (SMS) sent to customers in Arabic that make the variety of value propositions and banking operations accessible to the customers.
- "Write to the Banker" service in Arabic.
- Marketing and advertising, with the participation of Arabic-speaking actors and bankers, according to the unique needs of the community.
- Definition of a policy that provides a dedicated response to the Arab population regarding mortgages.
- Various conferences aimed at the Arab population.

Ultra-orthodox segment

Leumi attributes great importance to tailoring service to ultra-Orthodox customers. The bank carries out various initiatives and value propositions for this segment, including:

- Technological development for bank transfers and cash withdrawals adapted to kosher phones.
- Development of operational/regulatory voice messages in place of receiving a text message for kosher phones.
- Opening mortgage offices in Beitar Illit and Modi'in Illit.
- Creating dedicated arrangements for specific communities (such as loans for purchasing a seat in the synagogue).

Senior citizens and the elderly

Leumi makes it its priority to adapt its services to senior citizens and to take part in social ventures for this population. In an era in which life expectancy is increasing and the senior citizen population continues to grow, Leumi has set a target to create an improved service package adapted to senior citizens.

Leumi is the first bank to launch a social initiative: "Financial Safety for Senior Citizens", in which it offered elderly customers of all banks, a package of dedicated services to better equip them to contend with cyber fraud and safety issues as well as economic management specially tailored to people at this stage of life.

The Bank initiated this move in view of the rise in fraud attempts and economic safety among senior citizens. Thus, Leumi decided to invest resources in ensuring financial safety and to raise awareness to this topic, and particularly to provide tools and knowhow to help contend with the inherent dangers of the internet, as well as additional issues too. The initiative included these main aspects: a dedicated phone line for inquiries from customers who identify suspicious activity in their account; "Zoom Live" information security workshops to prevent online fraud with cyber and financial management experts, by Leumi with the participation of approx. 4,500 senior citizens.; SMS notification service regarding account operations; information content, videos and online lectures for the general public.

Women who are victims of violence

The banking system defined the "banking services accessibility" charter, which is a voluntary pact designed to support women who are victims of violence and stay in shelters and in transitional accommodation in tackling financial challenges they face. The pact aims to create a range of solutions and provide specific financial support that addresses the needs of those women, while strengthening the personal relationship between the banks and women housed in shelters by appointing dedicated contact persons who will be available to help the women. Leumi supports the pact that was formulated and which supports women who are among the Bank's customers who live in shelters in their financial dealings and the management of their accounts. Since in many cases the bank account in question is a joint account shared by the woman and her abuser, the support provided by the Bank includes, among other things, giving the account details to the woman, cutting and rescheduling debts, issuing credit cards, check books and more. Leumi's handling of this issue is carried out with the uttermost sensitivity; Bank's employees who assist the women maintain their privacy and confidentiality and invest efforts and resources to support those customers and alleviate their plight.

The Bank dealt, among other things with the unilateral removal of women from joint accounts and the opening of an account solely in the name of the woman, debt forgiveness in cases where debts were incurred due to financial violence, rescheduling of payments, education about proper management of a bank account and more.

Youth

Digital banking through the Bank's digital PEPPER platform, which is also suitable for the younger generation, and gives minors the opportunity to open a digital account (ages 16-18).

Accessing information in languages

Leumi places great importance on making the information, documents and services as accessible as possible through the various channels, in Hebrew, as well as in English, Russian, Arabic, and Amharic. Some of the aforementioned information and services are provided in all languages (for example, a call center), some in digital information and communication (for example, SMS). Leumi is also the first bank in Israel to launch a digital application in English.

Customers in crisis situations

Leumi strives to prevent customers from falling into debt and holds direct, sensitive, speedy and businesslike dialogues with customers in economic difficulty, by examining their individual ability to settle their debts, and striving to find the most convenient solution for them. This activity is carried out by meeting customers in debt. The debt collection process is gradual and adapted to the customer.

Financial education and financial inclusion

The Leumi Group strives to provide advanced financial tools to all its customers to establish an economic infrastructure that will affect their personal, professional and business development. The Group works at all times to respond to the expectations of its customers, while ensuring the highest level of professionalism, the provision of quality service, an attentive ear and personal treatment at all decision points and business opportunities, including carrying out various financial literacy activities.

Financial literacy is the ability to read, analyze and understand financial data that affect an individual's financial well-being and the ability to evaluate financial options, use money correctly, plan for the future, act accordingly in the present and respond intelligently to economic changes.

The concept of financial education at Leumi is based on three layers, as follows:

Strengthening the customer's financial knowledge: A better understanding of financial issues can lead to an improvement in the economic situation.

Making financial knowledge accessible to customers: On issues such as pensions, savings, the capital market, the housing market, which allows customers to balance their own financial needs and capabilities in the short and long term.

Development of customer channels: The Bank is committed to providing all customers with a tailored banking service that motivates the Bank to ensure the accessibility of the products and services it offers. Leumi is constantly developing digital tools that allow customers to perform banking operations themselves, enrich their financial knowledge and expand their freedom of action.

Major financial education initiatives and operations

Pension advice and investment advisory services: The Bank offers suitable customers a comprehensive and professional pension advisory service, including the development of an innovative digital service that makes information available to customers of all banks regarding the pension assets in their possession. In addition, there were 2 customer meetings in which several hundred customers participated, where pension products, an overview of the macro situation and regulatory developments were presented. In addition, enrichment training is carried out on the subject of pensions for employees, for employees of several external companies and a municipality, on these topics.

Please see also the topic of Financial Education Activity in ESG Investment Advice on page 21 of the Environment chapter of this report.

Digital literacy for senior citizens: In 2023, the following lectures were held for senior citizens: Financial safety - workshops for information security to prevent online fraud with Leumi's cyber experts and workshops for financial management; "Now it's my turn" and "Golden Mortgage" - lectures adapted to the characteristics and needs of senior citizens.

Workshops for young families: At customer conferences, Leumi is able to provide a targeted response to different population groups and to adapt useful information for them regarding the management of a family budget and the financial tools available to them. During 2023, Leumi, in collaboration with the company "Otzar", offered customers of all Banks household financial awareness workshops in which participants acquired practical tools for budget management. In this framework, a workshop was held with the participation of 125 customers. In addition, the Bank offered young couples 7 lectures on mortgages, where knowledge regarding the world of mortgages was made available to approx. 1,000 participants.

Lectures and workshops for members of the Follow Me! organization: approx. 70 lectures on financial topics and empowerment on a countrywide basis

Mentoring on financial topics: as part of the strategic partnerships with Follow Me! and Friends of Atidim, about 100 mentoring processes for young people and students from geographically outlying areas and the social periphery were held.

Financial workshops with the "Nitzozot Shiur Acher" NGO: In elementary schools as part of an annual activity, 52 groups attended 8-session workshops.

Simplifying customer information: As part of the processes implemented by the Bank to improve customer service, it revised and redesigned notices sent to customers regarding fees, deviating from the credit facility and the banking ID, making the information clearer and easier to understand, so that it became a useful tool for customers.

Encouraging customers to save and consumer awareness -Bank Leumi helps customers to optimally manage their bank accounts to encourage saving, wise consumption, and planning for the future. For this purpose, the Bank offers a wide range of deposits and saving accounts with multiple linkage tracks, various depositing dates and periods and variable exit points - in order to customize the saving process to suit the need of business customers.

Leumi Blog: A content platform for articles and manuals providing financial information for business and private clients.

For more information, please see Leumi's statement on the subject "Making Financial Knowledge Accessible".

Accessibility

Bank Leumi places great importance on providing equal, respectful and considerate service to all customers and to improving the service provided to customers with disabilities (including physical, sensory (visual and hearing impairment), mental or intellectual).

The Bank makes sure to regularly check the accessibility status in the branches, according to several key parameters, including: easy access to the branch; accessible service positions; accessible signage; the existence of an elevator or a wheelchair lift; the existence of services for the disabled; accessible access to an ATM; assistive accessories and advanced ATM software "TTS - Talking ATM". An infrastructure has also been developed for enlarged printing of forms and the possibility of receiving e-mails in enlarged print. The Leumi Group is working to make its services accessible through its branches and digital channel for all groups in Israeli society, irrespective of gender, religion, age, geographic location, or physical disability.

The issue of accessibility in the bank is managed through the following:

Accessibility coordinators: Two accessibility coordinators have been appointed at the Bank (a service accessibility coordinator and an accessibility coordinator for buildings, infrastructure and environment), whose job it is to lead and coordinate the Bank's accessibility activity and to serve as an address for any inquiries on the subject. In addition, there is a dedicated mailbox for accessibility inquiries. Inquiries that arrive in the box are dealt with in a short and practical procedure.

Accessibility trustees in the branches: In the Bank's branches, accessibility trustees have been appointed who have undergone appropriate training and their role is to verify the existence of the accessibility arrangements defined by the law and regulations in the branch, to implement the subject of accessible service among the branch employees and managers over time, to identify needs and gaps in the implementation of the law and regulations in the branch's accessible service and to provide a response.

Information and training for employees: In the Internet system at Leumi there is a dedicated and maintained website on the subject of accessibility with detailed information regarding the services offered by Leumi to people with disabilities. In addition, an assimilation and training program was established for all employees, and a computerized course (a mandatory course for new employees) and a knowledge test were developed for the assimilation of the issue of accessibility in service. The bank conducts a knowledge test every year for all service providers in branches and centers.

Digital service: The Bank offers a variety of services from a mobile device or from a computer, without a need to go to the branch. Most digital services and products are accessible for people with disabilities and they can manage their bank account in a fast, available and accessible way.

Hearing impaired people can correspond with a banker and have a Zoom meeting accompanied by a sign language interpreter or accompanied by a transcription. Dedicated software has been implemented in the ATM that speaks for the device and helps people with visual disabilities.

Please see the statement on "Accessibility for People with Disabilities"

Promoting innovation to ensure the most convenient customer experience

Leumi's service concept is based on the provision of personal, available, comfortable, professional and fair service, with an emphasis on providing quick solutions to Bank's customers, while ensuring that service cycles are closed. In recent years, Leumi has led an effort to provide innovative banking solutions for its customers, as such, diverse tools and products are examined and integrated in order to improve the value proposition for its customers.

This includes the following main initiatives, products and operations for the Bank's customer service:

PEPPER: the first banking platform of its kind in Israel, providing retail banking services, from opening an account to conducting a variety of common banking transactions, such as loans, deposits, credit cards and investment in securities, using digital channels only. Pepper offers customers all banking products - including credit products, savings, transfers, debit cards and more - anytime, anywhere, through mobile phones, digitally and independently. The products have been made accessible using a convenient and user-friendly interface, adapted to each customer's personal needs, using simple language.

VIDEA: a subsidiary engaged in digital portfolio management, managing customers' funds using an innovative algorithm. It offers online, transparent, straightforward investment portfolio management.

"Leumi Business" digital platform: with a view to improving customer experience, Leumi launched a new platform specially tailored for the needs of its business customers that enables business owners to gain a full snapshot of their company's financial activity. The platform offers a wide variety of services and operations designed to both streamline and make easier the opening and current management of business accounts; it also combines all the business accounts in Leumi into one display containing all the customer's activity (in shekel and foreign currency accounts, securities, etc.).

Mortgage by Zoom: a service enabling customers of all banks to conduct personal consultation session with a mortgage banker via Zoom, and to embark on an all-digital mortgage application process without needing to arrive at a branch in order to sign the documents.

Mortgage recycling by Zoom: a fully digital process for mortgage recycling, without the need to actually go to the bank branch.

Open Banking: The open banking reform is an opportunity for the Bank to expand the value proposition for its customers; it enables them to receive a complete picture of their financial status, including non-bank credit cards and accounts at other banks.

Effective account management insights for customers: presenting advanced insights that help the customers to manage their financial activity, a deposit offer that is tailored for the customer's specific characteristics, the addition of advanced search capabilities.

Digital services for credit cards: The immediate use of a credit card that has been ordered on the app - upon completing the ordering process, transactions may be conducted online using the digital wallet, without the need to wait for a physical card, a replacement credit card can be ordered for an impaired card, an improved display of credit card activity, with a breakdown by categories and Google Pay can be joined in the Leumi app.

Making common authorizations and reports accessible: such as, for example, tax withholding authorization, account management form, banking ID, etc.

Mobility between banks: A service on the Bank's website that allows customers to submit a request to transfer their activities from another bank to Bank Leumi. The simple mobility service was also integrated into the process of opening an account in the application.

