



Environmental, Social, Governance
2022 REPORT



Photos of employees of the bank are shown throughout the report, creating a wonderful reflection of the mosaic of Israeli society.

We at Bank Hapoalim believe that our diversity powers our strength. While diversity is part of our values, we also see a diverse workforce as a source of creativity and innovation and as a key element of our growth as a business.

Now more than ever, with social and political divisions deepening around us, it is important to remember that diversity also powers the strength and uniqueness of Israeli society.

This awareness should urge us to strive for unity and acceptance, and to work together for the sake of our children's future and the stability of Israel's society and economy.

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Letter from the Chairman of the Board and the CEO

2022 was a complex year. The ongoing fighting in Europe, rising interest rates and inflation, and also, recently, a domestic sociopolitical crisis engendering great uncertainty have all heightened our commitment, as a major financial organization in Israel, to base our actions on values-driven responsibility. This responsibility is expressed, among other forms, through impact banking, which has been embedded into the bank's renewed vision: "Committed to growth through impactful, innovative, fair banking for our customers."

As part of our ambition to promote fair banking, we have decided to help our customers cope with the increase in mortgage payments as a result of the higher interest rates and inflation by absorbing the increase announced in January 2023 in the interest rate on prime-track mortgages, for customers who we proactively identified as those primarily harmed by the wave of rate hikes. We also offered eligible customers with existing prime-track mortgages the option to spread mortgage payments over more installments. In recognition of the role of small businesses as a key growth driver for the economy, we launched a subsidized loan fund dedicated to these businesses.

Within the implementation of impact banking, the Social Banking Unit at Bank Hapoalim continued its work over the last year to reduce social inequalities through support for hundreds of initiatives promoting diverse employment, social mobility, and inclusion of people from every part of the broad tapestry of Israeli society. The Financial Growth Center expanded its offering of tools and knowledge on astute financial behavior, providing individual guidance for households and small businesses and creating targeted content, including content adapted for ultra-orthodox and Arab society, women entrepreneurs, and small businesses.

We are committed to tackling climate change as a crucial global challenge. Over the years, we have provided more financing for projects promoting a green environment than any other financial institution in Israel. This year, we reached the goal we had set for financing of these projects by 2030 - NIS 20 billion; as a reflection of our ambition to continue to improve our environmental impact in the coming years, we therefore set a new goal of NIS 37 billion in green project financing. We also published the Impact Report for the bank's Green Bond, the first ever issued in Israel. We were pleased to discover that the projects financed during the bond's first year would contribute to the prevention of greenhouse-gas emissions of approximately 147,000 tCO₂e per year. We are continuing our work to reduce the environmental impacts and carbon footprint of the bank, while managing the climate and environmental risks associated with our activities.

The actions and impact of the bank in environmental, social, and governance matters are reflected in high scores on local and international annual ESG ratings, positioning the bank with the top tier of leading banks in this field around the world. We are proud to say that this year, too, our extensive activities in these areas led to an overall increase in the bank's 2022 ESG ratings.

The employees of the bank are a reflection of the human mosaic that is the society of Israel. Women and men, nonreligious and religious people, Muslims, Christians, and Jews, LGBTQ people, people with disabilities, all working cooperatively in the awareness that our togetherness is our power. This is the foundation of our strength. Beyond the values underlying our practices, we believe that diversity makes our organization more creative and innovative, and is one of the keys to the growth of our business.

The bank's success in coping with the economic and social challenges we faced over the last year is the direct outcome of the quality of its human capital and the professional excellence of our employees. We would like to take this opportunity to thank each and every one of them, as well as our customers and all of our partners.

The combination of extensive, quality business activity with environmental awareness and deep social engagement has been an integral element of our organizational culture and business operations for many years, and will continue to serve as the compass for our interactions with our stakeholders in the years to come.

Ruben Krupik
Chairman of the Board of Directors

Dov Kotler
President and CEO

Embedding ESG principles at Bank Hapoalim and promoting impact banking

This report, the sixteenth published by Bank Hapoalim, reflects many years of commitment to embedding environmental, social, and ethical values in our routine business activities. This is made possible, among other factors, by a supportive and empowering organizational culture. This commitment to all of our stakeholders is expressed all the more powerfully in times of complex developments, such as those of the last two years - the COVID-19 crisis, a rising interest-rate and an inflation environment, and deepening social inequalities.

Recognition of the importance of incorporating ESG principles into the core of business operations is gaining momentum around the world. A leap forward has occurred in Israel, too, in this field, on the part of regulators as well as investors, employees, and customers, all of whom expect a commitment to ESG targets, transparent reporting, and action to promote environmental, social, and ethical values, and taking into consideration the environmental and climate risks in our business decisions.

Bank Hapoalim is one of the first organizations in Israel to embed the concept of ESG in its organizational DNA, so that today it is evident on every level of the organization and in its routine business operations; over the last few years, we have further expanded our actions in this area. For example, we have increased the scope of financing for projects promoting a green environment; we were also the first to issue a green bond, and the first to invest in ESG bonds by Ogen, designed to support small businesses experiencing difficulties. We have continued to help our customers transition to the use of solar power, expand the reach of our responsible investment advising services, develop social-environmental deposits, and promote financial empowerment for the general public through the Financial Growth Center.

As an integral part of the economic and social fabric of Israel, grounded in our commitment over many years to promote impact banking, this year we continued to enhance our social impact through the Social Banking Center. The center led dozens of projects designed to reduce social inequalities, promote equal opportunities and social mobility, encourage diverse employment, and assist victims of domestic abuse.

In early 2020, within our ambition to create meaningful impact, we set ESG targets for 2030, addressing aspects of the promotion of a green environment, gender equality, and diverse employment. At the end of 2022, after achieving the original goal we had set for investments and financing of green projects, we raised our target to NIS 37 billion by the end of 2030. This year, we embarked on the process of measuring carbon emissions in the credit portfolio of the bank for 2021, to provide a baseline for future measurements. This effort is rooted in our aim of reducing the impacts of our business operations on greenhouse-gas emissions, in order to support the climate goals of the State of Israel.

In view of climate-related regulatory developments and the need to collaborate on a shared strategic course of action, while recognizing the opportunities and threats inherent in this field, this year we formed an ESG steering committee, focused on climate aspects. The committee is chaired by the head of the Human Resources Division and the head of the Risk Management Division. Senior executives from various divisions are on the committee, including relevant members of the board of management. The committee will convene twice annually and will include external experts. The steering committee is charged with monitoring the ongoing implementation of ESG strategy, examining the attainment of targets set within the strategy, and revising the strategy from time to time, as necessary, while forming intra-organizational collaborations to promote ESG issues. We are proud to see our actions reflected in high scores for Bank Hapoalim in international ESG ratings. This is also the fifth consecutive year in which the bank has ranked at the top of the ESG ratings in the Maala index, which encompass all companies in Israel.

This report reflects the extensive activity of all of the employees of the bank, who act each day to promote ESG values with a meaningful impact on the society and environment of Israel; we would like to take this opportunity to thank everyone who shared and helped in the creation of the report. For any clarifications or inquiries regarding the report, please contact the Head of ESG at Bank Hapoalim, at sharon.alaluf@poalim.co.il



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Vision and mission

Our vision:

Committed to growth through impactful, innovative, fair banking for our customers.

Our mission:

Helping people, communities, and businesses achieve well-being and thrive.

Our promise to our customers:

Experts working for you.

Our values

- ◆ **Dedicated to customers' best interests**
Focusing our actions on what matters to customers, while adapting to their evolving needs, to create meaningful value.
- ◆ **Making it happen**
Taking the initiative and moving processes forward quickly, to deliver relevant solutions in real time.
- ◆ **Working together, for you**
Joining forces and mobilizing for the success of our partners, to enable our customers to benefit from the full range of our capabilities.
- ◆ **Growth and development**
Encouraging curiosity, learning, and continual improvement, as the foundation for high-quality, up-to-date banking that advances our customers' growth.
- ◆ **Fairness and responsibility**
Treating everyone with fairness and compassion; acting with integrity, justifying the trust placed in us by the public.

ESG at Bank Hapoalim

Strategic approach and key indicators for 2022

Bank Hapoalim is an integral part of Israel's economy and society; as a major financial organization, the bank has a meaningful impact on the environment and community within which it operates. In view of this responsibility, the bank integrates environmental, social, and governance considerations in its business activities, for the benefit of all stakeholders and to support the social and economic growth of the State of Israel and the global efforts to cope with climate change.



E

Environmental

The bank is committed to helping in coping with the climate crisis and supporting the transition to a low-carbon economy, by means including financing and investing in projects that promote a green environment, managing environmental and climate risks¹, and reducing the carbon footprint of the bank's operations.



Supporting the transition to a low-carbon economy

NIS 19.5 billion
Balances of credit² as of December 31, 2022, granted to projects promoting a green environment.

NIS 513 million
Balance of investments in renewable energy projects through Poalim Equity.

\$1 billion
Volume of issuance of the first green bonds in Israel by the bank in 2021, of which approximately USD 627 million was allocated during the course of 2022 to financing of green projects, in line with the bond framework.

Reducing environmental impacts

5.1%
Reduction in the carbon footprint of the bank's operational activities relative to 2021.

S

Social

We aspire to create a beneficial impact on the society and community of Israel. Within this ambition, the bank supports the growth of small and mid-sized businesses; cultivates an empowering work environment; and promotes accessibility, diverse employment, and financial empowerment for the general public.



Promoting the growth of small businesses:

NIS 35 billion
Total balance of credit to the small-business sector on December 31, 2022.

95% of the bank's suppliers are located in Israel and employ local workers.

Cultivating an equitable and empowering work environment:

TOP 10
The bank placed ninth in the BDI survey ranking the 100 best workplaces in Israel in a survey published in May 2023.

12.3% of the employees of the bank belong to population groups underrepresented in the job market.

71% of the employees of the bank participated in training at the Poalim Campus.

Investing in impacts on society and the community:

NIS 38 million
Social investment of the bank in 2022, emphasizing financial education, social mobility, and promotion of diverse employment for population groups underrepresented in the job market.

58,500
volunteer hours were invested in activities organized by Poalim Volunteers.

612,000
people participated in activities of the Financial Growth Center in 2022, including in-person lectures and the use of tools and knowledge posted on the center's website.

G

Governance

The bank operates according to the principles of corporate governance, as reflected in its legislative and regulatory environment, with strict adherence to fairness and transparency towards stakeholders. Concurrently, the conduct of the bank is guided by the cultural values and principles grounded in its code of ethics and vision.



Aspiring to gender equality

40%
women on the board of directors.

56%
women in the overall management tier of the bank; 38% women in senior management.

Promoting a growth-encouraging organizational culture

86%
of customers expressed satisfaction with a banking response suited to their needs, based on annual average service survey results, following a year of implementation of a new service concept.

28%
improvement in the employee connectedness index, relative to the baseline survey of the organizational change index introduced in 2020.

Reporting transparently and in line with international standards

GRI
ESG reports in line with GRI standards published since 2008.

UN Global Compact
The bank has been a signatory of the compact since 2010.

1. For details regarding environmental and climate risk management, see the section "Managing environmental and climate risks in our business operations," p. 126.
2. Balance sheet and off-balance sheet, including unutilized credit facilities. Activities promoting green targets are classified with the assistance of environmental experts, with reference, to the extent possible, to the Green Taxonomy draft of the Israeli Ministry of Environmental Protection.

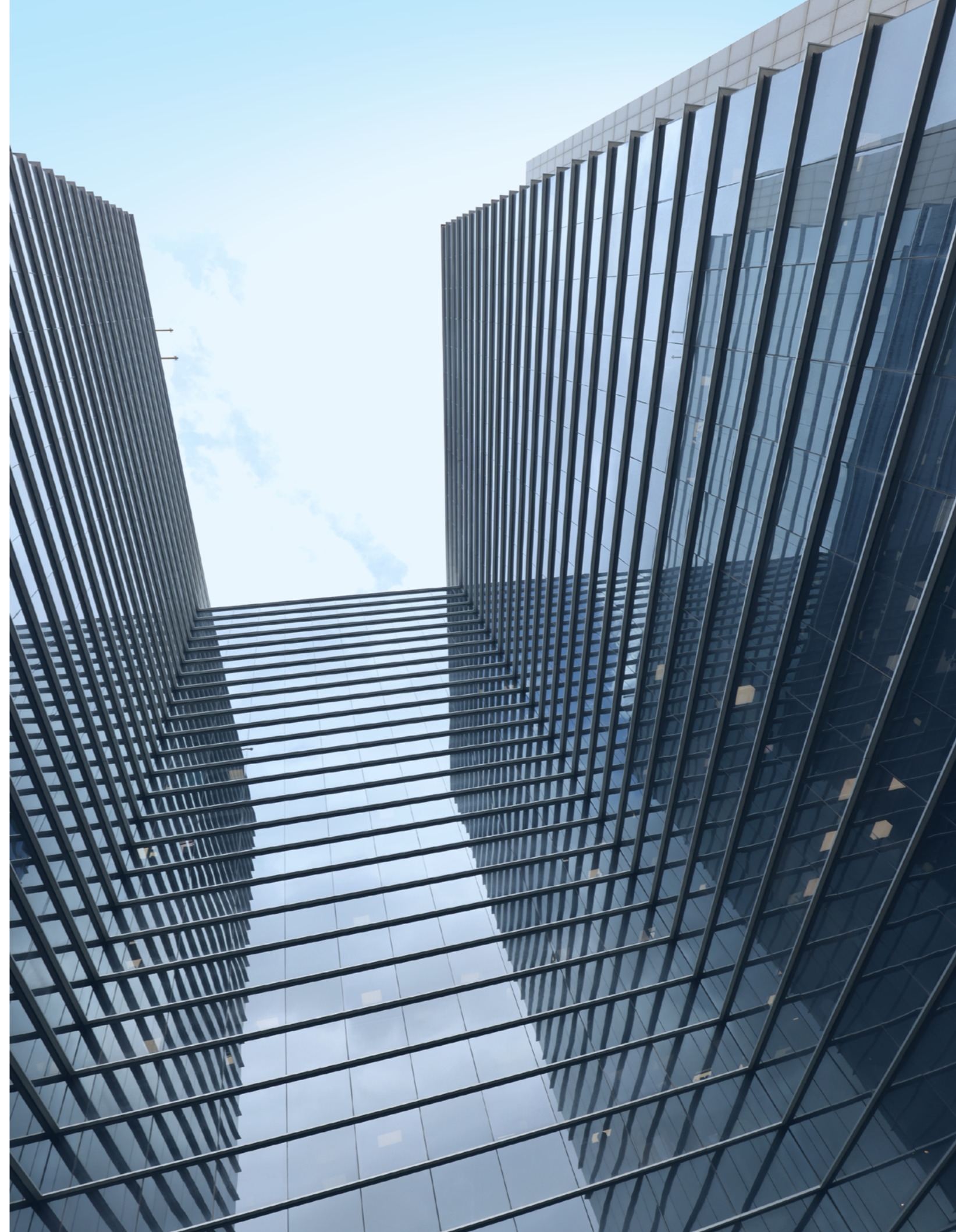
ESG GOALS FOR 2030

The bank is committed to leading influential, responsible banking considerate of social, environmental, and ethical values (ESG); continuing to promote sustainable financing and investments; and guiding its customers through the transition to a low-carbon economy, while managing environmental and climate risks and aspiring to reduce the impacts of its business activities on greenhouse-gas emissions, to support the climate goals of the State of Israel.

Bank Hapoalim was the first in the banking industry in Israel to set long-term ESG goals, having stated its targets for 2030 in early 2020. In February 2023, with the original target achieved, a new objective was established for financing and investments promoting a green environment.

Metric	2022 performance	2030 target	
E Increase financing and investments in projects promoting a green environment	NIS 20 billion	Original target: NIS 20 billion	updated target: NIS 37 billion
Further reduce the operational carbon footprint of the bank relative to 2020	13.5% decrease ³	60% decrease ³	
Stop financing and investments in new coal and oil production projects	Embedded in the bank's policy as of March 2022. In addition, proprietary investments in coal and oil companies will be reduced to zero by 2026.		
S Promote diverse employment by raising the percentage of employees at the bank from population segments underrepresented in the labor market	12.3%	15%	
G Promote gender equality by increasing the representation of women in senior management at the bank	38%	50%	

3. Relative to the operational carbon footprint of the bank in 2020, which stood at 45,003 tCO₂e.



About the report and material reported topics

We have reported on our impacts and activities in the areas of sustainability and corporate responsibility since 2008. This ESG report refers to the calendar year 2022. This report was prepared in accordance with the current 2021 reporting standard of the Global Reporting Initiative (GRI), and the reporting standard of the international organization Sustainability Accounting Standards Board (SASB). Our reporting is focused on the topics most material to our activity, while taking into consideration the expectations of the various stakeholders. Material topics are defined as areas of activity in which we have a significant impact on our stakeholders in the context of social responsibility and sustainability, within and outside the bank.

List of material topics for ESG reporting at Bank Hapoalim

The material topics in this report represent the topics important to the activity of the bank and to our stakeholders. In 2021, we reexamined the list of material topics for our report, aided by an external consulting firm, with the aim of adapting our activities to the evolving and varied needs of our stakeholders and to developing trends in the area of ESG.

First, we prepared a study and comparative review of the material issues in the banking sector, as reflected in the GRI, the SASB standards, ratings of international ESG analysis firms, and ESG reports of global leading banks. In mapping the list of potential topics, we also considered the United Nations Sustainable Development Goals (SDGs). The resulting list was screened for material topics that are suited to the unique characteristics of Bank Hapoalim and its stakeholders and that align with the bank's business philosophy and ESG strategy.

The second stage consisted of consultation processes with customers, employees, suppliers, and the general public, through surveys and interviews aimed at understanding which of the selected topics are the most significant to them in connection with the bank. We also analyzed perceptions of additional stakeholders, based on ongoing dialogue with them, including regulatory agencies, the non-profit sector, and investors, and their positions were weighed into the process. In line with the current requirements of the GRI standard, the issues were examined in light of the double materiality approach. Thus, in analyzing materiality, we examined both the social, environmental, and economic impact of our activity in reference to each potential material issue and the impact of each potential material issue on the business activities of the bank.

Finally, we pared the list of potential topics down to sixteen material topics. In view of the slightly different perspectives that each group of stakeholders has on each of the material topics, with every group naturally according greater importance to the topics more relevant to its members, we chose to report on our activity in reference to all sixteen topics found to be material for the bank and for our stakeholders. The materiality analysis is the basis for the selection of reported topics in the ESG report and for our ESG strategy. For details regarding the GRI performance metrics we report on for each material issue, see page 172. In 2022, we began the process of validating the selected material topics. We examined the material issues for the banking sector in reference to reporting standards, ESG rating expectations, and benchmarks from leading global banks in this field. We also conducted surveys of our employees and the general public again, and considered feedback on material ESG issues we received from various stakeholders in the course of our routine communications with them. Based on the results of the validation process, there was no change in the material topics for the 2022 report.

Material topics in the report

Environment

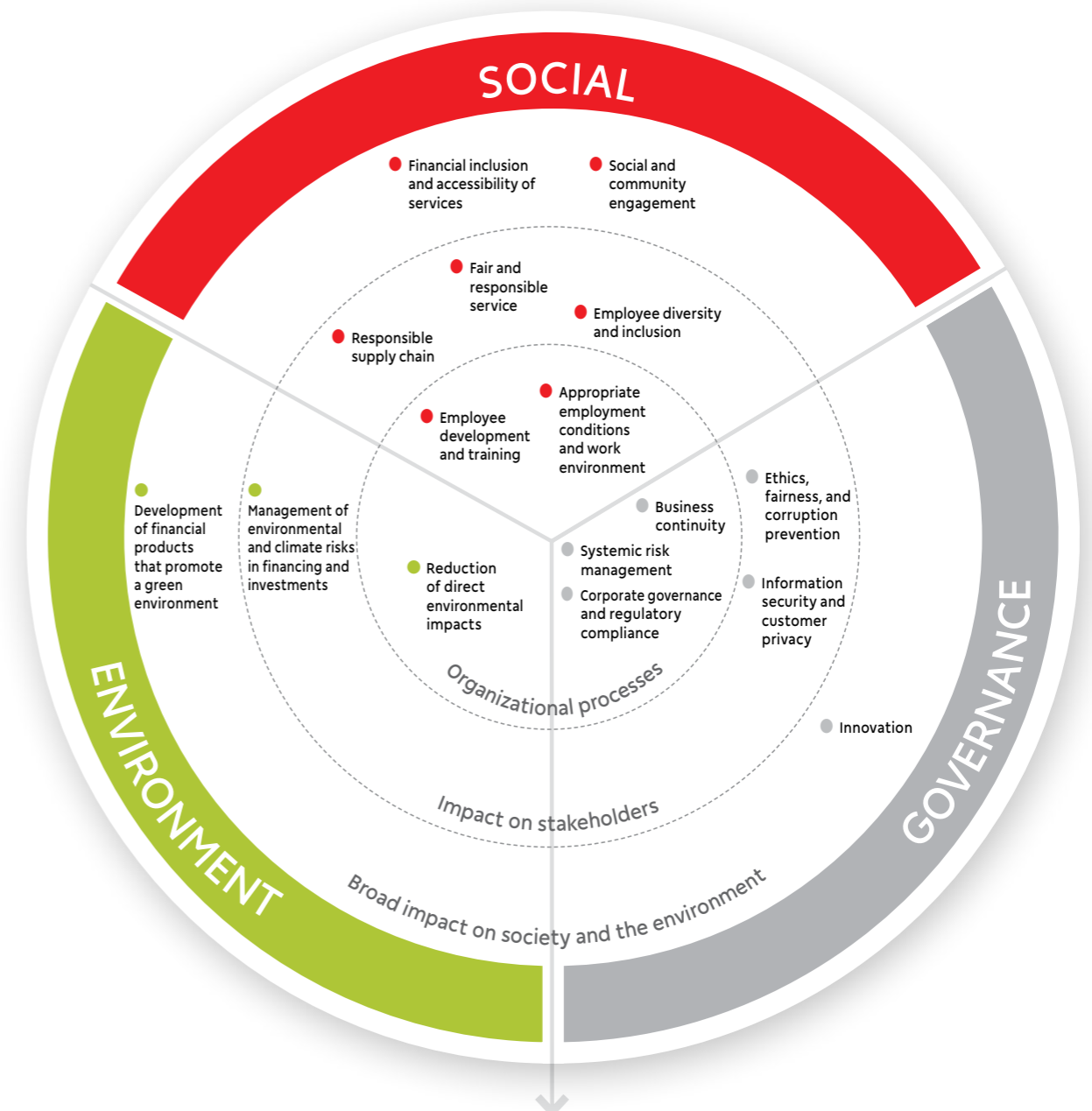
- ◆ **Management of environmental and climate risks in financing and investments** - embedding environmental and climate considerations in business decisions.
- ◆ **Development of financial products that promote a green environment** - developing financial products with an environmental impact.
- ◆ **Reduction of environmental impacts** - caused by the routine operations of the bank.

Social

- ◆ **Fair and responsible service** - providing high - quality service with fairness and transparency to the customers of the bank.
- ◆ **Financial inclusion and accessibility of banking services** - making the services of the bank accessible to all segments of Israeli society.
- ◆ **Employment conditions and an appropriate work environment** - cultivating an empowering, fair, rewarding work environment that protects the health and safety of the employees of the bank.
- ◆ **Employee diversity and inclusion** - providing equal opportunities for employees from every segment of Israeli society.
- ◆ **Employee development and training** - investing in training and in personal and professional development for employees.
- ◆ **Social and community engagement** - promoting social causes and initiatives through donations, money-equivalent activities, and employee volunteering.
- ◆ **Responsible supply chains** - maintaining fair conduct with suppliers and including environmental and social considerations in supplier selection.