Car loans: A service that enables receipt of a loan for the purchase of a car digitally at the car dealerships with which the Bank has engaged.

"Buy in foreign currency and save": The Bank's credit cards enable savings on purchase costs abroad by debiting a foreign currency account.

Opening an account for a minor: An account opening service has been added in the application for minors aged 16-18.

New search engine: a smart search using the app that improves your ability to locate the required information on the app.

Service, customer satisfaction and public inquiries

In accordance with the bank's vision to lead proactive and responsible banking for customers, the bank advances many efforts to provide optimal service to customers, including all activity channels and accessibility of services. At the same time, Leumi maintains 3 central platforms for providing and improving customer service, along with the branches and the digital services as follows:

Telephone service centers: Leumi is the first bank in Israel to expand service center hours from 6:30 a.m. to 11:30 p.m.

"Sayeret Mankal": Leumi established a center that reports directly to the CEO, to handle customer inquiries by a team of skilled bankers who sit next to the CEO's office and respond to every inquiry within one business day at the most, while providing ongoing reports to the Bank's CEO on progress in the treatment, to help customers who did not receive a full response to their inquiry and to make sure that the Bank's customers are satisfied with the service they are provided.

Public inquiries

Leumi is committed to cultivating the relationship with its customers and to maintain it over time. These relationships are first and foremost based on trust and fairness and on providing customized services and products, and on a quality service experience.

To retain the trust that is the foundation of the relationship with our customers, we rely on high standards of compliance with the laws, rules, and regulations of the state and the regulators, alongside adherence to the values of fairness, transparency, and professional ethics.

The Bureau of Public Inquiries operates in accordance with Bank of Israel Directive 308A and is responsible for handling complaints and requests for information or assistance addressed to it. The Bureau has the authority to decide on how to handle a customer's inquiry. The bureau is headed by the public inquiries commissioner, a Leumi executive who reports to the Bank's general counsel.

The Commissioner and the public inquiries officers do not perform any role in Leumi other than the handling of public inquiries.

In December 2023, the Bank of Israel published a document referring to a consumer evaluation procedure, which was carried out during 2022 and the first half of 2023. The document revealed that the Bank guarantees that its customers will have access to an independent and professional commission that has a strong status and adequate resources to handle complaints and provide relief and compensation.

It was determined that the Commission has been maintaining a high quality for several years and its activity is professional, while cooperating highly in its work with the Banking Supervision Department. It was further determined that the Bank places great importance on the information provided by the public complaint channels and that it carries out internal processes following the Banking Supervision Department's positions and messages. Leumi has in place ongoing lesson-drawing processes in order to prevent the recurrence of the cases that led to complaints.

The contact details for the Public Inquiries Bureau are available to the general public and employees on Leumi's website, at the Leumi information kiosks, and on signs at the branches and headquarters (there is also a dedicated app for security, catering, and cleaning contract workers).

Customer satisfaction

One of the Bank's strategic goals, as aforementioned, is to be a leader in service. The Bank regularly conducts surveys after interaction with customers, in order to ensure that a high service standard is maintained and for the purpose of measuring and monitoring compliance with internal satisfaction targets.

From these surveys, a trend of improvement emerges, in view of all the actions carried out by the Bank regarding the service, as follows:

| | The rate of increase in customer satisfaction, between January 2022 and November 2023 |
|--------------------------|---|
| Private customers | 21.8% |
| Small business customers | 13.2% |

In addition, satisfaction data is also published from time to time in a Bank of Israel survey. The following is a breakdown of the results of the last survey published in December 2022:

- The rate of customers satisfied with the website and the app - 89%
- The rate of customers satisfied with the automatic devices - 81%

The Iron Swords War - customer aspects

With the outbreak of the war, the Bank prepared by various means to provide service to its customers. A dedicated service center was established - a hotline for the residents of the south and the lines of conflict that provides a quick banking response for banking operations and for receiving information, as well as for individual approval of special requests. In addition, in the handling of accounts of missing persons and abductees, there is a dedicated team that handles inquiries from family members and acquaintances or initiates calls to them according to information received at the Bank.

The reliefs implemented by the Bank since the outbreak of the War are due, among other things, to directives and emphases published by the Bank of Israel in view of the War.

For detailed information regarding all the relevant Bank of Israel publications and details of the reliefs given, see "The Iron Swords War" in the Bank's Annual Report as of December 31, 2023.

Community

Volunteering by employees

Leumi's volunteer activity is managed by the Human Resources Division. The division is responsible for making contact with social partners, initiating large projects at a national level, integrating the activities and supporting volunteers.

The principles that guide the employee volunteering at Leumi: Activity in the community with a focus on the policy "From Generation to Generation" children and youth and the elderly; long-term and meaningful community partnership; diverse voluntary activity, which varies in scope and nature, according to the skills of the volunteers and the needs of the community; encouraging activities among organic units participating in voluntary activity together, which contributes to the feeling of engagement with the organization; integration of Leumi retirees in the volunteering activities and increasing the volunteering activities that include family members and employees' children.

During the Iron Swords War, dozens of cross-organizational and unitary volunteer activities took place in which hundreds of employees participated: packing at "Leket Israel" and the "Latet" association for the benefit of evacuees from the Gaza Envelope, experiential activities for children and senior evacuees from the Gaza Envelope, collection of equipment and distribution to evacuees and soldiers.

The following are key data in relation to employee volunteering at the Bank, in relation to all the activities detailed in this chapter:

| | 2022 | 2023 |
|--|--|---|
| Total volunteer hours | 31,600 | 46,000 |
| Average volunteer hours per employee | 7.2 | 9.5 |
| Rate of volunteer hours for senior citizens | 26% | 10% |
| Number of volunteers | 4,400 | Approximately 4,900 |
| Target number of volunteers | Compared to 2021 - target increase of 15% Actual - 143% | Compared to 2022 - an increase of approx. 10% in the number of employees, an increase of approx. 46% in volunteer hours |

Activities for senior citizens

Distribution of aid packages for the winter with Latet (one of the largest NGOs operating in Israel to reduce poverty and food insecurity): a venture now in its 6th year. In 2023, Leumi donated 600 aid packages to the needy, containing bedding, warm clothing and more.

Activity designed to preserve the memory of the Holocaust with the Zikaron BaSalon (Memory in the Living Room) NGO: some 100 "living room memory sessions" were held in the Bank's branches and headquarters units across the country, organized by the Bank employees and in conjunction with members of the Follow Me! organization.

The "Happy Hour" project to finance repairs in the homes of the needy: in 2023, in the project, 1,107 jobs and repairs were carried out for seniors with financial support from the Bank. In addition, with the outbreak of the Iron Swords War, 505 shelters were renovated. A total of over 3,000 jobs and repairs have been carried out since the beginning of the project.

Diverse activities for society and the economy

Distribution of food packages to the needy: as part of the Kimcha de Pische project for the distribution of food packages ahead of the Passover and the religious festivals in Arab society, 6,200 food packages were donated by Leumi and distributed to the needy.

Etgarim summer camp for people with disabilities with the Etgarim NGO: since 2017, Leumi has sponsored an Etgarim summer camp for children and youth. More than 1,000 children and teenagers with physical, mental, sensory and cognitive disabilities from all corners of the country and various populations attend the camp.

Summer volunteer project for parents and children assisted by the "One Day" organization: Over 100 parents and children went to volunteer in 15 different activities aimed at involving the employees' children in community volunteering and to serve as an example of community involvement and good citizenship.

Youth volunteering in the summer vacation: Approx. 160 children of employees went for a week of volunteering in approx. 10 different centers. With the assistance of the "One Day" association

Gedolim Bemadim ("Great In Uniform"): joint activity of Leumi and the Yad LaYeled HaMeyuchad ("Lend a Hand to a Special Child") NGO in conjunction with the IDF Duvdevan battalion for youth with disabilities, to undergo a process of integration in the IDF and joint activities with Leumi volunteers.

Collection of medications as part of a joint venture with the Haverim Le' Refuah (" Friends for Health") NGO: as a follow- on to the significant financial donation for over a decade to the Leumi Fund, through which medicines and medical equipment are donated to the needy, and containers for collecting medications and medical equipment are donated for senior citizens in need, containers for collecting used or expired medications were deployed in all the Bank's headquarters' facilities.

Leumi Tech's social partnerships - in addition to Leumi's financial contribution, LeumiTech employees help various non- profit organizations and communities by providing mentoring processes, lectures and training on topics related to finance and investment strategies, including: Amit (Association of Technology Unit Veterans), which operates a model based on the previous acquaintance of its graduates, with the aim of establishing technological companies after their release from service; and Young Venture Capital Forum (YVCF), a young venture capital forum that brings together approximately 250 members, partners and managers from various venture capital funds. The forum aims to reinforce and nurture the development of the members into professionals skilled in venture capital investments, while improving professional knowledge and providing perspective on the industry and their network of contacts.

Long-term strategic partnerships

At the core of Leumi's activity for the community, it has supported the association "Follow Me! – Youth Leading Change" for the past two decades:

Leumi Group has been a supporting partner of the Follow Me! for the past 20 years, since 2002. Leumi Group is a key donor of the NGO and supports its activity in the outlying areas. As part of the collaboration, hundreds of Leumi employees volunteer in a wide range of the NGO's activities, including lectures on smart financial consumption for trainees, and financial mentoring for graduates and the association's management team. "Follow Me!" aims to increase the social integration of youth at risk by engaging in educational activities, developing their leadership skills, and providing them with tools for optimum integration into society. The non-profit organization operates about 400 groups throughout Israel, in which about 8,000 teenagers a year from all sectors participate, in approximately 150 communities across Israel: Groups for leadership and preparation for the army, matriculation learning centers, hiking courses, empowerment for youth of Ethiopian descent, military preparedness courses, community service communes and an adult organization. Over the past 20 years, they participated in Follow Me! activity. More than 60,000 trainees, including 3,200 from the ultra-orthodox community, 8,300 from the Arab community, and 12,800 Israelis of Ethiopian descent and new immigrants participated in Follow Me! activity.

Over the past 20 years, Leumi has provided support amounting to more than NIS 100 million, through the volunteering of thousands of the Group's employees.

The following are data regarding the impact resulting from the "Follow me!" activity, according to surveys conducted by the association among its graduates:

Effectiveness of the Follow me! activity in 2023:

- 80% of the graduates were eligible for a matriculation certificate vs. 69% in the general population.
- 96% of the graduates join the army, vs. 69% in the general population.
- 68% of graduates over the age of 25 acquired higher education, compared with 37% in OECD countries.
- 84% The rate of volunteering among Follow Me! graduates amounts to 84%, compared with a rate of only 24% in the overall population.

The integration of Follow Me! members in the job market:

- 5% work in the voluntary sector.
- 66% of the association's graduates work in the private/business sector.
- 29% are employed in the public sector (about half in security and education).
- 79% of graduates over the age of 31 are employed in the labor market.
- 36% of the graduates did a year of service/military preparedness courses, compared to 11% in the general population.

Donations and sponsorships

Donations and social sponsorships are granted to associations and organizations that promote a variety of sustainable development goals, in the spirit of the SDGs, and in accordance with the social strategy and donation policy approved by the Board of Directors.

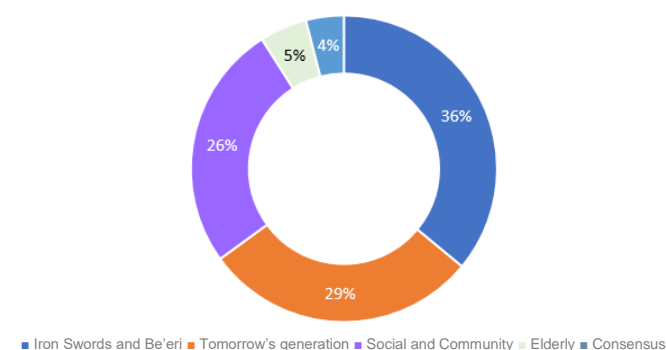
The donation activity is managed through a non-profit organization (Leumi Social Foundation), and in accordance with the best corporate governance principles, including the existence of a board of directors, an auditor, an audit committee, and an annual audit by an external accounting firm.

From the beginning of the Iron Swords War and until now, the Bank carries out various operations for the community, including within the framework of the budget of donations and sponsorships, as follows:

Rehabilitation of Kibbutz Be'eri: Leumi has pledged to support Kibbutz Be'eri and its residents until the kibbutz is fully restored. In October 2024, hundreds of laptops and other necessary equipment were distributed to the residents of the kibbutz staying in hotels at the Dead Sea.