Corporate governance

- ◆ **Ethics, fairness, and prevention of corruption** - ensuring fair conduct aligned with ethical principles towards all stakeholders, including the prevention of corruption, discrimination, and unfairness.
- ◆ **Information security and customer privacy** - safeguarding and protecting customers' personal information.
- ◆ **Corporate governance and regulatory compliance** - maintaining management and control processes to comply with legal and regulatory requirements.
- ◆ **Innovation** - innovating in services, products, and value offers for customers.
- ◆ **Management of systemic risks** - maintaining financial stability while managing business and operational risks.
- ◆ **Business continuity** - preparing and maintaining readiness for emergencies, to allow continuous availability of service for customers, while adhering to measures for the protection of the health and safety of all customers and employees.



Continual dialogue with our stakeholders

It is the bank's stakeholders who grant it its "social license to operate" (SLTO); this social license is continually under challenge in the business environment in which the bank operates. Different stakeholders have different expectations for the bank, according to their unique characteristics and diverse needs. Accordingly, and in order to build and strengthen public trust over time, the bank accords high importance to listening to stakeholder expectations and to addressing the challenges they present.

The following are selected examples of key groups of stakeholders and the nature of the dialogue we held with them in 2022 (further details regarding the dialogue channels and outcomes are presented throughout this report).

Stakeholder	Selected channels for dialogue
Customers and the general public	<ul style="list-style-type: none"> ◆ Meetings with customers at bank branches. ◆ Routine service surveys. ◆ Direct Banking service centers. ◆ Dialogue channels via social media. ◆ The ombudsman unit, and expanded channels for communication with the general public, including a whistleblower mechanism. ◆ Workshops for customers and the general public by the Financial Growth Center. ◆ Periodic surveys and focus groups.
Employees	<ul style="list-style-type: none"> ◆ Evaluation and development sessions held with all employees of the bank. ◆ Annual employee survey: Cultural Change Index. ◆ Organizational portal and the Portal To Go application, including a comment section for items posted. ◆ An annual conference for all bank employees at the publication of the financial statements. ◆ Routine visits by the chairman, CEO, and board of management members at the branches. ◆ Roundtable meetings of the CEO and board of management members with employees.
Suppliers	<ul style="list-style-type: none"> ◆ Routine meetings with suppliers of the bank. ◆ Communication of the ESG values of the bank to its suppliers through the Supplier Code of Ethics. ◆ Invitation of selected suppliers to join the Maala Supplier Index. ◆ Supplier conferences.



Stakeholder	Selected channels for dialogue
Regulators, government agencies, and local authorities	<ul style="list-style-type: none"> ◆ Meetings and lectures for the exchange of knowledge and insights with representatives of government and municipal agencies. Joint projects aimed at addressing environmental and social issues are promoted in this context. ◆ Collaboration with the Bank of Israel and the Association of Banks on various initiatives to benefit the public, such as the Available Banking Compact dedicated to women who have experienced abuse, and more. ◆ Promotion of accessibility, in cooperation with the Equal Rights for Persons with Disabilities Commission at the Ministry of Justice.
Community and environmental organizations	<ul style="list-style-type: none"> ◆ Ongoing dialogue and collaboration with a wide range of social and environmental non-profits and organizations. ◆ Collaborations with companies in the areas of recycling, energy efficiency, and solar energy. ◆ Knowledge sharing and collaboration with approximately fifty social non-profits and organizations working in the area of diverse human capital and employment of population groups underrepresented in the labor market. ◆ Membership in Maala and participation in professional meetings throughout the year.
Academia	<ul style="list-style-type: none"> ◆ Dialogue with management and professors at universities and colleges, including the Technion, Tel Aviv University, Bar-Ilan University, the College of Management, and Reichman University. ◆ Lectures by professional experts from the bank in relevant settings (courses, academic events, conferences, etc.).
Business organizations	<ul style="list-style-type: none"> ◆ Professional dialogue with leading business organizations in Israel, including with ESG managers. ◆ Membership in the Socioeconomic Forum and leadership of the cause of employment for people with disabilities, in collaboration with top business organizations in Israel.
Investors	<ul style="list-style-type: none"> ◆ Ongoing dialogue with local and international investors, including responding to ESG rating questionnaires.

The dialogue and listening processes were used to derive strategic focus areas for the various groups of stakeholders. These focus areas are included in the work plans of the bank for the coming years (some are reflected in the 'Future plans' sections of this report), with the aim of responding optimally to needs, achieving further improvement of positive sentiment, and strengthening and solidifying the trust-based relationship between the bank and its stakeholders.




Contribution to achieving the Sustainable Development Goals (SDGs)

The Sustainable Development Goals consist of seventeen goals for 2030, addressing issues including the reduction of inequalities, investment in education, infrastructures, economic growth, coping with the climate crisis, and more. In September 2015, Israel joined the United Nations member countries in adopting the resolution to take part in the attainment of these goals.

As one of the largest financial entities in Israel, the bank's routine activity contributes to the realization of some of the global goals for sustainable development, by making financial services accessible, financing projects that promote a green environment, investing in the community, promoting financial education, promoting gender equality, and more. Actions and initiatives led by the bank that contribute to the realization of the global goals on a local level are described extensively in this report. Alongside the promotion of the some of the SDGs in the course of our routine activities, we have chosen to focus on promoting certain goals based on two criteria: the extent of the bank's ability to affect the attainment of the goal, and its relevance to our business. The nine SDGs we have chosen as focus areas and the initiatives supporting realization of the goals are described below.

Sustainable Development Goals	Relevance to the activity of the bank	Examples of activities (further detailed in this report)
4 QUALITY EDUCATION  Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all	Quality education is the foundation for personal, social, and economic thriving. In its community activity, the bank invests resources in a range of educational initiatives, including in the areas of financial conduct and business entrepreneurship.	<ul style="list-style-type: none"> ◆ Hundreds of scholarships granted to students at academic institutions across Israel, including in peripheral regions and the Arab sector. ◆ Hundreds of workshops on astute financial behavior offered free of charge to the general public every year through the Financial Growth Center. ◆ Support for a range of social initiatives to encourage entrepreneurship and social mobility for thousands of adolescents in peripheral regions.
5 GENDER EQUALITY  Achieve gender equality and empower all women and girls	The bank works towards gender equality in the management of its human capital and through various activities aimed at financial empowerment of women in Israeli society.	<ul style="list-style-type: none"> ◆ 64.7% women at the bank, versus 48% in the labor market. ◆ 40% of the members of the board of directors are women, as are 56% of the overall management tier of the bank. ◆ The bank is taking action to promote gender equality, and aspires to increase the representation of women in senior management to 50%. ◆ Bank Hapoalim is contributing to the economic empowerment of women through support for women's employment initiatives, including unique training programs, in collaboration with non-profit organizations dedicated to aiding women. These include initiatives aimed at providing women with the financial skills and knowledge needed to create or promote a business, as well as a wide range of occupational retraining and personal development programs. ◆ Development of dedicated workshops for women on financial conduct by the Financial Growth Center. ◆ Guidance and assistance provided by the bank to women who are victims of violence. ◆ Support for initiatives promoting the inclusion of women from disadvantaged population groups, such as victims of violence and women newly released from prison, in the job market.

Sustainable Development Goals	Relevance to the activity of the bank	Examples of activities (further detailed in this report)
6 CLEAN WATER AND SANITATION  Ensure availability and sustainable management of water and sanitation for all	Access to water and sanitation is an essential challenge for sustainable development today. The State of Israel has high water risk and is exposed to damage to its natural water sources. The bank is a leader in financing of water desalination and facilities for wastewater treatment and reclamation for agriculture in Israel.	<ul style="list-style-type: none"> ◆ The bank participates in financing for most water desalination projects in Israel. ◆ Financing of operators of wastewater treatment facilities, mainly producing water used in agriculture. ◆ Financing of cleantech ventures providing water delivery, irrigation, purification, and savings solutions.
7 AFFORDABLE AND CLEAN ENERGY  Ensure access to affordable, reliable, sustainable and modern energy for all	The bank accords high importance to assisting in the transition to the use of renewable energies in the Israeli economy and supporting the attainment of the national goals of the State of Israel.	<ul style="list-style-type: none"> ◆ Over NIS 5 billion has been invested in financing for various renewable energy projects, including projects in developing countries. ◆ Targeted credit for private and business customers for the purchase of solar-energy systems allowing the production of electricity from renewable energy sources.
8 DECENT WORK AND ECONOMIC GROWTH  Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all	The bank makes financial services accessible, while providing knowledge and tools for astute financial behavior to its customers. The bank is also a major employer in the Israeli economy, and contributes directly and indirectly to employment in wider spheres (through financing, its supply chain, social initiatives to promote employment, and more).	<ul style="list-style-type: none"> ◆ Banking services made accessible to the entire population of Israel. ◆ Guidance and provision of financial tools for small businesses through dedicated credit funds, loans, benefits, and financing solutions for small and mid-sized businesses. ◆ Various employment initiatives for the promotion of social mobility for people in peripheral regions and for those who have lost their livelihood due to the COVID-19 crisis. ◆ Initiatives promoting suitable employment for people from population groups underrepresented in the job market, including people with disabilities. ◆ Erech Laderech, an initiative in which dozens of non-profit organizations receive tools for fundraising and the creation of an income-generating arm, in order to ensure that they can survive over the long term and are capable of serving their beneficiaries. ◆ The bank acts in accordance with universal norms of protecting human rights in employment, and ensures an appropriate and safe work environment. Most of the employees of the bank are unionized and work under a collective agreement.
9 INDUSTRY, INNOVATION AND INFRASTRUCTURE  Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation	The bank grants credit for investment in infrastructures, development, and construction in Israel. This investment is essential for sustainable economic growth.	<ul style="list-style-type: none"> ◆ Financing of various infrastructure projects in Israel, including green infrastructure projects. ◆ The bank provides financing for energy efficiency projects in the business sector and for green urban infrastructure projects.

Sustainable Development Goals	Relevance to the activity of the bank	Examples of activities (further detailed in this report)
 <p>Reduce inequality within and among countries</p>	The bank acts to provide access to financial services adapted to diverse communities, and promotes diverse employment at the bank.	<ul style="list-style-type: none"> ◆ Access to banking services is provided to promote economic growth in the Arab and ultra-orthodox sectors, alongside financial inclusion initiatives. ◆ Social initiatives to empower people with disabilities and include them in the job market, and initiatives to promote social mobility and employment in peripheral regions. ◆ The bank aspires to raise the percentage of its employees from population segments underrepresented in the labor market to 15% by 2030. ◆ Families that participated in Financial Growth Center activities saw their disposable income grow as a result of improved financial literacy and astute financial behavior, based on our impact study.
 <p>Make cities and human settlements inclusive, safe, resilient and sustainable</p>	Sustainable cities have an important role in ensuring socioeconomic and environmental resilience for a growing population. The bank provides financing for the development of sustainable urban infrastructures.	<ul style="list-style-type: none"> ◆ The bank provides financing for sustainable urban infrastructures, including green building and clean transportation. ◆ Financing for residential and urban waste sorting, separating, and recycling facilities. ◆ Most of the solid waste generated by the operations of the bank is sent for recycling.
 <p>Take urgent action to combat climate change and its impacts</p>	We are working to increase financing and investments in green projects and to guide our customers through the transition to a low-carbon economy, thereby supporting and promoting efforts to mitigate carbon emissions and adapt infrastructures in order to cope with climate change.	<ul style="list-style-type: none"> ◆ Green Bonds in the amount of USD 1 billion issued in 2021, of which USD 627 million allocated to green project financing in 2022. The bank's share in greenhouse-gas emissions saved as a result of the financed projects is 146,760 tCO₂e per year. ◆ The bank has reduced its operational carbon footprint by approximately 60% over the last decade, and aspires to a further 60% reduction by 2030 (relative to its 2020 operational carbon footprint of 45,003 tCO₂e). ◆ The bank aims to expand the scope of its financing for green projects to NIS 37 billion by 2030, while discontinuing financing and investments in new coal and oil exploration and production projects.

Adoption of accountability initiatives and transparent reporting

The bank is committed to its partnership with organizations working towards sustainability and social responsibility, and has adopted international standards of responsible conduct:

Maala⁴ - Bank Hapoalim joined Maala in 2006 as a member of the organization's business leadership.

UN Global Compact - During 2010, Bank Hapoalim joined this United Nations initiative aimed at promoting economic development that is beneficial for the community and for future generations. Since then, the bank has ensured that the principles of the compact are implemented in its activities. The sustainability report also serves as a COP (Communication on Progress) for the Global Compact.

Voluntary reporting system on greenhouse-gas emissions in Israel - In 2010, Bank Hapoalim was one of the first organizations to join the voluntary system for recording greenhouse-gas emissions. This system is a joint initiative of the Ministry of Environmental Protection and the Manufacturers' Association. The bank updates this data and reports to the ministry annually.

4. Maala is an umbrella organization for approximately 150 of the leading companies in Israel, dedicated to the promotion of corporate responsibility issues and the development of responsible management standards in Israel.

ESG ratings of Bank Hapoalim⁵

International and local rating agencies grade and rank corporate ESG activities. Investors around the world have shown growing interest in ESG ratings over recent years and use this tool to make informed investment decisions. We maintain ongoing dialogue with local and international rating agencies that examine the bank's ESG performance, and regularly respond to agencies' inquiries. We accord high importance to this dialogue, for two main reasons:






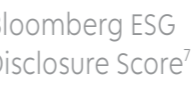


1. Dialogue with international rating agencies offers the bank important insights regarding leading global trends in the ESG field and material topics for the banking sector.
2. The examination of the bank's ranking on various rating scales allows ongoing mapping of gaps in ESG activities and promotes constant improvement of performance on the various parameters.

Local ESG ratings

◆ **Maala** - The bank earned the top ranking of all companies in Israel on the Maala ESG Index for the fifth consecutive year in 2022, placing in the Platinum Plus category with an ESG rating of AAA.

◆ **Entropy** - The bank has the leading score among all companies in Israel on the Entropy ESG scale and is at the top of the traded index Entropy ESG 100.

ESG ratings of Bank Hapoalim in international analyses and indices

Rating agency	Bank Hapoalim score	Rating
	ESG risk rating 15 (Low risk level) Management score 69.3 (Strong management)	Top 11% in the bank sector.
	AA	The bank is ranked in the second rating category.
	50	The bank is ranked second of 35 banks in the regional ratings (Middle East-Africa), and 619th of 4,826 companies in the global ratings (top 13%).
	69	Top 7% The bank is included in the Yearbook listing the leading 15% of companies of each sector, for the second consecutive year.
	77.9	The bank's score is ~5% higher than the average score in the financial sector and ~6% higher than the average score in the overall index.
	73.7	First place in the financial sector.
		The bank is included in the index.
		The bank participated by responding to the full questionnaire in 2022.

5. Ratings are as of March 5, 2023, as received from the analysis firms, for the period in which the bank was reviewed, and are therefore subject to change. Relative scores are assigned in comparison to banks worldwide rated by the analysis firm, unless otherwise noted.

6. The use by Bank Hapoalim of any data of MSCI ESG Research LLC or its affiliates ("MSCI"), and the use of MSCI logos, trademarks, service marks, or index names herein, do not constitute a sponsorship, endorsement, recommendation, or information providers, and are provided 'as is' and without warranty. MSCI names and logos are trademarks or service marks of MSCI.

7. As shown on the Bloomberg terminal on March 5, 2023.



Social

Responsible action for our customers

Professionals working for you

Bank Hapoalim aspires to be the first place its customers turn for professional expertise in finance. We are committed to upholding the highest professional standards for quality customer advising and service, as well as for technological and product development, in every area of our activity. The aspiration to professional excellence also encompasses our commitment to standing by our customers at crucial moments and decision points, providing professional solutions with high availability, and developing products aligned with current needs.

Our expert bankers are stationed at branches, service centers, advising centers, and business centers nationwide; innovative digital platforms and advanced self-service devices are widely deployed to allow our customers to benefit from full digital availability and a seamless service experience across all channels. As part of the strategic approach of the bank for the coming years, we are working to develop new data-based services and value propositions, and to improve customer journeys and shorten delivery times through the use of artificial intelligence and machine learning.

We believe that high-quality banking guidance is a decisive and essential factor in our customers' financial growth. This approach drives initiatives such as the Financial Growth Center and the development of digital products such as the Financial Partner, designed to support our customers and guide them towards astute financial behavior.

The bank group operates in Israel in all of the areas of banking and in areas related to banking, serving millions of customers in Israel and worldwide. A wide range of financial activities are provided, in five main business lines:

- ◆ **Corporate banking** - Bank Hapoalim serves a variety of customers in the business sector in Israel. Major corporate clients are served through sectors specializing in specific industries. Middle-market clients are served through ten business centers located across Israel. The Bank also works with customers in the technology sector, through the brand Poalim Hi-Tech.
- ◆ **Retail banking** - Retail banking at Bank Hapoalim serves households, private-banking customers, foreign residents, and more, through a network of 166 branches. The bank also serves its customers through Poalim Close to You service points, Poalim Invest advising centers, Platinum banking centers for selected customers, and two mobile branches that visit points of service nationwide.

The bank offers its customers a wide range of self-service and digital options, allowing customers to conduct banking activities in independent, efficient, available channels. These services include self-service stations at branches, the Bank Hapoalim website, the Account Management mobile app, written communication, a website and app for businesses, the Capital Market app, the MyTrade Poalim trading system, the Poalim Open app, the Poalim by Telephone call center, the Pro contact center for digitally oriented customers, and communication through social media.

- ◆ **Capital-market activity in and outside Israel** - This activity includes, among other matters, trading services in securities and tradable derivatives (brokerage), securities custody, trading services in currencies and non-tradable derivatives, services for financial-asset managers, and management of the bank's proprietary portfolio.
- ◆ **Investment, innovation, and business development** - Investment activity is primarily conducted through the Poalim Equity Group, which serves as the non-financial asset investment arm of the bank. The bank invests in mature companies, startups, and venture-capital funds and works to promote business collaborations and integrate fintechs into its organizational systems. The bank has also invested in and developed the activity of Bit, the leading payment app in Israel.
- ◆ **The international activity** of the bank group includes corporate credit for customers in the United States, through the New York branch, and relationships with banks and financial institutions around the world.

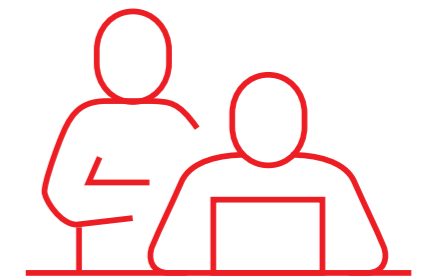




Photo: Bank employees, HaGalim branch.

166
accessible
branches
nationwide

8
Poalim Close to You
service points

2
mobile branches
offering services at 46
locations in Israel, of
which 27 in assisted-
living and residential-
care facilities for senior
citizens

10
business centers
for middle-market
business clients
nationwide

8
High Tech Units
at selected branches across
Israel, plus the Hi-Tech
Business Center

14
advising centers
for financial investments,
pension advising, and
retirement planning

75
Mishkan representative
offices
provide customers with guidance
and assistance in the process of
buying a home

1,143
self-service devices
with the broadest geographical
reach in the Israeli banking system;
most accept cash and check
deposits and offer additional
advanced operations

TOP 10
Bank Hapoalim placed ninth in
the BDI survey ranking the 100
best workplaces (in a survey
published in May 2023)

7,644
employees
from every part of Israeli society
and from every region of Israel.

Professional advisory services

As part of our commitment to enhanced value and guidance for customers at essential decision points in their lives, the bank offers individualized advisory services for private and business customers in various areas of banking.

Poalim Invest - expert centers for investment and pension advising

The bank has fourteen advanced advising centers which offer financial investment advising services⁸ as well as pre-retirement pension advising services. Hundreds of experienced expert advisors at the centers help customers build the investment portfolio best suited to their individual profile of needs and preferences. The bank's pension advisors help customers tailor their pension portfolios and prepare financially for retirement. The pension advising services are offered to customers of all banks, allowing examination of the full range of pension products and solutions matched to each customer's specific needs. The bank also offers retirement advising services to interested customers.

The advising services are supported by advanced systems and tools:

- ◆ **Advisor** - A system offering decision-support tools and extensive information to help build an individually tailored investment or pension portfolio for the customer.

- ◆ **My Advisor** - A system customers can use to contact their investment advisor directly through digital channels and view the current status of their investment portfolio.
- ◆ **Smart Advice** - A service delivering personalized investment recommendations to customers on mobile phones and through the bank's website.

ESG investing advisory services

Investments examined based on environmental, social, and governance (ESG) parameters have gained momentum worldwide over the last few years, and are on a continued upward trend. Investors want to be certain that their money is exerting a positive impact and is not causing harmful effects, through investment in companies that promote social and environmental values within their activities or through investment in financial assets with a social and environmental impact.

Awareness in this area is rising among institutional investors in Israel as well, and it has also gained recognition from regulators in this field over the last year. Bank Hapoalim has been promoting this approach among its customers since 2019, through a series of professional training programs on ESG investments for all of its financial advisors, indication of ESG ratings of global companies on its advising systems, and the development of dedicated financial products. During investment advising sessions, we offer interested customers recommendations for investments in global equities and bonds of companies with high ESG ratings and exchange-traded funds with an ESG focus.

ESG deposits

Over the last few years, we have introduced exclusive, unique products allowing our customers to deposit savings while making a social and environmental impact. Examples include the Good Cause Savings Deposit, assisting families in need hurt by the COVID-19 crisis; the Green Deposit, aimed at reducing the use of plastic utensils at preschools in peripheral regions; and the Accessibility Deposit, which promotes the development of assistive technologies for people with disabilities.

In the last year, we launched the Green Deposit, in collaboration with the non-profit organization Good Energy Initiative, allowing our customers to save while promoting a green environment. The bank transfers an amount equal to the interest accrued on the deposits to the Good Energy Initiative, used to plant trees in selected cities and towns across Israel. In accordance with the terms of the deposits, the bank donated NIS 250,000 designated for planting trees in eight towns in peripheral regions of Israel, to benefit the community and create a green environment.

Future Plans

- Continue to embed responsible investment advising services, and expand information on ESG ratings in the responsible investment advising process to encompass Israeli companies.
- Launch additional ESG deposits.

2022 plans - status:

2022 plans	Status
Continue to embed responsible investment advising services, and expand information on ESG ratings in the responsible investment advising process to encompass Israeli companies.	In progress
Launch of additional ESG deposits.	Completed

8. The services are provided to customers who have signed an advising agreement, subject to the provisions of the Law for Regulation of Investment Advising, Investment Marketing, and Investment Portfolio Management, 1995.

Promoting the growth of small businesses

We work to empower the small-business sector, recognizing that it is one of the pillars of the Israeli economy and a key growth driver. Our activity to benefit small businesses includes the development of tools and services in response to the challenges facing businesses at different life stages, alongside the delivery of personal, professional service by expert bankers at branches across Israel.

The product and service offering of the bank for small businesses includes financing solutions, a website and mobile app designated specifically for these businesses, professional lectures by the Financial Growth Center, benefits for businesses in their first two years, and the Expansion Package for small businesses aspiring to grow and develop, which consists of tailored financing solutions, business guidance meetings, and consulting with leading e-commerce experts.

2022 was a complex year for small businesses. As they continued to cope with the impacts of the COVID-19 era, new challenges emerged in the form of the increases in the interest rate and inflation, causing the profitability of many businesses to decline and impeding the routine financial operations of businesses that had taken loans.

We recognized this situation and created a subsidized loan fund for small businesses. Eligible businesses can receive loans from the fund in amounts of up to NIS 100,000, at interest rates lower than the customary rates in comparable loans.

Assistance in the transition to the digital space

E-commerce offers important growth opportunities for businesses that primarily operate in brick-and-mortar locations. The Financial Growth Center offers a wealth of content for businesses, including dozens of courses and digital guides on managing a business during times of crisis, with special emphasis on practical knowledge and tools for entering the world of e-commerce, including opening an online shop, digital marketing, and managing social-media communities.