"Katif Leumi" scholarship: In order to help both farmers in Gaza Envelope and students, the Bank launched the Katif Leumi scholarship project, under which students who volunteer to help farmers according to the criteria, will receive a scholarship for one academic year.

The amount of Leumi Group's investment in the community in 2023 was over NIS 52 million, as follows:



Suppliers

Responsible and social procurement, evaluation of the conduct of suppliers and employees of external companies

The Bank operates in accordance with a supplier agreement that promotes fair, transparent, ethical and professional supply chain management, while maintaining the prevention of conflicts of interest and other aspects of corporate responsibility. Leumi's procurement activity mainly consists of the regular purchase of equipment, products and services for the Bank's current operations and for projects carried out in the Bank's units, as needed³⁵.

As part of procurement processes, suppliers are required to declare that they are not involved in giving and/or accepting bribes and, according to the nature of their activity, they also have a commitment to human rights, the extent to which they are careful about environmental and climate change issues, responsibility and a duty to act according to the provisions of the law and the guidelines of the relevant authorities on these issues, tort liability and responsibility regarding safety and security at work. In addition, from 2017 to the present, the suppliers who participate in procurement procedures where there are quality criteria, they are asked to respond to a corporate responsibility appendix. As part of Leumi's policy, the Bank prioritizes local products, gives priority to businesses from the periphery and small businesses, and sets threshold conditions for ensuring the compliance of suppliers with standards in such as prevention of bribery and corruption and fair employment conditions.

Main procurement activity data with suppliers

Procurement mix: Approximately half of the Bank's procurement is technological (hardware, software, product maintenance, consultants and communications), and approximately half is general procurement (office equipment, security and safety, printing and mailing, marketing and advertising, travel and transportation, construction, cleaning and maintenance).

Procurement from start-up companies: Approx. NIS 3.3 million

Social procurement:

Approx. NIS 82.3 million (procurement from suppliers who employ underemployed populations or are owned by such populations, and from social businesses)

"Blue and White" procurement: Approx. 92% of the procurement

Small and mid-sized suppliers: Approx. 64% of the suppliers, and approx. 35% of the total procurement

Green procurement that contributes to the environment: NIS 50.4 million

³⁵ Most of the procurement at Leumi is carried out through the Procurement Department in the Financial Division, which is responsible for procurement processes and the execution of large transactions (central procurement). In addition, direct procurement is carried out by headquarters units and branches. The information in this chapter refers only to central procurement, unless stated otherwise.

Supplier conduct regarding the employment of workers

The Leumi Group insists that in the process of signing engagement contracts, suppliers will declare and undertake to comply with all provisions of labor laws regarding the employment of their employees. Companies providing security, cleaning and catering services are required to comply, in addition to the provisions of the general laws, also to the provisions of the law to increase the enforcement of labor laws.

Regarding these companies, the Leumi Group performs periodic sample checks through qualified wage inspectors regarding the companies' compliance with the labor laws applicable to these areas, in accordance with the provisions of the law. The results of these checks are examined by the Bank, which verifies the correction of the identified deficiencies. As it becomes clear that the deficiencies have not been corrected to the Bank's satisfaction, a possible termination of the contract with them is considered. These companies are also required to provide the Bank with collateral to ensure compliance with the terms of the contract. These securities are kept and used, among other things, to guarantee payment to their employees according to the law and to protect their rights. In addition, in accordance with the law, in the event that the Bank receives a complaint from a contractor's employee in these areas regarding a violation of the terms of employment, the Bureau of Public Inquiries monitors the contractor's handling of the complaint. The Bank periodically updates the engagement contracts with the companies in these areas, and verifies that the terms of the agreements are adapted to the changing legal requirements.

Proper business conduct

During the current management of the suppliers, and depending on the nature of their activity, suspicions are checked, including previous convictions of the supplier. In the terms of engagement with the Bank, the supplier undertakes that he is not involved, and will not be involved, in giving and/or accepting bribes, whether in Israel or abroad, and that no criminal proceedings have been or are being conducted against him for violating laws related to giving and/or accepting bribes. The supplier is obliged to report to the Bank immediately in any case where there is a change in the above.

It should be noted that these requirements of the suppliers to comply with the above standards are in addition to the professional and/or economic consideration in the selection of the supplier and the engagement with him, and beyond the requirements of the law, and constitute a significant layer in the Bank's management of risks in dealing with suppliers.

For more information regarding operational risks in activities with suppliers, please see page 90 of the Risk Management Report.

For more information regarding the conduct of suppliers on environmental and climate issues, please see the Environment chapter.

Employees of external companies

Leumi obtains services from employees of manpower agencies, service providers and software companies in various positions. These workers are employed by the manpower agencies and software companies, rather than by Leumi. As of December 31, 2023, Leumi received services from employees of external companies totaling 270 positions. Bank Leumi ensures that all contract workers are employed under the conditions required by law and that there is no violation of the rights of contract workers in the following actions:

Under engagement contracts signed by Leumi with manpower agencies, the latter are obligated to declare that they have a valid license. One of the license conditions is that in the five years preceding the license application, the applicant or senior officer employed by it have not been convicted of an offense due to the severity of which it is inappropriate to work as a contract worker.

An external wage inspector prepares periodic audits of the employment terms of contract workers, including An audit of payroll data and compliance with legal provisions.

As required, legal opinions are prepared regarding the contractors' compliance with labor laws.

Claims submitted by contract workers against the contractor for violation of their employment terms are monitored regularly.

Any case in which the rights of contract workers have been violated, of which the Bank is made aware, is addressed fully and promptly by the public inquiries division, the professional unit, and the legal counsel.

When there is a repeated breach of the provisions of a contractor agreement and/ or the provisions of the law, the Bank will terminate the contract with the contractors who did not comply with the required standards.

For more information regarding suppliers in operational risk aspects, see pages 99 and 319 of the Annual Report as of December 31, 2023 and pages 91 and 98 of the Risk Management Report as of December 31, 2023.



Corporate Governance at Leumi

Introduction

Bank Leumi's corporate governance approach is a major part of the Bank's overall vision and strategy, including its ESG strategy, including aspects of its activity.

In this regard, Leumi operates under an extensive framework of laws, regulations, procedures and optimal standards. The Bank adheres to high standards for the management of corporate governance, based on the concept that as a complex financial organization, the Leumi Group requires solid corporate governance and management mechanisms that enable coordination, control, transparency and optimal risk management. This is emphasized even more in view of the fact that the Bank is a corporation without a control core. It should be noted that the Bank's Articles of Association, which was approved by the Bank's shareholders, and the laws and procedures to which the Bank is subordinated, regulate, among other things, the corporate governance aspects of Leumi's activity.

This chapter deals with the Board of Directors' structure, composition and management manner, since the Bank is a banking corporation with no control core, risk management, information and cyber security, ethics, compliance, prevention of conflicts of interest, executive compensation and more, which emphasize the Bank's adherence to the best standards regarding corporate governance aspects, and constitutes a broad umbrella, under which all the Bank's values and commitments are gathered, as follows:

Bank Leumi's Board of Directors

In accordance with the provisions of the law and Proper Conduct of Banking Business Directive 301 ("Directive 301"), which regulates the responsibilities and activities of the Bank's Board of Directors, the Board of Directors outlines Leumi's strategy, including the risk strategy and risk appetite, and approves the policy that guides its operating activities. The Board of Directors also supervises the actions of the management and verifies their adequacy for the policy it has established, along with the existence of clear responsibilities and reports.

In addition, the Board of Directors defines the roles, authorities and duties of the CEO, and the system of reports to the Board; the CEO is responsible for guiding and coordinating the activities of the members of management. The Board of Directors outlines a corporate culture that requires the application of high standards of professional behavior and integrity, approves the code of ethics and ensures that the Bank will operate in compliance with the law and regulation.

In addition, the Bank's Board of Directors establishes and applies guidelines regarding corporate governance and supervision and control mechanisms over subsidiaries, following the recommendation of the Audit Committee. These guidelines are part of the Board of Directors Work Procedure.

The reference to the Board of DIRECTORS in this chapter is only to the Bank Leumi Board of Directors.

Composition of the Board of Directors

According to the Bank's articles of association, the Board of Directors appoints one of its members to serve as chairman of the Board. According to the Companies Law, the Chairman of the Board or their relative may not serve as CEO, unless approved by a special majority in a general meeting. The directors are not subordinate to the CEO.

The Bank's Board of Directors is comprised of 10 directors, in accordance with Directive 301 and Banking Supervision Department guidelines.

The Board of Directors includes four women and six men.

The average age on the Board of Directors is approx. 63 years old³⁶, and the average length of service of the Board members is approx. 4.5 years.

All the directors have expertise relevant to the Bank's activities, including those with accounting and financial expertise, banking experience, experience in risk management and control, and experience in information technology, information security and cyber, as follows:

| Director / Area of expertise | Professional competence | Financial and banking | Information technology and cyber | Accounting | Risk management and control |
|--------------------------------------|-------------------------|-----------------------|----------------------------------|------------|-----------------------------|
| Bank Chairperson, Dr. Shmuel Ben Zvi | + | | | + | + |
| Ms. Tamar Gottlieb | + | + | | + | + |
| Mr. Sasson Elia | + | | + | | |
| Mr. Zvika Nagan | + | + | + | | + |
| Prof. Yedidia Stern | + | + | | + | + |
| Mr. Dan Koller | + | + | | + | + |
| Ms. Esther Dominissini | + | | | + | + |
| Ms. Irit Shlomi | + | + | | + | + |
| Mr. Uri Alon | + | + | | + | + |
| Ms. Eti Deutch | + | + | | + | + |
| Total | 10 | 7 | 2 | 8 | 9 |

For more information that includes full details on the members of Leumi's Board of Directors, see the disclosure in the Annual Report as of December 31, 2023 (Regulation 26 of the Securities Regulations (Periodic and Immediate Reports), 1970).

³⁶ We note that there is no procedure limiting the age of a director. However, there is a limit on the maximum term of office of a director - up to three consecutive terms of three years each.

Independence of the Board of Directors

In Israel, according to the provisions of the Companies Law, in a public company there must be at least two external directors, and in accordance with Directive 301, at least one third of the members of the Board of Directors must be external directors. In addition, in view of the definition of an "independent director" in the Companies Law, the Board's Audit Committee has confirmed that the Bank's external directors are independent directors. Accordingly, the Bank's Board of Directors consists of six directors classified as external directors according to Directive 301, including three external directors according to the Companies Law.

In view of the strict requirements set forth in the Banking Ordinance regarding the prohibition of a connection, among other things, to the Bank, to a corporation controlled by the Bank, to an officer in the Bank or to the holder of more than 2.5% of the Bank's shares, and the fact that the Bank is defined by law as a banking corporation without a control core. All the directors serving on the Board are independent, regardless of how they are defined according to the relevant law.

Leumi operates in accordance with the legal and regulatory provisions regarding conflicts of interest, including the provisions of the Companies Law and Directives 301 and 312 of the Banking Supervision Department. In accordance with the provisions of the Companies Law, a director of the Bank has a fiduciary duty to the Bank and must act in good faith and for the best interest of the Bank. Pursuant to these provisions, no person shall serve as a director in a bank, if their business or current occupations creates a permanent conflict of interest between them and the corporation. The Bank's procedures determine mechanisms for avoiding of conflicts of interest situations (even when they are not conflicts of interest of a permanent nature), such as the prohibition on releasing background material and the prohibition on participating in discussions and decision-making of the Board of Directors and its committees.

Each director is requested, when appointed, and thereafter twice annually and regularly to provide details regarding positions and/ or corporate holdings, held by him/her and by their relatives which may be considered as conflict of interests. In addition, Leumi's Chairman of the Board does not serve as a member of the Bank's management, and the chairpersons of the subsidiaries' boards of directors in Israel do not serve, as a rule, as managers in those companies.

Before any discussion on transactions or in which the Bank's customers are involved, the Bank's Secretariat contacts the Board of Directors to assess the potential for a conflict of interest regarding these transactions or specific customers. In the event that the Board of Directors confirms that there is a conflict of interest, those Board members do not receive background material and do not participate in the discussion and the resolution process.