1,200
small-business owners participated in two sessions of a comprehensive online course on digital business marketing by the Financial Growth Center in 2022

Financing solutions

Recognizing that small businesses have a unique set of complex financing needs, three years ago we created a unit dedicated to these needs, organized as a "tribe" within the Agile model, composed of bankers specializing in credit, technology, and risk management. The unit's mission is to develop a range of credit products and respond rapidly and flexibly to the business needs and expectations of small businesses, as they arise in day-to-day dialogue with our customers.

In 2022, we continued to assist small businesses as necessary, while developing further financing solutions⁹ targeted to the businesses' unique needs.

- ◆ **State-backed loans for businesses harmed by COVID-19** - A rapidly established network of skilled bankers responded to applications for state-backed loans. Approximately 26,000 applications were processed in 2020-2022, and state-backed loans in the amount of approximately NIS 7 billion were granted to small and mid-sized businesses.
- ◆ **State-backed loans for small and mid-sized businesses (businesses with annual revenues of up to NIS 100 million)** - Launched in December 2022, this program offers loans in amounts of up to 8% of the annual revenue of the business for various purposes, such as starting a new business, bridging a cash-flow gap, investment in promoting a green business, and more.
- ◆ **Business Booster** - Within our collaboration with Lahav Israel Association for the Self-Employed, a unique value offer was developed for self-employed people and small businesses, including adapted financing solutions and three hours of professional business consultation free of charge.
- ◆ **Instant Credit and multichannel loans** - Rapid credit received through the bank's website or mobile app. This solution is designed to help small business owners with routine management by making it easier for them to focus on promoting the growth of the business. The criteria for eligibility for this financing were broadened in 2022, and the maximum amount of loans for investments in a business was raised to NIS 1,000,000.
- ◆ **Easy Start benefits for small businesses in the setup phase** - Businesses in their first two years can be exempted from current-account fees for the use of direct channels for up to one year, to help them grow in the crucial first years of their activity.



Photo: Yuval, Iris and Gil Olshansky, owners of Villa Vitrage. From the project Small Businesses Competition in cooperation with Ynet. (Efi Sharir)

- ◆ **Dedicated loan for the Tishrei holidays** - A loan developed specifically for the Jewish holidays in the fall, based on the recognition that the summer months shortly followed by the holidays are an important time for business owners. Some businesses experience a downturn in business activity and need financing to bridge cash-flow gaps. Others see peak activity during this time, and need to prepare accordingly. In response to the financing needs of businesses in the holiday period, we developed the Tishrei Holidays Loan, in amounts of up to NIS 500,000.
- ◆ **Dedicated loan for the end of the tax year** - A year-end loan in amounts of up to NIS 500,000 offered to business banking clients for any purpose, such as bridging a cash-flow gap, purchasing and operating inventory, making advance payments to suppliers, replacing equipment, and more.
- ◆ **Additional financing solutions** - Alongside options such as deferral of payments, higher credit facilities, and more lenient spreading of payments on existing credit, we offered our customers loans designated for purchases of cars, trucks, or real-estate properties intended for the development of their business, as well as loans to finance solar-energy systems (see details in the section "Financing for projects promoting a green environment," p. 122).



NIS
35
billion
total balance of credit to the small-business sector

on December 31, 2022.

⁹ Failure to repay a loan may lead to penalty interest charges and foreclosure proceedings.

Social ESG bonds for financial aid to small businesses

The bank was the first institution in Israel to invest in the innovative bonds by Ogen designed to provide financial assistance to hundreds of small businesses and non-profit organizations hurt by the COVID-19 crisis. Following the bank's investment of NIS 7 million, other institutions joined in to bring the total funds raised by the bonds to NIS 50 million. Small businesses granted a loan from the funds raised through the bonds also receive mentoring from the non-profit organization Keren-Shemesh, which offers guidance for business growth. As of the end of 2022, loans in the amount of NIS 177 million have been granted to 800 small businesses and non-profits through the fund.



Comprehensive professional guidance and adapted tools and services

We offer a range of services adapted to the needs of small businesses through direct channels, including digital platforms:

- ◆ **Expert bankers** - A broad network of expert bankers at specialized departments within our branches offers professional guidance to business clients. Our new Business Branch also provides comprehensive professional service to small businesses in central Israel.
- ◆ **Poalim Business app** - An app designed to help business owners manage the financial activity of their business.
- ◆ **Professional conferences** - Three conferences were held in different regions of Israel for small-business clients from the ultra-orthodox and Arab community. The conferences were designed to provide financial skills helpful in growing a business.
- ◆ **Online support community for small businesses** - 1,700 small businesses participate in the community and receive support and guidance from the non-profit organization Keren-Shemesh. The community, sponsored by the Social Banking Center, serves as a platform for sharing and consultation; members also benefit from enrichment lectures and professional content. Community members are offered guidance by mentors, including Bank Hapoalim employees who volunteer for the program.

Future Plans

- Expand lending services for small businesses through the digital channels.
- Open business branches specializing in small and mid-sized businesses in major cities.

Promoting the growth of large and middle-market businesses

The Corporate Banking Division operates ten Business Centers for middle-market business clients, of which four centers targeted to growing commercial clients. The division has a unit specializing in service and financing for high-tech companies. Corporate clients are served by industry-specific banking experts in each sector.

Promoting the growth of high-tech companies

We believe that the technology industry in Israel is immensely important to the Israeli economy, and has the power to solve vital world problems. In 2015, we founded Poalim Hi-Tech to provide targeted professional services to technology companies seeking financing and strategic guidance. Poalim Hi-Tech has the expertise and resources to deliver support and guidance to companies in any phase of development, from early-stage startups to mature firms. Poalim Hi-Tech offices are located in eight of our branches nationwide, and were joined in 2020 by the Hi-Tech Business Center, which specializes in services and financing for growing companies.

The assistance and service offered by Poalim Hi-Tech is designed to meet the specific needs of technology companies, which are characterized by the ambition to achieve accelerated growth while maintaining financial stability. Services include individualized guidance from a technology customer manager during routine banking activity, connection to the dealing room, credit solutions, tailored deposits, international banking services, direct banking, connections to investors, and more.

Beyond banking solutions and services, Poalim Hi-Tech offers value-added services and support for processes such as business planning, preparing investor presentations, fundraising, and entering the market. A network of consultants and mentors helps technology companies navigate the challenges involved in managing a rapidly growing business.

In addition, we are continually working to promote the Israeli technology industry, in the following ways:

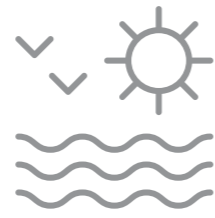
- ◆ **Meet-ups for capital raising and forming connections in the technology industry** - We harness the bank's extensive network of relationships and hold dedicated conferences and meet-ups with venture-capital funds, accelerators, investors, incubators, service providers, entrepreneurs, and more, in order to deepen connections and collaborations between entrepreneurs and potential investors.
- ◆ **Guidance for accelerators and incubators** - We assist and support accelerators and incubators by participating in company screening processes, giving lectures on recruiting investors, providing assistance and advice regarding financial management, advising entrepreneurs in the various programs, and more.
- ◆ **Investment in venture-capital funds** - We are leading a program for investment in venture-capital funds, aimed at expanding the sources of financing available to the industry. Money has been invested in dozens of leading funds through this program.

Joint ventures with the fintech industry to make new banking a reality

As part of the drive for leadership in innovative banking, rooted in the vision of the bank, we aspire to lead innovation in the financial system and implement advanced technological solutions to deliver an innovative and advanced service experience for our customers at any place and time. Towards that end, we promote opportunities for collaboration with fintech companies for the development of innovative solutions, selected based on the strategic focus areas of the bank. One example of the bank's collaboration with the fintech industry is the foundation of a joint company with Blender to provide consumer credit through digital channels for financing of purchases at points of sale and on e-commerce sites.



Photo: Vered Bensman and Daniel Knopov, Herzliya business center.



Social tech and climate tech

As part of the bank's promotion of technological initiatives that create shared economic, environmental, and social value, we have supported the 8200 Alumni Association for several years. The organization operates the 8200 Impact Accelerator program for start-up companies developing advanced technological solutions for social and environmental problems.

The start-ups receive intensive training over a five-month period, consisting of workshops, lectures, and events, with guidance from successful entrepreneurs and industry experts, an extensive mentoring network composed of top-tier professionals, professional services in many areas free of charge, and connections to investors and the 8200 alumni network in Israel and overseas. The accelerator has two sections founded in collaboration with the Social Banking Center and funded by Bank Hapoalim:

Accessibility Section

Established in 2019 at the initiative of the bank and with its support, to develop assistive technologies for people with disabilities. In the fourth session of the Accessibility Section, in 2022, financial and professional support was provided to three selected ventures identified as having the potential to improve the quality of life of millions of people with disabilities, in Israel and worldwide. Each of the three winning initiatives received professional consultation and a monetary grant from the bank.

- ◆ **EyeCan** - Making sports accessible to people with vision impairments and the elderly through wearable technology that provides safety and independence.
- ◆ **Oneg** - Developing technology to enable people with disabilities to have alternative sexual experiences, bypassing limitations.
- ◆ **Phizi** - Creating an innovative virtual environment for role play, designed for children with motor coordination issues.

Climate and Energy Section

Established at the initiative of the bank and with its support in 2021, in collaboration with Doral Tech, the innovation arm of Doral, to aid start-up companies developing advanced technological solutions for climate issues. This program is rooted in the understanding that accelerating the transition to a low-carbon economy to cope with the climate crisis requires technological innovation above all. In the second session of this section, held in 2022, six startups were selected to participate:

- ◆ **Rplace** - A venture for connecting green wastewater purification basins with the carbon credit market.
- ◆ **Sphere Technologies** - Developed an innovative cooling method compatible with any system that offers 40% greater efficiency, leading to reduced carbon emissions.
- ◆ **Novella** - Developed an innovative technology for efficient, cost-saving production of raw materials from plant cells for use in the food and pharmaceutical industries.
- ◆ **eBBack** - Developed an automated trading arena for companies' surplus inventories.
- ◆ **Elements** - Generating a culture of environmental responsibility among corporate employees through climate benefits, to strengthen employee connectedness and increase environmental impact.
- ◆ **GreenDays** - Developed a digital consulting platform for households and small businesses on the selection of systems for renewable energies, storage, and additional services, allowing price comparisons among suppliers.

The startups participating in the program received professional guidance and advice, as well as monetary grants from Bank Hapoalim and Doral to support their continued activity.

Blue-tech

The ocean has a vital role in maintaining a stable climate, but its ability to create climate equilibrium is threatened by global climate changes. Protecting nature in the ocean through nature preserves, informed marine planning, and sustainable fishing can allow the ocean to continue to thrive and may help mitigate climate change through carbon dioxide absorption (blue carbon). About a quarter of the harmful carbon dioxide emitted by humankind is recaptured by the ocean and neutralized; this essential process can only continue to occur if we protect our natural oceans.

In 2023, we will support the international training program SwitchMed by the European Union, which is led in Israel by Haifa Innovation Labs and the School of Marine Sciences at the University of Haifa, in cooperation with the European Union and Green Business. The program was founded to promote the "blue economy" in the Mediterranean Basin and help create ventures for blue growth and sustainable management of ocean resources. Entrepreneurs who participate in the program will receive guidance, knowledge, and tools for the development of their venture, and will be able to compete for prizes awarded to the top three initiatives, gaining exposure to investors.

Providing optimal service

In the digital age, with more and more transactions and services available for immediate execution from anywhere, at any time, customers increasingly expect service to be available, simple, and quick. We recognize the importance of the service experience we deliver to our customers and apply a customer-centric approach. We are also aware of the discrepancy between customers' expectations today and the current reality; our ambition is to continually narrow this gap. This challenge is especially great at a large organization operating through multiple channels with nationwide reach, while being subject to strict regulatory requirements. We have therefore designated improvement of the customer experience as a strategic goal of the bank. Accordingly, we have taken the following steps:

- ◆ Development of a new service concept consisting of three components:
 - ◆ Maximum shared **success** - have we found the best solution for the customer?
 - ◆ Minimum **effort** from the customer - did the customer receive a response in the simplest and most available way?
 - ◆ Maximum **empathy** from the bank - was the service provider attentive to the customer?

The service concept is based on the understanding that embedding these three components in every point of contact with customers will lead to an improved service experience and raise the probability of receiving customer recommendations.

- ◆ Continuously and meaningfully listening to customers' voices through regular surveys to sample the customer experience.
- ◆ Expansion of the investment in technological infrastructures to allow digital transformation of additional service processes and develop new service processes, according to customers' needs.

- ◆ Continual improvement of the quality and efficiency of service processes, by means of:
 - ◆ The Banking Services Division - A new division established at the bank to oversee and improve operational banking processes.
 - ◆ A service processes improvement committee led by the CEO, established to create a better quality of customer experience.
- ◆ Assignment of significant weight to the customer experience improvement component in KPIs for all managers at the bank.



Photo: Lizet Barzel, Retail Banking Division.

Over the last year, training dedicated to an optimal service experience was provided to all employees and managers who serve customers directly. The training programs included exercises at the Poalim Campus simulation center, which provide practical skills for improving the customer experience based on the new service concept.

The head of customer experience is charged with improvement of customer service, and reports directly to the head of retail banking and the CEO on the results of service quality surveys and performance indicators in this area. Service quality findings are discussed by management on a quarterly basis and by the plenum of the board of directors twice annually.

Within the ambition to deliver optimal service, we are also continually striving to improve the efficiency and quality of internal work processes at the bank. In early 2022, the Banking Services Division was established to coordinate most operational systems of the business divisions and work to improve customer service quality, by improving the efficiency of internal work processes at the bank and striving for operational excellence.

Additional customer experience improvements in 2022:

- ◆ **Expansion of services available through direct channels** - We increased the range of transactions available via telephone and the digital channels.
- ◆ **Scheduled meetings with bankers** - A service was introduced in early 2020 allowing customers to schedule an appointment with a banker. This service was expanded in 2022, and currently allows appointments to be scheduled through several channels (website, mobile app, and IVR) and offers reminders.

- ◆ **Attendants posted at all branches of the bank** - Staffing by attendants has been expanded so that every branch has at least one attendant to provide customer support and digital empowerment.
- ◆ **Sending messages to bankers** - A new feature allows customers to send written messages to their bankers through the digital channels to request information and perform various banking transactions, within one business day.
- ◆ **Improved service in taking/refinancing mortgages** - Following the growth in mortgages in recent years, in 2022 we initiated further measures to improve service in this process and reduce the number of in-person visits to bank branches required.
 - ◆ Greater authority granted to mortgage advisors at the branches and call center, leading to shorter wait times for customers to receive in-principle approval for a mortgage, which they can view on the bank's website.
 - ◆ A call center dedicated to responding to customers aided by an external mortgage consultant has been established.
 - ◆ An interface has been developed to allow document uploads through customers' online account on the bank's website during the application process.
 - ◆ Expansion of exemption from appraisal procedures for additional population segments.
 - ◆ In early 2023, we set up a dedicated contact center to offer tools and advice for customers on coping with the increase in mortgage payments resulting from the higher interest rates and inflation.

Measuring the customer experience and listening to customers' voices

We rigorously measure our customers' service experience, on a continuous, everyday basis. In 2022, we completed the transition to accessible and user-friendly digital surveys, to make it easier for customers to provide rapid feedback on the quality of our service. The surveys are adapted to the new service model; feedback is analyzed in depth to map the customer experience and launch improvement processes.

Alongside the routine surveys, we also study the expectations and needs of our customers as expressed in their communications with the call centers, Ombudsman Unit, written correspondence, and social media. These communications are regularly analyzed and translated into policies, actions, and suitable value offers.

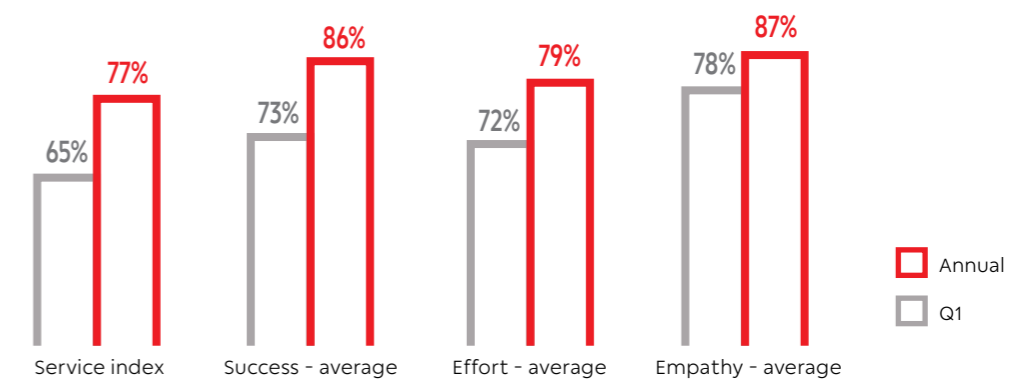
In 2021, the number of customer messages to the bank's Ombudsman Unit was high relative to other banks. Our examination indicated that one-third of customers' messages to the Ombudsman Unit were requests for service, rather than complaints, likely due to the high accessibility of the option to contact the Ombudsman on our website. Based on this finding, we worked to make additional service channels on the website more accessible. Today, the contact section of the website lists all of the various service channels, allowing customers to easily select the channel most convenient for them according to the relevant topic. Following this process, we observed a decrease in customer requests sent to the Ombudsman Unit in 2022.



Photo: Sahar Shbeta, Herzeliya business center.

Results of customer satisfaction surveys at the branches, 2022

The following are the results of service surveys at the branches in 2022, based on a new questionnaire adapted for measurement according to the new service concept. The surveys were conducted routinely by the bank over the course of the year. The graph below illustrates the improvement in customer satisfaction, comparing the annual average to the average in the first quarter, when the new service concept was introduced.



In addition to our regular surveys, an annual customer satisfaction survey is performed by the Banking Supervision Department. In the survey published in December 2022, Bank Hapoalim earned good satisfaction scores from users of its website, mobile app, and automated devices. However, the survey results indicate that improvement is needed in satisfaction with the service provided at the branches and call center. As noted, the management of the bank has declared service and the improvement of the customer experience a strategic focus area; all of the actions described in this section are aimed at furthering the achievement of this goal.

Providing banking services through the branch network

Alongside the advanced banking services offered at the bank's service centers and on its digital channels, **we operate a network of 166 branches, with broad nationwide reach in every part of Israel. The bank also operates two mobile branches delivering mobile banking services, including teller services, at 46 service points across Israel, including in remote areas where there are no bank branches;** 27 of the service points are in homes for the elderly and residential care facilities.

We are continuing to examine the deployment of the branch network and merge branches as necessary, while maintaining an optimally wide geographical reach. Eight branches were merged in 2022, with comprehensive assistance and support provided to customers and special emphasis on guidance for our senior-citizen customers. At the merged branches, work processes were adapted to customer characteristics, mail was sent with the relevant information, and digital literacy support and guidance sessions were offered for senior-citizen customers. We also established a dedicated call center for customers experiencing branch mergers; expanded the distribution of self-service stations; increased the number of attendants available to help use the digital channels of the bank; and reinforced service through the mobile branch. At four of the branches

merged over the last year, Poalim Close to You service points were established to provide in-person service twice a week, at or near the location of the former branch. As of the end of 2022, eight Poalim Close to You service points operate in addition to our branch network.

Specializations within the retail branch network

In recent years, we have established expert centers at the bank to provide outstanding professional service and create professional and business value for our customers:

- ◆ **Advising centers** - Fourteen advanced centers have opened nationwide, offering financial and pension investment advising, to provide our customers with holistic advisory services.
- ◆ **High-tech units** - The bank has eight units specializing in the high-tech industry, aimed at expanding services offered to start-ups and mature technology firms.
- ◆ **Mishkan representative offices** - The bank's 75 Mishkan offices assist and guide our customers through the important process of buying a home. In 2022, we continued to strengthen and improve the mortgage network of the bank to adapt to evolving market needs and to the demand and changes in the real-estate industry.

Operating the multichannel advanced direct banking center

Poalim by Telephone is a multi-channel direct banking center that allows customers to receive information and execute banking transactions at any place and time, through various communication channels:

- ◆ **Telephone** - An interactive voice response (IVR) system available 24 hours a day, or a call to a banker between 8:30 a.m. and 5 p.m. The voice response service is offered in Hebrew, Arabic, and Russian, and allows all customers, including people with disabilities and the elderly, to receive professional service quickly without visiting a branch.
- ◆ **Written communications** - Through email, chatbots, live chat (for private banking and Poalim Pro customers), and messages on social media.

Service is offered on a range of subjects, from information and account transactions to expert services; these include:

- ◆ **Support for the digital channels** - Technical support for the bank's website and apps, including the Bit and Poalim Wonder apps.
- ◆ **Mortgages** - Customers can submit mortgage applications and receive in-principle approval, refinance a mortgage through digital channels, and receive information and carry out various actions in existing mortgages.

Innovations and improvements at the multichannel banking center in 2022:

- ◆ Written communication staff reinforced, to improve availability and responsiveness to bank customers who contact us through the various digital channels.
- ◆ A hotline dedicated to immigrants from Ukraine and Russia established to coordinate appointments for opening accounts with the assistance of a Russian-speaking banker.¹⁰
- ◆ Rollout completed of a live chat service for all private-banking customers - a new feature providing service from a banker through a chat, offering a rapid professional response.
- ◆ Credit underwriting teams formed as part of the strategic process of expanding call-center bankers' authority and the professional services they can provide, in order to respond more comprehensively to customers and reduce the need to visit a branch in person.
- ◆ A dedicated contact center for customers established in early 2023 to offer tools and advice on coping with the increase in mortgage payments resulting from the higher interest rates and inflation.



Photo: Lea Talmi, Corporate Banking Division.

1.5 million
customers
are active users of the
Poalim by Telephone service.

¹⁰ Poalim operates in accordance with the provisions of the prohibition of white money and the international sanctions of Israel and the European Union.

Poalim PRO

The Poalim Pro service is designed for private-banking customers with high digital literacy, aimed at offering accessible, personal remote service. Poalim Pro allows private-banking customers to receive individualized service, including for complex transactions that previously required visiting a branch in person, from bankers familiar with their needs, who handle their requests and can respond to them via telephone, email, or chat, as well as a chatbot service to assist with certain banking transactions.

Customers can also receive service via telephone from professional investment advisors without visiting a branch. Poalim Pro services are available at *2081, Sunday to Thursday, 8:30 AM a.m. to 5:00 p.m. Chat response from bankers is available from 8:00 a.m. to 8:00 p.m.