In addition, all the directors meet the following criteria:

- They were not employed in the Bank in an executive position. We note that according to Directive 301, members of the Board shall abstain from participating in the ongoing management of the Bank and may not attend meetings of management or its committees, excluding discussions regarding the Bank's overall strategy;
- They do not advise the Bank or the subsidiaries;
- There is no family member employed by the Bank or its subsidiaries;
- They do not serve in a non-profit organization that receives significant donations from the Bank;
- They were not partners or employees of the Bank's auditors' offices in the last year;
- There is no conflict of interest in their position with parties connected to the Bank.

For more information on the lack of conflicts of interest in the activities of the Bank's employees, please see page 69 in the Company chapter of this report.

Board members - appointment and qualifications

All directors in the Bank are subject to the provisions of the law, including the Companies Law, the Banking Law (Licensing), 1981, ("the Banking Law (Licensing)"), the Banking Ordinance, 1941, Banking Supervision Department Guidelines, including Directive 301 and the Bank's Articles of Association, including in the matter of their appointment, qualifications (including strict requirements prohibiting a connection, as detailed above), the majority required for their appointment, their term of office, and more.

Every year, and in light of the identities of those board members scheduled to conclude their term at the Bank, the Board of Directors discusses the profile of the composition of the optimal Board of Directors according to the policy regarding the desirable composition of the Board of Directors established in the procedure for the work of the Board of Directors. This is examined in light of the opportunities and challenges that it will face in the coming years, and considering the existing profile of the composition of the Board of Directors and analyzing the discrepancies between the existing situation and the desired one. Its considerations include, among others, gender and social diversity (which is also accepted in the world under the definition of ethnic diversity). Accordingly, the Bank turns to the committee for the appointment of directors in banking corporations appointed according to Section 36A(a) of the Banking Law (Licensing) ("the committee for the appointment of directors"), before selecting the candidates for the position of directors and brings before it the needs of the Bank.

The directors are appointed by the general meeting for three years and can be re-appointed for two additional periods of three years each³⁷. The committee for the appointment of directors is independent and its composition is fixed in the Banking Law (Licensing). According to Section 36A of the Banking Law (Licensing), the committee will include two directors serving as external directors in the banking corporation discussed by the committee. For this purpose, "external director" is as defined in the Companies Law or according to its meaning according to Directive 301.

The Bank has no influence over the identity of the candidates and their appointment and is not exposed to the data pertaining the process of their selection, including the number of meetings held by the committee for the appointment of directors during the reporting year and the participation rate of the members of the committee for the appointment of directors.

It should also be noted that periodically, and at least once every three years, a rotation process is implemented between the Board members on the committees. This discussion is held in the plenum of the Board of Directors. When selecting the members of each committee, several considerations are taken into account as duly required (laws, regulations, and PCBBs), and in accordance with business needs, the operating environment, and the risk management. These considerations must verify adherence to the legal requirements while also preserving flexibility in setting meeting dates, balancing responsibilities and the burden between board members, effective and efficient discussions, and the rendering of wise decisions that leverage the talents, experience, and expertise of the members and their collective wisdom. Furthermore, it is necessary to maintain the continuity of the committee members and minimize the need for frequent, immediate changes in the composition of the committees, for example due to the conclusion of a Board member's term. As such, the considerations that must be taken into account when determining the composition of the committees are, among others: the desired number of committee members, legal quorum, banking experience, proven experience and knowledge in information technology or in other professional areas, accounting and financial expertise, professional competence, term of office of committee chair, management continuity and rotations, and budgetary discipline.

³⁷ In a banking corporation without a controlling core, only the following may propose to the general meeting candidates to be voted as directors: (1) a committee for appointing directors in banking corporations, appointed by the governor of the Bank of Israel under Section 36A(A) of the Banking Law (Licensing), 1981; (2) anyone holding more than 2.5% of the means of control; (3) a group of holders comprising two or three holders, each of whom holds more than 1% but no more than 2.5%, and together - no less than 2.5% and no more than 5%, of a certain means of control in the Bank, as aforesaid, and has complied with the reporting requirements regarding its holdings in accordance with the Banking Law and Banking Ordinance.

Following the vote in the general meeting, a candidate for the Board of Directors is required to undergo a "fit and proper" process of the Bank of Israel, and his/her appointment is subject to the approval of the Banking Supervision Department.

Every year, pursuant to the mix of Board members and the challenges that the Bank faces that specific year, a training and guidance program is formed that includes lectures and seminars on a range of topics. The training program is implemented throughout the year and validated each year. The training program for 2023 included, among other things, a focus on the following topics: technological innovation, data and cyber, risk management, capital markets, accounting and finance, compliance, etc. In addition, the newly appointed directors participated in an additional and separate training program that also includes meetings with the various division heads at the Bank and various functionaries.

Diversity policy for the Board of Directors

As part of the policy regarding the desired profile of the composition of the Board of Directors, as aforementioned, the policy was established, among other things, regarding gender and social diversity. In addition, the Bank's Board of Directors determined that weight must be given to ensuring a balance between business continuity and refreshing the Board of Directors, as well as ensuring social and gender diversity in the composition of the Board of Directors³⁸.

After weighing all of the considerations, the Bank's Board of Directors decided that in preparation for the general meeting in 2024, they should aim for a minimum representation of 40% for each gender on the Board of Directors, and weight should be given in the selection of candidates to social diversity (which is also accepted internationally under the definition of ethnic diversity) on the Board of Directors³⁹, and criteria were established to ensure a Board of Directors with proper collective knowledge and the appropriate skills and education, including banking, finance, risk management, and more, in accordance with the directives, while placing weight on position continuity and achieving a balance between continuity and refreshing of the Board of Directors.

It should be emphasized that the Bank has no influence over the identity of the candidates and their appointment and is not exposed to the data pertaining the process of their selection (please see above, Board members - appointment and qualifications).

Assessing the Board of Directors' performance

The Board of Directors undergoes, at least once every two years - a self-evaluation process⁴⁰, the purpose of which is to examine the effectiveness and efficiency of its work, including an examination of the structure of the Board and its committees and their suitability to the Bank's strategy and nature of its activity, as well as an examination of the Board's work processes including detection of weaknesses in its work. The last process was carried out during 2023. Thereafter, the Board of Directors discusses the findings which arise from the self-evaluation process and makes changes in its work processes, as needed. In addition, the Board of Directors periodically updates its working procedure, which is based, inter alia, on the applicable provisions of the law and Board's resolutions. The procedure stipulates, inter alia, the roles of the Board of Directors and its committees, the powers of the Board of Directors and its committees, as well as their work methods, including the reports brought before them, as well as matters and transactions that are to be brought for the approval of the Board of Directors.

³⁸ Accordingly, Section 21A of Proper Conduct of Banking Business Directive 301 states: "Performance of the roles of the Board of Directors in a proper manner requires effective discussions regarding the various issues raised on the agenda. An effective discussion takes place, inter alia, when the board members represent a range of fields and express differing opinions that stimulate group thinking".

³⁹ Most of the bank's activity is in Israel. Social diversity in Israel includes reference to ethnic and minority populations such as Arabs, ultra-orthodox, Ethiopians, Druze, Circassians and new immigrants (Civil Service Law (Appointments), as well as an index of representation and wages in the public private labor market (fifth edition, May 2021), of the Ministry of Economy and industry). Towards the end of the reporting year, until October 30, 2023, the Chairman of the Bank's Board of Directors was from the Arab segment.

⁴⁰ In accordance with Directive 301.

Activity of the Board of Directors

In 2023, Leumi's Board of Directors continued to perform its duties, including to set the strategy, supervise management's activities and their compliance with the Board's policy, ensure that clear areas of responsibility and reporting exist in the Bank, outline corporate culture which requires the implementation of high standards of professional conduct and integrity, ensure that the Bank complies with the law and regulations, approve financial reports and policies in different areas, including risk management and more.

In 2023, Leumi's Board of Directors continued to perform its duties, including to set the strategy, supervise management's activities and their compliance with the Board's policy, ensure that clear areas of responsibility and reporting exist in the Bank, outline corporate culture which requires the implementation of high standards of professional conduct and integrity, ensure that the Bank complies with the law and regulations, approve financial reports and policies in different areas, including risk management and more.

We note that alongside the current issues, the year 2023 was characterized by an increase in the degree of risks to the Israeli economy. This is in view of the legislative and social events that took place in Israel during the first nine months of the year, and the Iron Swords War in the last quarter of the year. At the present time, the main risk to the economic and financial activity in Israel stems from the War and its consequences for the Israeli economy, in particular as long as the fighting continues, and as a result on the Bank's performance.

In 2023, Leumi's Board of Directors held 39 plenum meetings and its committees held 56 meetings, including enrichment meetings. It should be noted that the Bank has a training program for new directors, in the Bank's business area and regarding the law applicable to the Bank and the directors, and it also arranged for the preparation of a follow-up program for the training of incumbent directors, adapted, among other things, to the position that the director fulfills in the Bank. In addition, the average attendance at meetings is 97.2%.

For more information regarding the activities of the Board of Directors and its committees, see the corporate governance questionnaire in the Bank's Annual Report as of December 31, 2023.

The Audit Committee⁴¹

The committee is authorized to approve and make recommendations to the Board of Directors, after approval of the Chairman of the Board of Directors following consultation with the CEO, regarding the work plan of the Internal Audit Division, as well as monitoring its implementation; to discuss material audit reports from the internal audit division, the independent auditors, and the supervising authorities; to identify Haws in the Bank and Leumi Group's business management, propose ways of resolving them, and track that resolution; to discuss substantial unusual events that arise from the audit findings, and to discuss and approve policies on various topics. The committee is authorized to approve and propose the appointment, suspension, or transfer from office of the officers who are audit and control functionaries; to discuss, approve, and recommend that the General Meeting appoint independent auditors and discuss their fees, and to discuss the annual report of the ombudsman.

The committee has additional responsibilities related to supervision and control, including compliance, anti-money laundering and terrorism financing, and the internal compliance program in the area of securities and investment consulting at the Bank. The committee is also authorized to approve transactions with related parties, as this term is defined in the Directives of the Banking Supervision Department, and transactions in which an officer has a vested interest, pursuant to the provisions of the Proper Conduct of Banking Business Directive and

⁴¹ Information regarding Leumi's Board committees, their composition and their roles, is available on Leumi's website: www.leumi.co.il.

the Companies Law, and to make recommendations to the Board of Directors of the Company in this regard, as required.

In accordance with the Banking Supervision Department's instructions, the Audit Committee is the committee that reviews the financial statements, and therefore, once per quarter the committee discusses and recommends that the Board of Directors approve the Bank's financial statements.

Composition of the Audit Committee

The Chair of the Audit Committee will be an external director; all of the Bank's external directors will be members of the committee and most of the committee members will be external directors. All Audit Committee members will be able to read and understand financial statements. At least three directors from among the committee's members will have accounting and financial expertise, and at least one of them will be an external director. The legal quorum for meetings and decision-making by the Audit Committee is a majority of its members, provided that the majority of those present are external directors and at least one is an external director.

In 2023, the Audit Committee convened 23 times.

Shareholders' meeting

The agenda of the general meeting is set by the Board of Directors. Certain shareholders may request the Board of Directors to put additional issues on the agenda of the general meeting, provided that the issue is suitable for discussion by the general meeting. By law, the Bank must publish a prior notice regarding the convening of a general meeting if its agenda includes the election of directors, and may also include in the notice other topics on the agenda, at least 21 days prior to publication of the notice regarding the convening of the general meeting.

The Bank publishes timely invitations to general meetings, according to law. Within the framework of the meeting summons report, the Bank specifies the proposed agenda, the majority which is required to pass resolutions, and an explanation of the shareholders' right to vote in the general meeting on different issues, including on the appointment of directors. In accordance with the provisions of the law, the preliminary notice, the meeting summons and all the decisions of the general meeting are published in an immediate report in Magna. The manner by which institutional shareholders, stakeholders and interested parties and/or senior executives vote is published in the resolutions of the general meeting, where a special majority is required. Details of the shareholders' resolutions are attached as an appendix to the minutes of the general meeting, which is open to the shareholders' review at the Bank but not published.

The Bank's independent auditors

Each year, in preparation for the Annual General Meeting to appoint an independent auditor for the upcoming year, the Audit Committee holds a discussion and recommends the appointment of an independent auditor at its conclusion; this is based on the materials and fulfillment of the criteria required of the independent auditor as presented to them. During this discussion, the committee is entitled and authorized to recommend the appointment of a new independent auditor to replace the incumbent independent auditor, or the reappointment of the incumbent independent auditor.

In the meeting of the Bank's Audit Committee held on May 10, 2023, it was resolved to recommend that the General Meeting reappoints the auditing firms Somekh Chaikin (KPMG) and Brightman Almagor Zohar (Deloitte) as joint independent auditors of the Bank for a period that will commence on the date of approval by the Annual General Meeting held on July 17, 2023 and through to the end of the next Annual General Meeting of the Bank.

This recommendation was approved by the Board of Directors on June 5, 2023. On July 17, 2023, the General Meeting approved the reappointment of the accounting firms Somekh Chaikin (KPMG) and Brightman Almagor Zohar (Deloitte) as joint independent auditors of the Bank.

The Bank implements the rules of conduct proposed to the directors to promote the quality of the audit of the financial statements (Best Practice), as published by the Securities Authority in October 2021 as well as the requirements of Section 36(d)(3a) of Directive 301 according to which the audit committee will implement the guidelines of the Basel Committee regarding the external audit in banking corporations in relation to the Audit Committee and its relationship with the auditing accountant. Accordingly, in its meetings held on May 10, 2023 and November 22 2023, the Audit Committee heard the independent auditors, and received from them explanations both regarding the audit teams' qualifications and skills, its compliance with the independence rules applicable to the independent auditor, the planning of the course and scope of the audit in the Bank, the nature of the services rendered, the materiality thresholds, and the Bank's material processes being audited. In 2023, a periodic discussion was held on the possibility of replacing the auditing accountant.

For more information regarding aspects of corporate governance at Bank Leumi, see the Bank's Annual Report as of December 31, 2023 and the chapter Corporate Governance at Leumi regarding environment and climate.

Risk management

The Bank's business activity involves the management of financial and non-financial risks. The main financial risks managed by the Bank are: credit risks that are integral to the Bank's core business as well as market and liquidity risks. Alongside the management of financial risks, the Bank's activities involve non-financial risks, the management of which is a necessary condition for meeting the Group's current and long-term goals. Included among these risks are operational risks, including technological risks, cyber risk, regulatory risk, compliance risk, legal risk, reputational risk, strategic risk, modeling risk, climate risk, fair banking risk (conduct) and macroeconomic risk.

Leumi's risk management strategy is to maintain the stability of the Group and support the achievement of business goals. These goals are achieved while complying with the defined risk appetite, policies and limitations derived from them, which create boundaries for the business activity. The risk management framework includes mechanisms for identifying risks and their assessment, defining an organizational structure and areas of responsibility for their management, including adequate control and reporting mechanisms.

In the Bank, constant activity is carried out to upgrade the risk management infrastructure and analyze the risk picture, which enables informed decision-making.

Risk management at Leumi is based on three "lines of defense" as required by Proper Conduct of Banking Business Directive 310 - "Risk Management".

The Bank's Board of Directors is responsible, among other things, for outlining the overall risk strategy, including the risk appetite, supervision of the Group's risk management framework, approval of the organizational structure, approval of the risk management policy for each of the material risks, supervision and challenge of the risk levels to which the Group and the Bank are exposed while verifying the adequacy of the risk appetite and compliance with legal and regulatory provisions.

The Chief Risk Manager, Mr. Ronen Mori, who is a member of the Bank's management and the Head of the Risk Management Division, is responsible for leading the management of the main risks in the Group and the Bank.

Subordinate to the Chief Risk Manager are heads of systems and heads of departments for the management of the various risks, which are managed as a second line under the responsibility of the Risk Management Division, including credit risks, market risks, compliance risks, operational risks and model risks.

The Bank works to implement a Group risk management framework, which includes principles of corporate governance and control, insofar as they do not contradict the provisions of the law and local regulation. In the main subsidiaries in Israel and in the branch in the UK, a Chief Risk Manager is appointed who is administratively subordinate to the CEO of the subsidiary and under indirect professional subordination (dotted line) to the Group's Chief Risk Manager.

Leumi's risk profile is reviewed quarterly as part of the Exposure Report reported to the Board of Directors. The examination of the risk profile is carried out, among other things, using a methodology for classifying the level of severity of the exposures to the various risks. The methodology is based on quantifying the effect of the realization of various scenarios on the Group's capital, that is, on its stability, and also includes "expert assessments" from among the relevant entities in the Bank.

The Group's risk appetite outlines the boundaries of the sector for business activity, both in routine and under an extreme scenario. The risk appetite is adapted to Leumi's strategy and to the boundaries of the business focus on which he chose to focus in practice and with a forward-looking perspective. The risk appetite refers to the manner in which Leumi conducts itself in identifying, measuring, controlling, managing and reducing the risks, where this conduct has a direct effect on the residual risk profile of the Group. The limits of the risk appetite are examined every year in the various dedicated frameworks and approved in an overall view by the Board of Directors as part of the ICAAP process.

The following are several focus areas in the context of risk management for the purposes of this report:

The Bank's credit policy includes the following guiding principles: Maintaining a proper manager: the rules of ethics, fairness, full disclosure and transparency, including compliance with regulatory provisions; having a separation between the unit that takes risk and an independent unit that controls the risk and the risk management.

The changes in the business and banking environment also have a broad impact on the worlds of human capital management, and human resource risk, among other things in view of the need to adjust and maintain manpower, while harnessing and creating engagement among employees. Leumi has several ways of dealing with the risk.

The Bank constantly focuses on promoting innovation, streamlining and improving processes. Alongside the potential for business improvement and promotion, new initiatives and activities and/or a substantial change in an existing product may create risks and wide-ranging effects for the Bank with its customers, employees, and suppliers. Accordingly, the Bank maintains a new product procedure, which requires examination of all risks and their impact so that they can be managed and minimized in advance, including operational risks, technology and cyber risks, new and emerging risks (such as conduct and data), in addition to legal risks, regulatory, compliance, market and credit risks which are inherent in the initiative.

The quarterly Exposure Report presents the risk assessment for each risk focus, based on KRI (Key Risk Indicators) that are estimated each quarter, including a reference to the trend, including in the following risk focuses: information security, cyber, human resources, service and fraud and embezzlement conduct.

The most significant leading and emerging risks: macroeconomic risk, information and cyber security risk, strategic risk, technology risk, construction and real estate industry risk, regulatory risk, and climate and environmental risk.

For more information regarding environmental and climate risk, how the various risks are managed and the corporate governance structure for risk management, please see page 13 of the Risk Report as of December 31, 2023.

For more information regarding macroeconomic risk, and information security and cyber risk, which are the most significant of the most material leading and emerging risks, their description, how they are managed and their effect, please see pages 21, 99, 107 and 329 of the Annual Report, and pages 18 and 91 of the Risk Management Report as of December 31, 2023.

Compliance

Compliance risk is the risk of a legal or regulatory sanction being imposed, a material financial loss, or imagery damage which the banking corporation may sustain as a result of failure to comply with the provisions of the law/regulation.

Proper Conduct of Banking Business Directive 308 "Compliance and the Compliance Function in the Banking Corporation" defines the responsibilities of compliance formally and at the Group level. The Directive states that it is required to evaluate the effectiveness of compliance risk management and find means to measure it when the risk is derived from all legislation relevant to the Bank's activity.

According to the Bank's policy, compliance risk is managed on a Group basis. In this framework, various measures are taken for supervision and control over the branch abroad and the subsidiaries in order to monitor the implementation of the compliance issues as a whole and the implementation of the Group compliance policy. For the effective management of compliance risks, a compliance and enforcement system headed by the Chief Compliance Officer operates at Leumi. The Chief Compliance Officer is responsible, among other things, for fulfilling the duties according to the legislative provisions on the prohibition of money laundering and terror financing and the implementation of the international sanction regimes in accordance with the Bank's policy.

Part of the Compliance Officer's responsibility regarding the implementation of the international sanction regimes is an ongoing review made with the necessary adjustments, for example, following geopolitical changes that have occurred over the past two years, the international sanction regimes against Russia and Belarus have been significantly expanded, and accordingly updates have been made to the enforcement plan on the subject.

The Chief Compliance Officer also serves as the officer in charge of enforcement regarding securities laws, as the officer in charge of privacy protection, and as the officer in charge of implementation of the FATCA, the CRS and the QI agreement.

The compliance and enforcement system reports to the Chief Risk Manager.

For more information regarding compliance risk, please see page 103 of the Annual Report, and pages 95-96 of the Risk Management Report as of December 31, 2023.

Internal audit

The Internal Audit Division is responsible for the audit of the entire Leumi Group and all its units in Israel and abroad according to the multi-year work plan that assists the Group in achieving its targets. The internal audit contributes to the Board of Directors' and management's efficient and effective implementation of the responsibility imposed on them, and it is regarded as a tool that contributes to the proper and effective operation of the Group.

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

The functions of the Audit Division include:

Verifying that the Bank's operations comply with the law, regulations, policy, and procedures of the Bank, while maintaining an ongoing dialog with the regulators.

Examining the Bank's internal control systems, evaluating them and examining their effectiveness.

Reviewing the implementation and effectiveness of risk management procedures and risk assessment methodologies.

Reviewing of the steps taken to maintain the Group's assets, with an emphasis on cost effectiveness.

Conducting special inspections and handling employee complaints about unusual activity and concern for the compromising proper conduct or integrity.

For more information regarding the Internal Audits, see pages 318-319 of the Annual report as of December 31, 2023.

The Bank's officer compensation policy

The Bank periodically approves compensation policies for officers at the Bank in the Board of Director's Compensation Committee, the plenum of the Board of Directors, and the General Meeting of the Bank. The compensation policy for officers regulates the term and employment conditions of officers at the Bank, including the fixed compensation components (such as salary, social benefits, related benefits, and more); the variable compensation components (such as an annual bonus and capital remuneration); the compensation to which the Bank's Board members are entitled; arrangements for deferral, distribution, or refunding of benefits to which officers are entitled; the terms for termination of employment (such as early notice and anon-compete commitment with the Bank); the conditions under which officers are eligible for insurance, exemption, and indemnification pursuant to the provisions of the Companies Law, and more.

Additional information is detailed in the "Compensation Policy" approved by the Bank's General Meeting in August 2022. Immediate report of the Bank regarding the convening of the general meeting dated July 14, 2022 (Ref: 2022-01-089413).

All directors serving on Leumi's Board of Directors, excluding the Chairman of the Board, receive compensation and reimbursement of expenses in accordance with the law regarding External Directors' compensation. The Chairman of the Board's terms of employment were approved by the Compensation Committee, the Board of

Directors, and the general meeting. The CEO's term and conditions for employment were approved by the Audit Committee (sitting as the Compensation Committee), the Board of Directors, and the General Meeting. The Bank's Officer Compensation Policy is subject to the approval of the Bank's general meeting and is brought for the approval of the general meeting at least once every three years.

The Current Compensation Policy and the Revised Compensation Policy of the Bank (hereinafter, jointly - the "Compensation Policy") is based on the provisions of Amendment No. 20 to the Companies Law regarding the Bank's officers' service and employment terms and conditions, on the Proper Conduct of Banking Business Directive regarding compensation policy of a banking corporation and on the provisions of the Law for Compensation of Officers in Financial Corporations (Special Approval and Disallowing the Deduction of Exceptional Bonus for Tax Purposes), 2016 (hereinafter - the "Compensation Limitation Law").

The Compensation Policy sets out a framework for the compensation of the Bank's officers and it refers, among other things, to the components of the fixed compensation, which is the principal compensation paid to officers, which includes a predetermined salary, social benefits, related benefits and retirement and termination of employment terms, and to the variable compensation components which include any compensation which is not fixed. These components include: an annual measurable performance-based bonus comprised of a bonus component based on a weighted return on the Bank's equity, a bonus component based on the weighted return on the Bank's stock compared to the return of the TA-Banks Index; and a bonus component based on weighted efficiency ratio of the Bank (according to the Revised Compensation Policy, the Compensation Committee and Board of Directors may require additional components on which to base the bonus calculation). A qualitative personal bonus, based on the achievement of personal targets and qualitative criteria according to the relevant officers' purviews, and an extra bonus for special occasions. It should be noted that the members of the Board, including the chairman, are not entitled to a variable annual bonus. The President and Chief Executive Officer of the Bank is not entitled to a variable annual bonus as well, unless otherwise determined by the Bank's competent organs.

The total variable bonuses amount payable to an officer is limited to a ceiling of eight monthly salaries per year; on special occasions, the Compensation Committee and the Board of Directors may approve a further special bonus to any officer, of no more than one monthly salary for any officer.