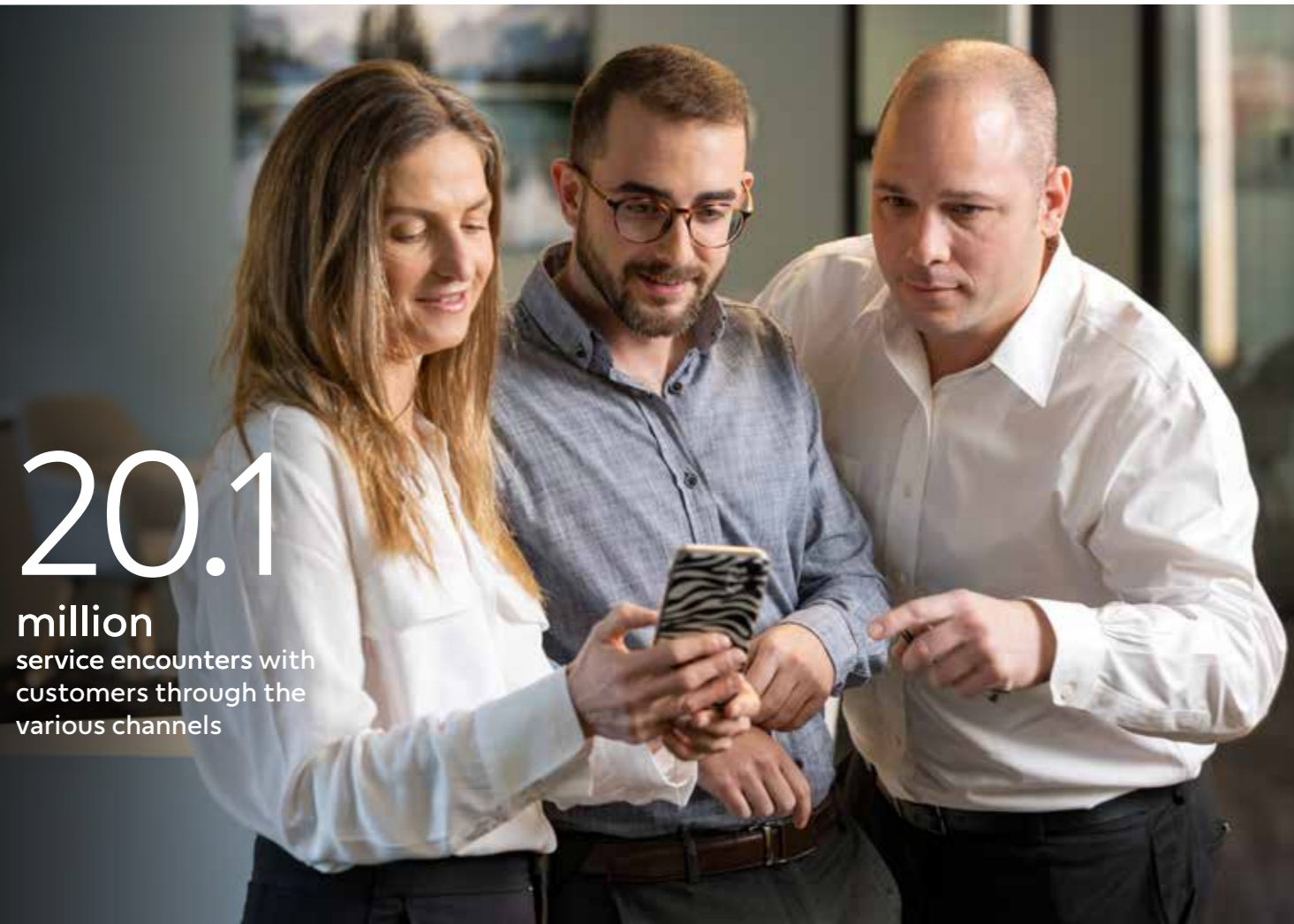
2022 plans - status:

2022 plans	Status
Expand the response provided on social media networks such as Instagram, LinkedIn, and Twitter.	✓ Completed
Gradually roll out chatbot services for bank customers.	✓ Completed
Continue to develop IVR to increase the range of available transactions.	✓ Completed

Future Plans

- Continue to expand the authority of bankers at the contact centers.
- Further improve the user experience on IVR.

Photo: Liora Ben-Ami, Daniel Knopov, Ira Maydan, Herzeliya business center.



20.1
million
service encounters with
customers through the
various channels

Providing advanced digital banking services

We invest in the development of advanced, innovative digital platforms to enable our customers to receive relevant information and execute banking transactions simply and accessibly, through advanced tools to aid their financial conduct. The trend towards increased use of digital channels by our customers continued in 2022; accordingly, the bank is continuing to expand its digital value offers.

Our digital platforms

- ◆ **Bank Hapoalim website** - Our website provides information, the option to carry out transactions, and tools to aid everyday financial conduct and make informed financial decision; the website is also available in Arabic. In addition, our banking content sites present information and tools adapted to the needs of retail-banking and business customers.
- ◆ **Bank Hapoalim app** - The Account Management app provides information and the option to carry out transactions, making banking accessible to customers through a combination of the most advanced technology and personalized service, conveyed through up-to-date visuals and clear, friendly language to create a quality customer experience.
- ◆ **Financial Partner** - A unique new feature of the bank's app, introduced in late 2021, designed to help customers manage their day-to-day finances, offer guidance through various life circumstances and financial occasions, and enhance their knowledge and subsequent control over their financial status. Through the use of advanced technologies, the Financial Partner enables customers to set

monthly goals in various consumption categories and monitor the attainment of their goals. The Financial Partner also identifies trends in the account and reflects them to customers, allowing them to prepare for anticipated expenses and take action in advance to prevent overdrafts, manage high current-account balances, and more.

- ◆ **Chat** - This service consists of a chatbot as well as chats with bankers, offering information, services, and instructions on digital banking without the need to visit a branch.
- ◆ **Written communications** - Customers can write to bankers directly with requests to execute certain transactions and receive information, without having to visit a branch in person or make a telephone call. We continued to improve the interface for written correspondence with bankers in 2022. For example, we added an option for bankers to reply to customers with a link to information or to the screen for executing a transaction, add structured forms, and more.
- ◆ **Poalim Open app** - Opening a bank account at any place and time using innovative facial recognition technology. The options for opening an account using digital channels, without visiting a branch, have been expanded to include opening joint accounts at the bank. After the account is opened, account owners can receive information, execute transactions, and gain full access to all Bank Hapoalim services through the channel of their choice. An option was also added in 2022 to convert a minor's account into an adult account, directly through the Poalim Open app.
- ◆ **Capital Market app** - A capital-market trading app that allows customers to remain current on market events and to search, buy, and sell securities, easily and quickly; users can observe the developments in their portfolios throughout the trading day, using a convenient advanced display. The app also offers the innovative Smart Advice service, which assists advised customers with investment decisions. Users receive personalized investment recommendations from their investment advisor through alerts sent directly to their mobile phones. This year, a feature was added to the Capital Market app allowing trading instructions to be transmitted during the pre-market stage, so that customers who trade in securities listed on stock exchanges in the United States included in the service can trade using the app before the trading day begins.
- ◆ **Poalim MyTrade trading system** - A new trading system introduced on the bank's website in late 2022. Poalim MyTrade allows all customers to execute transactions in securities using advanced tools. The system supports six languages and presents data to customers through a customized interface, including streaming updates, trading in a wide range of markets and financial instruments, advanced orders, a calendar displaying global financial events, current information, analyst ratings, and a wealth of trading tools and decision-support tools.

◆ **Business website and app** - We understand that our business clients need fast, accessible, innovative solutions so that they can invest most of their time in managing their businesses. This need was heightened during the pandemic, as business owners had no choice but to adapt their work processes in order to maintain business continuity. The digital banking channels, which make continuous financial activity possible, became exceptionally relevant to business clients. We therefore worked to develop advanced tools and services adapted to the needs of business clients, while introducing innovations to existing digital solutions. These include ERPay, an advanced service enabling large businesses to execute transfers from their organizational systems directly to the systems of the bank, without having to log in to a website or app.

In 2022, we introduced a new app for business clients displaying all of the important information about their accounts in one place, and allowing quick, easy transition between areas of activity such as money transfers, payroll, deposits, signing transactions, and more.

Appreciation for Bank Hapoalim digital tools

The Bravo 2022 competition by Superbrands reflects thousands of consumers' selections of the most innovative products and services in their fields, based on parameters of satisfaction with the product and willingness to recommend it.

Bravo 2022 award winning apps and digital services of the bank:

- ◆ Poalim Open app - in the category of account opening apps.
- ◆ Financial Partner - in the category of advanced digital financial tools.
- ◆ Bank Hapoalim app - in the category of account management apps.
- ◆ Poalim Wonder - in the category of benefit clubs.

The 2022 Product of the Year competition was designed to identify the most innovative products and services in their fields, based on consumers' choices. The competition is held annually on five continents, in more than 40 countries.

Product of the Year award winning mobile apps and digital services of the bank:

- ◆ Bank Hapoalim app - in the category of banking apps.
- ◆ Financial Partner - in the category of digital financial apps.
- ◆ Poalim Open - in the category of bank account opening apps.

2022 plans - status:

2022 plans	Status
Expand the value offer for business clients.	✓ Completed
Expand digital services aimed at providing guidance to customers on astute financial behavior.	✓ Completed
Add innovations to means of communication with customers, to improve the service experience.	✓ Completed
Continue to develop advanced solutions for customers' capital-market trading needs.	✓ Completed

Future Plans

- Enhance digital responsiveness to customers.
- Continue development of means for written communication with customers.
- Expand digital banking services for business customers.
- Further expand value offers and solutions for the information and trading needs of capital-market customers.

Bit App

Bit is the most popular payment app in Israel, offering quick, easy, all-in-one payments: transfers to family and friends, paying at stores, online shopping, paying bills, and donating to non-profits. Payments are secure; the payment experience is simple and quick.



~3 million active users among customers of all banks (as of the end of December 2022)

- ◆ **Bit for online shopping** - Bit offers easy payment without the need to enter credit-card details on a wide range of websites and apps of brands and major companies.
- ◆ **Bit for small businesses** - Small and self-owned businesses can accept payment via Bit without an annual ceiling, due to collaborations between Bit and various aggregators.
- ◆ **Bit for insurance and pensions** - Nine of ten leading insurance companies in Israel allow customers to receive payments directly via Bit. Bit has also entered the pension market, allowing pension-fund members to redeem monies using the app.

- ◆ **Bit for payment at stores** - Bit allows customers to pay at a store by tapping a terminal, where devices and cards support the service.
- ◆ **Bit for bill payments to municipalities, water corporations, and more** - Bit offers quick, safe bill payments and displays information about the payment directly in the app.
- ◆ **Bit for the community** - Bit can be used to easily donate to a wide range of non-profits (for details, see the Poalim Community section).

Within the bank's information security and cybersecurity policy, we invest extensive resources and use some of the most advanced cyber defense and security products in the world to protect users' information and data.

Under new directives of the Bank of Israel, at the end of 2022 payment apps were required to verify customers' identity and obtain additional information such as date of birth, address, and gender. We developed a simple, clear interface for this purpose that explains the process to users and allows them to enter the required information.



Poalim Wonder

In 2021, we introduced an exclusive benefit program for our customers, supported by a dedicated mobile app. Bank customers can accumulate points by using credit cards and digital channels to execute transactions, and earn attractive benefits in various areas: consumer goods, leisure and tourism, plays and concerts, restaurants, museums, and more. The benefit program contributes to a stronger relationship between the bank and its customers, who gain an improved value offer, while supporting the growth of business and culture in Israel.

Delivering service and professional value through social media

We are active on three social networks: LinkedIn, Facebook, and Instagram. Our social-media presence is aimed at creating trust-building dialogue with our customers and the general public, by:

- ◆ Providing a quick, available, advanced service experience, with rapid response to communications with the bank via social media.
- ◆ Adding professional value by posting relevant, varied, enriching content.
- ◆ Listening to the discourse and formulating business insights.

The bank created approximately 450 posts on its social-media pages in 2022, on the subjects of digital empowerment and innovation, financial growth, new products and services, community activities of the bank, the customer club Poalim Wonder, and more. Social-media content was adapted to the unique needs and characteristics of the period following the COVID-19 crisis and to the economic situation, encompassing tips and guidelines on business management, astute financial behavior, and encouraging local purchasing from Blue and White (Israeli) businesses and connection with events in Israel.

Our Facebook page is a platform for customer service and for dialogue with our customers and the general public, providing us with opportunities to listen and continually improve. **Hundreds of messages are received on the page every day, via Messenger and in comments on posts, and processed by a dedicated team that responds and provides professional service within hours.** Salient and recurring topics raised on

190

thousands users follow the Bank on social media as of the end of 2022

social media are passed on to professional functions at the bank, with the aim of improving processes and the quality of service. Bank Hapoalim is the first and only bank in Israel to launch an Arabic-language Facebook page.

Responding to public inquiries

The bank values customer satisfaction; customer complaints are addressed as an element of process improvement, service improvement, and instilling fair banking. The Ombudsman Unit is staffed by banking professionals with extensive experience who can assist those customers who have not found a solution to their issue in the bank's first-line response through its branches and service centers. Messages are usually received through the bank's website, although some also arrive via mail, fax, and telephone.