In addition, the Bank's Board of Directors may, after having received the approval of the Compensation Committee, reduce (due to special considerations) the measurable annual bonus at its discretion.

Furthermore, pursuant to the provisions of the Companies Law, the Compensation Policy establishes that an officer must return to the Bank bonus amounts paid to him, if paid, on the basis of data found to be erroneous and restated in the Bank's financial statements, in the manner determined by the Compensation Committee and Board of Directors.

The Revised Compensation Policy and the bonus plan set as part of that policy ensure that the compensation paid to senior Bank officers in accordance with the Revised Compensation Policy will not encourage the Bank to take risks beyond the Bank's risk appetite and in a manner that might have an adverse effect on the Bank's capital base. Thus, the Revised Compensation Policy for officers enables the Bank to remunerate its officers with capital remuneration in the form of warrants, in a manner that links the remuneration to the price of the Bank's share and correspondingly increases the officers' sense of identification with the Bank and its objectives in the medium and long-term ranges. The Revised Compensation Policy is also aimed at preventing the Bank from undertaking short-term risks and prescribes mechanisms to ensure that the various risks related to its activity are taken into account in determining the variable compensation amount of the officers. Thus, for example, performance in respect of the measurable variable bonus components - which are based, inter alia, on the Bank's return on

equity and on the return from the Bank's share - is calculated according to the Bank's weighted return on equity over a period of three years and according to the weighted share return difference over a period of three years.

The policy includes personal measurement and quality criteria according to the responsibilities of the relevant central employee, such as: the contribution to the Bank's strategic planning and the implementation and promotion of strategic plans and goals; streamlining; initiation; leading and promoting projects; non-compliance with the law, regulation and bank procedures; failure to comply with essential provisions of policy documents established by the Board of Directors; failure to comply with the Bank's risk management policy and risk appetite; audit reports; and more.

In accordance with the Bank's compensation policy, the CEO's terms of office and employment are adapted to the Compensation for Officers of Financial Corporations Law (Special Approval and Disallowance of Expenses for Tax Purposes in Respect of Exceptional Compensation), 2016 and also, in accordance with the provisions of Directive 301A of the Proper Conduct of Banking Business Directives, and they include a fixed compensation component that supplements to the maximum compensation possible in the Bank according to the Compensation Limitation Law. According to the CEO's terms of office and employment, he is not entitled to a variable annual bonus. For information regarding the CEO's terms of employment, please see pages 202-203 of the Bank's financial statements as of December 31, 2023.

Regarding the restitution mechanisms, distribution conditions, deferral of variable bonus payments and additional information regarding the Current Compensation Policy appears in Appendix A to the Immediate Report of the Bank, dated November 10, 2019, regarding the extraordinary meeting that was summoned and approved the Compensation Policy. Additional information regarding the Revised Compensation Policy appears in Appendix E to the Immediate Report (Supplementary Report) of the Bank, dated July 14, 2022, regarding the annual meeting that was summoned and approved the Compensation Policy.

For more information, please see Reporting on Compensation on pages 201-202 of the Annual Report and pages 100-108 of the Risk Management Report as of December 31, 2023.

Information regarding the holdings of the Bank's shares by officers is reported by the Bank to the stock exchange.

Code of ethics, fairness towards customers, bribery and corruption and conflicts of interest

Code of Ethics

The Leumi Group strives to practice proactive, innovative and responsible banking for all its customers; with that aim in mind, the Group has formulated its Code of Ethics that serves as a moral compass and reflects its world-view. The Code of Ethics is available to the public on Leumi's website and outlines the Group's business and professional conduct in its dealings with customers and different stakeholders.

The Code of Ethics is reviewed and revised periodically so that it will remain relevant and up-to-date for the Bank's strategy, for its current operations and for the dynamic business environment in which the Bank operates. The Code of Ethics is approved by the Bank's management and Board of Directors.

Leumi's Code of Ethics and Conduct includes a collection of practical, clear and simple rules of conduct addressing all of Leumi's internal and external points of contact: customers, employees, suppliers, investors, the public, society and the community. The Code is based on Leumi's values and vision - and also on laws, regulations and internal procedures, and is set up in a digital format that provides the functions of simple search, links for more information, and revisions on an ongoing basis. The Code of Ethics is binding on all those engaged in work in and

on behalf of the Group - the members of the Board of Directors, the Bank's management and employees - and it is assimilated into all the Bank's units, according to the nature of their activities. The person in charge of ethics in the Group is the Head of the Human Resources Division, including being responsible for refreshing, updating and implementing the Code of Ethics through several ways:

Ethics Committee: The ethics representatives of the organization's units periodically examine the relevance of the Code of Ethics in view of the changing business reality, they discuss general ethical issues arising in the field and formulate methods for assimilating the Code of Ethics in the various units.

Assimilation of the Code of Ethics: Each year, cross-organizational operations are held in the Bank to assimilate ethics and core values, such as learning, integrating the topic into the messages of the unit managements, and activities in divisions and units. The subject is also integrated into employee surveys and employee evaluation processes.

Integration into training programs: The topic of ethics is integrated into the training courses and orientation days for new employees in the organization.

Ethics hotline: The hotline is available to employees by phone or email, and they are invited to make contact, anonymously or openly, for consultation on ethical issues. The hotline is committed to a quick, efficient and professional response.

Speak Up: A digital channel on a mobile phone or computer that allows any employee to report a fear of a violation of the rules of ethics openly or anonymously.

Protecting the identity of whistleblowers: Leumi considers it very important to have reporting channels that will be available to bank employees on various issues, while establishing mechanisms to protect the identity of reporting employees. The Bank considers its employees as partners in its proper management and expects that any unusual activity will be reported immediately. At Leumi there are several channels through which bank employees can report any unusual activity.

For the Bank's Code of Ethics "Leumi Way: Vision, Core Values and Ethics", see the Bank's website.

Fairness towards customers

Fair conduct with the Bank's customers is a central pillar of the Bank's activity and its risk management. This aspect is reflected in the Bank's policy documents on the subject, procedures, dedicated training, Code of Ethics and ethics center.

The Bank ensures to conduct itself in a transparent and fair manner with the aim of providing its customers with services and products of added value, placing an emphasis on customizing the different financial products such that they address customers' needs. Therefore, the Bank manages the conduct risk, a risk that the Bank's conduct with its customers will lead to an undesirable result for the customer due to inappropriate provision of service, provision of unsuitable service or unfair conduct. This risk is mitigated by the business units within the different lines of business.

For this purpose, The Bank works to conduct itself appropriately, in accordance with the following principles:

Responsible business conduct: In order to create mutual value for the Bank and its customers, the Bank takes steps to adapt its value proposition to the customer's needs and abilities. The Leumi Group strives to provide its

customers with the knowledge and tools needed to optimize their use of the financial services available to them, in order to support them in creating an economic infrastructure that will impact their personal, professional, and business development.

Equality and non-discrimination: Differences in age, religion, gender, nationality, origin, social and political outlook, and personal status will not constitute a basis for discrimination in the provision of services to the Bank's customers and employees.

Special populations: Leumi works to provide services in a fair manner to the customer, including disadvantaged populations, and to make the service accessible to senior customers and people with disabilities, along with a sensitive and practical approach to customers in financial difficulties.

Banking services for each and every customer: The Bank works to provide a broad range of banking options and channels, with the aim of assisting customers to conduct their banking activities independently in accordance with their circumstances and capabilities; at the same time, the Bank assists customers to develop financial literacy skills.

Fairness in dealing with public inquiries: The Bank ensures that customers' inquiries are dealt with in a fair and effective manner. Handling of complaints is an integral part of the service the Bank provides to our customers.

Leumi's statement on "Business Conduct and Fairness", published on the Bank's website.

For more information on the Bank's conduct policy, please see page 107 of the Annual Report, and page 99 of the Risk Management Report as of December 31, 2023.

For more information on aspects of the Code of Ethics, ethics and training on the subject, please see page 66 of this report.

Fair banking (conduct) risk management

The fair banking risk is a risk that the Bank's conduct will lead to an undesirable result for the customer due to inappropriate provision of service, provision of unsuitable service or unfair conduct. This also includes improper behavior that affects market integrity, public trust in the activity of the banking sector). Realization of the risk might cause the Bank losses derived from lawsuits (including class action suits), from imposition of sanctions or fines (due to violation of compliance provision that touches topics of conduct) and/or damages of reputation.

The Bank ensures to conduct itself in a transparent and fair manner with the aim of providing its customers with services and products of added value. This principle is reflected in the Bank's vision — To lead proactive, innovative, and responsible banking for the benefit of our customers and to implement accelerated growth focused on the customer. In addition, the initiation and sale processes are subject to procedures and controls that support proper conduct and are reviewed on an ongoing basis, with the aim of upgrading them.

The trend of consumer regulation continues with an emphasis on fairness (conduct). In this context, the Bank continues to adhere to the principles of fairness and works to implement the Bank of Israel Directive 501 - "Management of a Service and Support System for Customers".

The Bank continues to promote the provision of financial services through digital platforms and the use of models and it is estimated that this move, among its other advantages, reduces the fair banking risk.

Preventing bribery and corruption

Leumi is committed to combating bribery and corruption and acts resolutely to ensure that its employees, customers, and business partners comply with anti-bribery and corruption provisions. The Bank continuously monitors the implementation of policies to prevent bribery and corruption.

In the Bank, the prevention of bribery and corruption is treated on three levels: prohibition of Bank employees from receiving benefits and giving any benefits to a public employee, a customer or an officer in a corporation, with the intention of directly or indirectly obtaining personal benefit and/or for Leumi; prevention of bribery in customer activity; prevention of bribery in dealings with third parties.

Leumi's initiatives to prevent corruption, embezzlement and fraud:

Risk mapping and assessment in aspects of bribery and corruption: With the aim of creating a broad picture of the factors of exposure to bribery and corruption risks, the Bank identifies and defines factors of exposure to bribery and corruption risks while analyzing the main areas of the Bank's activity, mapping relevant customers for the implementation of the plan to prevent bribery and corruption risks, having control and monitoring mechanisms and performing risk assessment.

Training and courseware: As part of e-learning courses, a video or courseware on the topic of bribery and corruption was sent to all the Bank's employees.

Reporting mechanisms, embezzlement and fraud

Expanding the use of digital may lead to an increase in exposure to fraud risks in terms of identity theft and theft of funds and in terms of functional impairment, exposure of customer details and misuse of information. Leumi invests many resources in identifying and reducing these risks in ongoing activities and in focused monitoring activities, including the establishment of a fraud forum to concentrate treatment on the issue.

Leumi treats each of its employees as a partner in the proper management of the Bank and allows them to participate and influence the creation of a safe and ethical work environment. Leumi therefore expects employees to immediately report any unusual action related to the violation of laws, regulations, procedures and rules to their managers, or via other channels - by telephone, email, post, fax, or any other means at their disposal, and anonymously.

The Bank operates on several levels in relation to the risk of fraud, including raising awareness among all Bank employees, communication paths to risk managers and increased monitoring of employees facing termination of employment at the Bank, communication of a Speakup mechanism that encourages employees to report violation incidents, and more.

A dedicated chapter on the subject of embezzlement and fraud risk management was integrated into the operational risk management policy and the establishment of an embezzlement forum to concentrate the treatment of the issue.

For more information regarding embezzlement and fraud, please see page 100 of the Annual Report and page 92 of the Risk Management Report as of December 31, 2023.

Conflict of Interests

In the Bank's Code of Ethics, rules for avoiding conflicts of interest are brought to the attention of the employees, including the employment of family members, receiving and giving gifts, personal contact with customers, participation in events and supplier relations. In addition to the Code of Ethics, this subject is also regulated in the Bank's procedures in relation to all its employees, computerized training is carried out on the subject, including annual reporting procedures for the absence of conflicts of interest, when changing positions, and control over all of these processes.

For more information on the lack of conflicts of interest in the Board of Directors' activity, please see page 59 in the Corporate Governance chapter of this report.

Information security, cyber and customer privacy

Leumi continues to promote the provision of financial services through digital platforms and expands the use of advanced technologies. As a result, the scope for cyber attacks and Leumi's exposure to the realization of cyber risks increase respectively. Risk management and cyber defense are implemented while investing many resources. The resources are invested differentially and in accordance with the business strategy and risk tolerance. As mentioned above, information and cyber security is among the Bank's significant risks.

As part of the activity to strengthen cyber defenses and cyber risk management, a policy and tolerance were formulated, a cyber risk map was built, plans for minimization and recovery capabilities are implemented, and cyber exercises are carried out.

Information security at Leumi and cyber protection are based on the principle of banking confidentiality, various laws and directives, such as the provisions of the Privacy Protection Law and its regulations, the provisions of the Computers Law, the Bank of Israel's directives and accepted international standards of information and cyber security. Under these directives and in view of a national strategy and policy regarding cyber risk management, extensive activity is derived. The emphasis in this area is to implement forward-looking controls and information security mechanisms.

In an era where the threats from external and internal organizational factors are increasing, Leumi prepares for computer attacks and works to hedge the risks arising from various cyber attacks. In addition, Leumi works in coordination with the Banking Supervision Department at the Bank of Israel and in cooperation with the banking sector, the cyber system and the Leumi CERT, in order to strengthen the fight against cyber threats.

Leumi operates in several channels to increase awareness of and prevention of cyber risks. Among the variety of training tools, online training and computerized training are carried out for Bank employees, in addition to knowledge tests, phishing exercises and more. Leumi's website has detailed and accessible information for customers about how to detect phishing and guidelines for protection that include examples of e-mails, messages, and addresses of an impersonating website.

Along with the opportunities that the digital revolution brings, there are also threats for which the Bank must prepare. In the spirit of the times, Leumi prepares for cyber attacks of all kinds and works to hedge the resulting risks. The purpose of cyber protection is to protect the Bank's assets and enables ongoing business activity according to the Bank's strategy. The Bank's activity is constantly adjusting to the risks and the dynamic cyber activities in Israel and around the world, while incorporating effective controls. The Bank complies with Bank of

Israel requirements and submits reports on cyber incidents according to the directives of the Bank of Israel. Information leakage incidents are reported to the Privacy Protection Authority.

Leumi takes several steps to reduce risks, including: implementing preventive and detection controls, conducting information security surveys, increasing monitoring to remove impersonating websites, tightening management and authorization control processes, and raising employee awareness of information security guidelines, alongside proactive activity to hunt down threats before they materialize.

During 2023, no cyber incidents were discovered that affected Leumi's financial statements.

At Leumi, the Cyber Department operates with a wide spectrum of teams that are experts in complementary areas in the cyber world and deal with all threats and ways of dealing with them in order to enable prevention, identification, containment, treatment and recovery from cyber incidents and frauds that could cause damage to the Bank and its customers. The department works to build a defensive force with a long-term vision and to exercise short-term force through the Fusion, the unified operations center, in which the activity of dealing with incidents in practice is integrated. In addition, Leumi has a central procedure for all information and cyber security guidelines for users. The guidelines relate to the following topics: data extraction and input method, use of national networks, software, hardware, e-mail, media device installations, workstations, social networks and remote connection. In addition, once per period defined by the Bank from time to time, cyber alerts are sent to all Bank users, based on events and updates.

In any case involving a Bank employee or a third party removing information from the Bank or unauthorized viewing of information, the internal audit investigates the incident together with the cyber department. Based on the findings, relevant disciplinary measures are taken. From time to time, Leumi refreshes its information security guidelines and notifies all employees regarding unusual incidents for assimilation. In the event of information security and cyber breaches, the Cyber Division website has instructions and a button to report suspicious events handled by the Cyber Defense and Security Center.

In 2023, there were 2 training sessions on information security, in which the implementation rate by Bank employees was approx. 98%, alongside regular phishing practice.

The Leumi Technologies Division is responsible for the Bank's computerization and activity on the issues of technological development, information technology, communication, cyber and information security, and coordinates the IT strategy and policy at the Group level.

The key positions in the Leumi Technologies Division are: Mr. Eyal Efrat, Vice President and Head of the Leumi Technologies Division (CTO), and Mr. Nir Omer, Chief Information Security Officer (CISO). In addition, on the Bank's Board of Directors, Mr. Sasson Elia and Mr. Zvika Nagan have expertise in technologies and information security (for more information, please see page 59 of this report).

According to the Bank's privacy protection policy, which is approved by the Bank's Board of Directors, Leumi undertakes to protect its customers' right to privacy and the personal information received from them or collected about them. Information about customers is only used for banking transactions and the service is provided to customers for their bank account, subject to the declared objectives of the database in which information about Leumi's customers is stored, and in accordance with the customers' consent, as required by law. Therefore, the reasons for which the information was collected are in line with the way it is used. Information may be disclosed to entities with authorization under the law or a court order, according to the Bank's privacy protection policy, subject to the customer's consent.

When a security incident is discovered which involves unauthorized access to personal information stored in the Bank's systems, including hacking or breaching the Bank's systems, an investigation is launched, conclusions are drawn and processes are improved. As required by law, serious security events are reported to the Privacy Protection Authority. Leumi applies safeguards and monitoring through systems that the Bank regularly upgrades and improves, in accordance with technological developments. The Bank also applies numerous controls to identify unusual customer and employee activity in real time and unusual cases that are discovered are addressed with severity. The Bank operates in accordance with generally accepted information security methodologies, including NIST and ISO standards, and in accordance with the regulatory requirements of the Bank of Israel and the Privacy Protection Law.

The Bank's Chief Compliance Officer was appointed to the position of Privacy Officer. He is in charge of adapting the Bank's policy to regulatory requirements and advise the Bank units, supported by the Bank's Legal Division, on the implementation of processes and products including the use of personal information. The training and implementation measures taken to implement privacy protection aspects are included in the steps taken to implement compliance culture in Leumi.

For more information regarding information security and cyber, technology and information system risks, see pages 99 and 329 of the Annual Report and page 91 of the Risk Report as of December 31, 2023.

Leumi's statement on "Privacy and Information Security", published on the Bank's website.

Tax policy

As part of the Bank's business management, the Bank is subject to the tax laws of Israel and the countries in which it operates. The Bank operates in accordance with any law or regulation that applies thereto, including with regard to its activities. The Bank does not carry out any tax consulting activities for its customers.

According to the financial statements as of December 31, 2023, approx. 99.9% of Leumi Group's profit stems from profits generated in Israel. In relation to the Bank's activities outside of Israel, there is a settlement arrangement between the Bank and the tax assessor for large enterprises from August 1987 that regulates tax payments in Israel for the profits of the Bank's subsidiaries abroad.

The Bank operates with related parties under market conditions as required in accordance with the regulation applicable to the Bank.

For more information regarding income taxes, please see pages 115, 153, 171 and 351 of the Annual Report as of December 31, 2023.

As far as the activities of its customers are concerned, the Bank implements regulations, which are also anchored in policies and procedures, as follows:

Proper Conduct of Banking Business Directive 308 - In the consumer sector, in its relations with its customers, the Bank is obligated to comply and complies with all the directives regarding withholding tax from the customer's activities carried out through the Bank, as required by the tax laws in Israel.

FATCA - The Bank is obliged to carry out and perform checks on its customers for the purpose of identifying American customers. In addition, the Bank is obliged to transfer information regarding customers who have been identified as Americans to the Israel Tax Authority, to be transferred to the U.S. Tax Authority.

CRS - The Bank is obliged to carry out and perform checks on its customers for the purpose of identifying their country of residence. Furthermore, the Bank is obliged to remit information regarding customers who were identified as residents of reporting countries (countries with who an agreement was signed to exchange information) to the Israel Tax Authorities, to remit it to the tax authority in the customer's country of residency.

QI - The Bank serves as a QI (Qualified Intermediary) - an executive arm for tax deduction for the American Tax Authority. According to the QI agreement, the Bank has obligations to identify the customers and document them, and to deduct the withholding tax on payments received in American securities.

The BEPS - The bank is obliged to submit and submits a report established by the OECD, which aims to promote transparency regarding the distribution of revenues, profits and the tax burden between territories of international companies.

Human rights policy

Bank Leumi works to protect human rights in all aspects of its activity.

The Bank is committed to responsible, transparent and fair management with regard to the protection of human rights. Accordingly, we undertake to comply with the requirements of the law, including the provisions of the Basic Law: Human Dignity and Liberty and the Basic Law: Freedom of Occupation, and Leumi considers it important to recognize the universal principles and norms of guaranteeing human rights in employment, which are detailed in the United Nations Convention, the UN Global Compact, and the Convention of the International Labor Organization (ILO). This is, among other things, deals with the issues of freedom of association, prevention of discrimination and inequality. Bank Leumi adheres to behavioral norms in the work environment and maintains adequate employment conditions, including human rights, such as the employment of children while being totally opposed to human trafficking, and forced employment (aspects regulated by laws and regulations).

For more information regarding employee rights, terms of employment, and other aspects concerning the Bank's employees, please see pages 39-40 of this report, and page 100 of the Risk Management Report as of December 31, 2023.

The Bank implements due diligence processes to proactively and systematically identify potential impacts on human rights and where they may occur in engagements with contractor companies and suppliers.

The bank ensures that the rights of external contractor employees are protected in accordance with the law, in the event that the Bank receives a complaint from a contractor's employee in these areas regarding a violation of the terms of employment, the Bureau of Public Inquiries monitors the contractor's handling of the complaint.

As part of the bank's ongoing operations to reduce risks related to human rights aspects, the Bank periodically updates the engagement contracts with the companies in these areas, and verifies that the terms of the agreements are adapted to the changing legal requirements. In addition, in the Bank's engagements with contractor employees, an external salary inspector performs periodic control reports to examine the terms of employment of the contractor's employees, including checking the salary data and their compliance with the various legal provisions. As required, legal opinions are prepared regarding the contractors' compliance with labor laws. Claims submitted by contract workers against the contractor for violation of their employment terms are monitored regularly. Any case in which the rights of contract workers have been violated, of which the Bank is made aware, is addressed fully and promptly by the public inquiries division, the professional unit, and the legal counsel.

It is important to note that when there is a repeated breach of the provisions of a contractor agreement and/ or the provisions of the law, the Bank will terminate the contract with the contractors who did not comply with the required standards.

During 2023, the Bank received only one complaint from a contractor employee, regarding missing several hours of work from her salary, which was handled to the employee's satisfaction. Beyond that, no other complaints were received. Also, in 2023, one lawsuit was filed against the Bank and against a contractor company, which was settled in a compromise between the employee and the contractor company, without any payment applicable to the Bank, and to the satisfaction of the employee.

With regard to human rights in the Bank's supply chain processes, it should be noted that the Bank's commitment to the protection of human rights is embedded in the procurement processes with suppliers and service providers, and in this framework the Bank ensures that in the process of signing engagement contracts, suppliers declare that they comply with the provisions of labor laws regarding the employment of their employees. Companies providing security, cleaning and catering services are required to comply, in addition to the provisions of the general laws, also to the provisions of the law to increase the enforcement of labor laws. Leumi performs periodic sample checks through qualified wage inspectors regarding the companies' compliance with the labor laws applicable to these areas, in accordance with the provisions of the law. The results of these checks are examined by the Bank, which verifies the correction of the identified deficiencies. As it becomes clear that the deficiencies have not been corrected to the Bank's satisfaction, a possible termination of the contract with them is considered. These companies are also required to provide the Bank with collateral to ensure compliance with the terms of the contract. These securities are kept and used, among other things, to guarantee payment to their employees according to the law and to protect their rights.

With regard to the human rights aspects of the Bank's activity towards its customers, Leumi provides banking services to all citizens and/or residents of the State of Israel in accordance with the law and the Bank's policy, and promotes financial inclusion in its activity.

For more information, please see page 57 of this report, regarding the conduct of suppliers and employees of external companies, and page 99 of the Annual Report as of December 31, 2023.

Legal proceedings

The following is a list of unusual incidents and relevant legal proceedings filed against the Leumi Group and/or concluded in 2023.

| Claims 2023 | Discrimination | Corruption, bribery, compliance and money laundering | Antitrust and non-competitive behavior | Labor relations, employees' rights and violation of protective laws | Violation of the Privacy Protection Law | Full disclosure, transparency and fairness towards customers | Sexual harassment |
|---|----------------|--|--|---|---|--|-------------------|
| Total claims filed in 2023 | 2 | - | - | 11 | 1 | 5 | - |
| Of which: Number of regular lawsuits | 2 | - | - | 11 | - | - | - |
| Of which: Class actions | - | - | - | - | 1 | 5 | - |
| Number of class actions that have ended | - | - | - | - | 1 | 1 | - |
| Number of settlements and penalties | - | - | - | - | - | - | - |
| Number of convictions | - | - | - | - | - | - | - |

Epilogue

"The free economy is now being put to the test. If it fails to prove that it has an economic benefit, and if it does not assume the social responsibilities it is supposed to assume, the people will not accept its existence"
(Ayn Rand, Atlas Shrugged, 1951)

This ESG Report reflects the commitment, teamwork and cooperation, and the in-depth work carried out in the Bank throughout the year in all aspects of the report and in all the Bank's divisions. In general, approximately 20 central employees in the various Bank divisions participated in the data collection for the report.

The Bank considers the publication of the report and its compilation process, beyond the importance of its reporting to the shareholders and stakeholders and interested parties, as an independent significant layer in the assimilation activity, the research, learning and lessons learned, in all areas of activity, for the purpose of continuing the implementation and intensifying the Bank's ESG strategy and the construction of the annual and multi-year work plans.

In 2024, the Bank will continue intensifying the strategy, and the cooperation and dialogue with all shareholders and stakeholders and interested parties, in order to realize the Bank's vision and strategy as a whole **"To lead proactive, innovative, and responsible banking for the benefit of our customers and to implement accelerated growth focused on the customer"**.

About this report

This ESG Report is the sixteenth published by the Leumi Group. The report was written in accordance with the reporting standard of the Global Reporting Initiative (GRI), the reporting standard of the SASB organization, and the TCFD reporting framework. The report includes reporting in accordance with the principles of the UN Global Compact (UNGC) initiative, and is published alongside the Bank's financial statements as of December 31, 2023. The data in this report refer to the period between January 1, 2023 and December 31, 2023, unless otherwise stated. The Leumi Group is meticulous regarding reporting continuity and publishes an ESG Report once a year. Reports from previous years can be found on the Bank's website.

Contents of the report

This report refers to the environment, society and corporate governance activities of the Leumi Group during 2023. Except where otherwise stated, this report refers to the activities of the Leumi Group in Israel and abroad. It should be noted that the Bank's activities abroad are currently carried out only through one subsidiary, Leumi UK, such that 99% of the Group's employees, and approx. 99.9% of its profits are in the Bank's activities in Israel.

In addition, alongside the deepening of knowledge, assimilation, regulation, improvement of data collection processes and methodologies, in relation to the reported areas, there may be differences between the data and targets detailed in this report and the Bank's previous ESG Reports.

At the meeting of the Board of Directors held on March 18, 2024, it was decided to approve and publish this ESG Report as of December 31, 2023 and for the period ended on that date.

Every definition in this report and/or reference to policy in this report, including its main points detailed in this report, were also approved as part of the approval of the report by the Board of Directors, in addition to any dedicated discussion of a specific policy which is routinely approved by the Bank's Board of Directors.

Main changes in the 2023 reporting year

For transparency, and the accessibility of this report, the essential changes are presented below in relation to the 2022 reporting year. We note that the changes detailed below are the most material. Along with them, this report reflects significant action and development in all of the Bank's activities detailed in the report.

The structure of the report was adapted to the structure of the Bank's financial statements and their chapters, under the identification of the trend of consolidation of standards and reports, the responsibility for reports. The Bank's approach, as mentioned, is becoming an accepted practice, among other things, in view of regulatory developments, and standards in Israel and around the world, such as: the new sustainability standards of the IFRS, the ISSB standard, the EU directive, the CSRD, and the SEC disclosure regulation on climate, published on March 6, 2024.

General

- Validation of the materiality process (Double Materiality), page 8.
- Measuring the impact of the Bank's central operations in ESG aspects, page 11.

Environment and climate

- Strategic collaboration with the European Union Investment Bank, page 19.
- Scope 3 – 5 categories, including 100% of the credit portfolio for the Bank's business, real estate, commercial and mortgage customers, and 100% of the investments in tradable companies through Leumi Partners, and the holding in Valley National Bank, page 34.
- Impact Report for the green bond issued by the Bank, page 20.
- Extreme climate risk scenarios performed for the first time, pages 27-28.
- Along with a qualitative report on the scenario analysis in 2022, in this 2023 reporting year, a quantitative expansion was carried out for the first time in relation to the Bank's exposure to climate risk.

Social

- Definition of corporate governance in relation to social aspects, page 37.
- Expansion of the reporting on financial inclusion, pages 46-50.
- Establishing a gender diversity target of maintaining at least 50% women in senior management, instead of a focus on the goal of the proportion of employed people from underemployment sectors, page 10.

Corporate Governance

- The Board of Directors' recommendation to the committee for the appointment of directors, for gender diversity on the Board of at least 40%, page 61.
- Adoption of a document for ESG principles in voting in companies in which the Bank has a real holding, page 18.
- Tax policy and human rights policy added, pages 70-71.

Glossary

The definitions "Leumi Group" or "the Group" refer to the activity of the entire Group, as defined in this report. The definition "Leumi" describes the activity of only Bank Leumi Le Israel B.M. The names of the subsidiaries and foreign branches are mentioned in the description of the activity that takes place in those companies and only in them.

Ensuring the reliability of the report

Along with internal control processes in the Bank and the approval of the report by the Board of Directors, Leumi performs external control over this report to ensure the reliability of the reports, to improve the process of collecting the required information and data, and to maintain and strengthen the transparency of its activities. The assurance of external reliability was carried out by the accounting firm EY, including regarding its compliance with the GRI, SASB, and TCFD reporting standards.

Regarding the subjects of the report, please contact:

Kfir Mizrahi, Group ESG and International Activity Manager, Kfir.Mizrachi@BankLeumi.co.il

The information in this report is forward-looking information.

Forward-looking information is generally worded using the following words or phrases: "the Bank believes", "the Bank foresees", "the Bank expects", "the Bank intends", "the Bank plans", "the Bank estimates", "the Bank's policy", "the Bank's plans", "the Bank's forecast", "expected", "strategy", "targets", "likely to impact", "estimate", "scenarios", "likely", "may", "can", "will be", "optimistic", "pessimistic", "assumptions", "alternatives" and additional phrases indicating that the matter in question is a forecast of the future rather than past facts. Forward-looking information included in the Risk Management Report is based, inter alia, on forecasts of various matters related to economic developments in Israel and abroad, especially the currency markets and capital markets, legislation, regulators' directives, competitors' behavior, technological developments and human resources issues. As a result of the inability to foresee with certainty that these forecasts indeed materialize, and the fact that, in reality, events may differ from those forecasted, users should treat information defined as "forward-looking" with caution, since reliance on such information involves risk and uncertainty and the future financial and business results of the Leumi Group may be materially different. The Bank does not undertake to publish updates on forward-looking information included in its reports. This does not derogate from the Bank's reporting obligations according to any law.

Assurance

Independent Limited Assurance Report to the Readers/Users of Bank Leumi le-Israel

B.M. 2023 Environment, Social, and Governance (ESG) Report

We were engaged by the management of Bank Leumi le-Israel B.M. (hereinafter: the “Bank” or “Leumi”) to provide limited assurance on the specified topics as mentioned in the table below (hereinafter: “Specific Topics”), regarding the information presented in the Bank Leumi le-Israel B.M. ESG Report for the year 2023 (hereinafter: the “Report”). The Bank management is responsible for :

- A. Drafting and presenting the ESG Report in accordance with the Global Reporting Initiative Sustainability Reporting Standards (hereinafter: “GRI-SRS”) principles, as they appear on pages 78 to 80 of the Report, as well as all relevant information and representations contained in the Report.
- B. Setting the Bank’s objectives in respect of sustainable development performance and reporting.
- C. Establishing and maintaining appropriate performance management and internal control systems from which the information presented in the ESG Report is derived, to be free from omissions and material misstatement, whether due to fraud or error.
- D. Identifying the stakeholders and material issues for reporting .

Our responsibility is to provide limited assurance engagement and to express a conclusion based on the work performed. We conducted our engagement in accordance with the international standard for assurance engagements, Assurance Engagements other than Audits or Reviews of Historical Financial Information (ISAE 3000), published by the International Auditing and Assurance Standards Board (IAASB). This standard requires us to comply with applicable ethical requirements, including independence requirements, and that the engagement be planned and performed in order to obtain limited assurance about whether the specific topics we examined do not contain material misstatements .

A limited assurance engagement, regarding information and data included in the ESG Report includes conducting interviews and inquiries, primarily of relevant entities within the Bank responsible for preparing the information presented in the Report and implementing analytical and other procedures to gather supporting evidence, at adequate volumes. These procedures included :

- Examination of the material aspects in the Report, as defined by the Bank, for the purpose of performing a limited assurance, based on publicly available information sources, familiarity with the Bank’s operations, and comparative information about similar organizations.
- Conducting interviews and inquiries with entities in the management, to gain an understanding regarding the material aspects to the Bank’s stakeholders.
- Conducting interviews with senior executives and relevant staff members of the Bank’s management regarding the Bank’s ESG strategy and the Bank’s policy regarding material topics and how they are applied to the Bank’s overall business activity.
- Conducting interviews with relevant entities in the Bank’s management and other units, who are responsible for providing the necessary information for preparing the Report.

- Making a comparison to verify that the specific topics in the Report match the references in the relevant sources of information to the Report, to determine whether all material information in these sources appears in the Report.
- As relevant, conducting interviews on the method of calculating, consolidating, and the methods used to gather the material information and the reporting.
- Reading the information presented in the Report, to determine whether it is consistent with the general knowledge and known experience in connection with Bank's ESG performance.
- As part of performing a limited assurance, we examined the changes in the Bank's ESG Report draft and reviewed the Report's final version, to ensure it reflects our findings.
- A limited assurance engagement is substantially less in scope than a reasonable assurance engagement in relation to the evidence-gathering and review of supporting information procedures performed. As a result, the level of assurance obtained regarding the Bank's ESG Report is substantially lower than the assurance that would have been obtained had we performed a reasonable assurance engagement.

Note that the limited assurance related to the information and data included in the below list only, as presented in the Targets and metrics in relation to the material issues in this report. The list of topics on which limited assurance was performed regarding specific data and information is detailed below:

General

Material Issues - A process to validate the materiality analysis with the Bank's stakeholders.

Environmental

The total amount of funding and investments available for the promotion of environmental issues in 2023 including credits in the business division that are part of the bank's allocation in the impact report of the green bond issued by the bank and a reference to this report is detailed in the bank's ESG report.

The percentage of procurement defined as "Green Procurement" out of total procurement in 2023

Reduction of greenhouse gas emissions direct and indirect activity SCOPE 1-3, as detailed on pages 30-34, of the report, with the following emphasis:

Scope 1 GHG emissions – energy consumption from fuels and conversion to GHG emissions (Ton CO2e)

Scope 2 GHG emissions – energy consumption from electricity purchases and conversion to GHG emissions (Ton CO2e)

Scope 3 GHG emissions – indirect GHG emissions across the Bank's supply chain (Ton CO2e)

Scope 3 GHG emissions – calculation of indirect GHG emissions from credit to the public, commercial and real estate credit, residential mortgages and investments in public securities by Leumi Partners, together with the investment in Valley National Bank

Water usage (cubic meters)

Waste (as reported in the report)

Social

The total amount of credit available for the promotion of social issues in 2023

The percentage of procurement defined as "Blue White" out of total procurement in 2023

Average absence days per employee

Percentage of woman out of total employees' senior management in Leumi in 2023

Gender pay gaps – percentage of women in the top decile of highest paid employees in Bank Leumi in 2023

The percentage of workers in Leumi under collective agreements in 2023

The percentage of employees at Leumi who participated in feedback and evaluation processes in 2023

Corporate Governance

The existence of a publicly available and accessible ethical code

Percentage of woman in Bank Leumi's Board of Directors

Based on the limited assurance procedures performed, nothing was brought to our attention that could indicate that the Bank's 2023 ESG Report is not presented, in all material respects, in accordance with the GRI-SRS principles and the Bank's reporting criteria.

Our limited assurance is provided only to the Bank and is in accordance with the terms of our engagement. Our work has been undertaken so that we could provide limited assurance for the Bank on the specified topics we have been engaged to state in our work, and for no other purpose or in any other context. We do not accept or assume responsibility to anyone other than the Bank, for this limited assurance report, or for the conclusions we have reached.

Tel-Aviv, Israel
March 19, 2024

Kost Forer Gabbay and Kasierer
KOST FORER GABBAY & KASIERER
A Member of Ernst & Young Global

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TCFD

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