The Ombudsman Unit is diligent about processing each individual customer communication accurately and correctly, to find a solution to the specific dispute. Each case is examined in depth and addressed in light of the values of fairness, responsibility, privacy, reliability, and transparency. Some cases are found to have broader implications, and are presented to the business functions at the bank for learning, process improvement, and remedying of any flaws detected.

The service compact on customer communications is displayed to customers at the branches of the bank, on the bank's website, and at self-service stations.



The Ombudsman Unit operates in accordance with Proper Conduct of Banking Business Directive 308A of the Banking Supervision Department. Among other matters, the directive establishes the procedure for processing customer complaints, including duration, and the format for periodic reports. Accordingly, we release the following periodic reports:

- ◆ A semiannual report to the Supervisor of Banks indicating how complaints were handled;
- ◆ An annual report to the public on the bank's website summarizing data on processing of complaints;

- ◆ A semiannual report to management and the board of directors containing quantitative summations and trends of customer complaints, including flaws detected and material actions taken as a result of the complaint investigation process. The management and board of directors of the bank hold discussions of the reports of the Ombudsman Unit shortly after they are received.

Decrease in complaints and messages to the Ombudsman

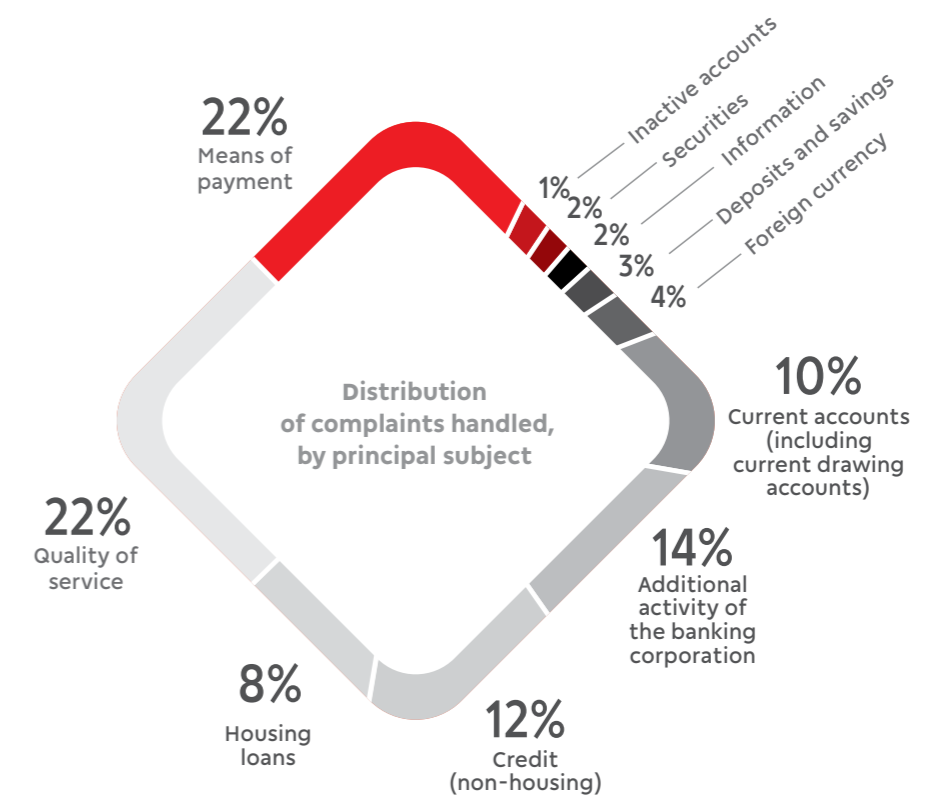
In view of the large number of messages received in 2021, as reflected in the annual review by the Banking Supervision Department,¹¹ the bank set a goal of reducing the number of messages to the Ombudsman. Among other measures, we examined the nature of the messages sent to the bank's Ombudsman and found that approximately 27% were requests for service, rather than complaints. Reasons for these messages include the high accessibility of the option to contact the Ombudsman on our website. Based on this finding, we worked to make additional service channels on the website

more accessible. Today, the contact section of the website lists all of the various service channels, allowing customers to easily select the channel most convenient for them according to the relevant topic.

Following this change and other improvement processes implemented over the last year, customers' requests sent to the Ombudsman decreased, with 2,444 requests responded to in 2022, down from 4,282 in 2021.

The number of complaints decreased by approximately 11% in 2022. 10,371 complaints were processed by the Ombudsman Unit, of which 2,320 were categorized as justified, compared with 11,665 complaints in 2021, of which 1,941 were marked justified.

Monetary remedies were granted in 2022, above and beyond the letter of the law, for complaints classified as unjustified, in the amount of NIS 307,785



¹¹ In November 2022, the Banking Supervision Department issued a report on ombudsman messages in 2021. The report indicated that the rate of messages and complaints processed by the Ombudsman Unit at the bank was high relative to the bank's market share. However, the Bank of Israel noted that the bank was the leader in compensating customers even when their complaint was found to be unjustified, and that this showed a high level of fairness towards customers.

Fairness

We believe that ethical, responsible, fair conduct will lead our business to thrive in the long term and enable us to maintain and expand our customer base. Fairness is one of our fundamental values, rooted in the organizational culture of the bank and in its vision, code of ethics, and working procedures for employees. The bank is subject to laws that impose due-disclosure requirements concerning information to be provided to customers regarding banking products and services. These include general regulations applicable to all products, such as the prohibition of deception and rules concerning fee collection and the provision of information regarding fees, as well as directives that apply to specific products, such as the extensive disclosure duties mandated in the Fair Credit Law with regard to loan agreements and credit-facility agreements. We rigorously comply with these regulatory directives. The bank is committed to maintaining ethical and fair marketing and advertising processes, including when specifying target audiences and in the manner of directing marketing offers to such audiences, and to the presentation of full information, in a fair and appropriate manner. The bank is also a member of the Israel Marketing Association and is committed to the principles of the Responsibility and Fairness in Advertising Compact.

We work to make information accessible to customers with the greatest possible clarity, by improving and rephrasing written communications, including on the digital channels, as well as through the production of instructional videos, in collaboration with the Financial Growth Center, to help explain financial information and elucidate banking terms when we notice knowledge gaps. For example, we produced and posted instructional videos on the bank's digital channels on topics such as the Banking ID and the advantages of the information it presents, benefits for people with disabilities, the effects of reducing credit facilities in credit cards, and more.



Photo: Rinat Zur,
Herzeliya business center.

The bank exercises caution in advertising, marketing, and sales promotions, applying several levels of screening and oversight to its marketing messages. In campaigns promoting consumer credit, sample controls are applied by the Compliance Unit from time to time to check for fair advertising.

The bank's compliance risk management policy in the area of fairness towards its customers is part of the overall compliance policy of the Bank Hapoalim Group, as approved by the board of directors; with the necessary adjustments, it also applies to the subsidiaries in Israel and the bank's offices overseas. This policy applies to every aspect of planning and execution of activities and agreements with customers, including sales and marketing of products and services, as well as to third-party suppliers and subcontractors who provide services for customers of the bank. Policy enforcement in this area is under the responsibility of the bank's chief compliance officer, who serves as the second line of defense, with the business units as the first line, assisted by unit and division level control functions. The board of directors and management of the bank are responsible for creating and leading an

organizational culture encouraging fair and responsible behavior towards customers and taking personal responsibility, values grounded in the code of ethics of the bank.

The Procedure for the Fairness of the Bank Towards its Customers (the Fairness Procedure) formalizes work processes that promote fairness towards customers; the procedure cultivates an approach of upholding the principles of fairness in every part of the bank's interaction with customers and maintaining customers' trust in the bank. The Fairness Procedure specifies practices and rules for maintaining fairness towards customers, including ensuring that a banking product or service is suitable for the customer's needs and characteristics, and providing full information regarding the product or service, its price, and its inherent risks. The procedure addresses fairness in account management and in providing service, including the right to open and maintain a current account with a positive balance, use means of payment, and use various service channels to execute banking transactions. In addition to the provisions of the procedure, under the law, we strictly adhere to the prohibition on making any service contingent on the

purchase of another service or product and ensure that the terms of contracts are fair.

Within our policy, in the process of development and introduction of new products and services, the bank comprehensively examines the compliance of the product or service with the provisions of the relevant laws and regulations, as well as with aspects of fairness towards customers. Fairness and action in the best interests of the customer are maintained with the utmost diligence in services for disadvantaged population groups, customers with limited financial knowledge, and customers experiencing financial difficulties (for further information, see the sections "Financial inclusion," "Poalim Financial Health," and "Sensitivity in collection proceedings").

To ensure compliance with the provisions of the law and with the established procedures, the bank maintains several mechanisms to preserve fairness towards customers. These include risk assessments, monitoring, and various controls applied to ascertain that the bank acts in a worthy and fair manner in sales and marketing processes, with due disclosure, in alignment with customers' needs. Towards that end, work processes have been established for finding, identifying, and escalating deficiencies and gaps at the level of the organization that pertain to fairness risks, in cooperation with the business units and service channels. Close ongoing communication is maintained between the control functions, including compliance officers and supervising instructors in the Retail Banking Division, and the Compliance Unit, the Ombudsman Unit, and those responsible for the service channels at the bank. Additional controls are designed to ensure that efforts to incentivize employees and promote business activities are consistent with the Fairness Procedure and do not create potential conflicts of interest for the bank's employees.

As part of the processes to promote the value of fairness in our organizational culture, we have developed and expanded several

organization-wide control mechanisms, including the following:

- ◆ **The Fairness Index** - An internal indicator we developed to measure aspects of fairness in service, processing of errors, fairness in consumer credit, availability, and more. The index is based on quantitative parameters such as the number of complaints, wait times, customer surveys, etc. These parameters are measured on a quarterly basis, allowing the results to be monitored over time; findings are periodically reported and presented to management, the risk management committee, and the plenum of the board of directors. In 2023, aspects will be added to the index to reflect customers' perceptions of the fairness of the bank's service and banking activity.
- ◆ **Fairness Forum** - An organization-wide forum led by the Compliance Unit and the Marketing and Advertising Unit, in cooperation with representatives from relevant divisions, including the functions responsible for service at the bank, the call centers, and the Ombudsman Unit. The forum convenes on a quarterly basis to formulate overarching courses of action in response to deficiencies and gaps escalated from the field, raise proposals for process improvements, and discuss the internal Fairness Index.
- ◆ **Enterprisewide control committee** - The committee examines the control mechanisms at the bank, including fairness aspects.
- ◆ **Board of management committee on compliance and legal risk management** - A management committee convened monthly to examine cases of suspected systemic deficiency in processes related to compliance and fairness towards customers, and to remedy such issues.
- ◆ **Internal audit** - Regular review by internal audit units of fairness towards customers, including in connection with consumer credit.

Managers are charged with ensuring that the employees under their responsibility act for the benefit of the bank's customers and in accordance with their needs, and refrain from

acting in an unethical, unfair, or irresponsible manner. Remuneration and performance evaluation in connection with product sales and marketing comply with the procedures of the bank and the regulatory guidelines in this area. Objectives and remuneration methods for both employees and managers are therefore set based on team-level rather than individual quantitative targets, and on process parameters. Such parameters include service; adherence to fair, ethical, responsible conduct towards customers, taking their needs and best interests into consideration; and compliance with legal requirements. To ensure compliance with the law and procedures, first-line control functions apply controls to sales activities reported to the Compliance Unit, which are examined accordingly and challenged as necessary.

Training sessions for employees and bankers are held at the bank each year to raise their awareness of the importance of fair conduct towards the customers of the bank and enhance their sense of responsibility. Pre-hiring screening of applicants for work at the bank, certification tests for bankers, and testing for the promotion of employees within the bank include topics related to fairness towards customers and ethical conduct, to ensure a good fit with the norms and values of the bank. Employees have options for open and anonymous consultation and reporting on issues pertaining to fairness (for details regarding reporting channels, see the subsection, "Mechanisms and channels for reporting ethical issues").

Non-discrimination against customers

The bank has established a policy of non-discrimination in its services. This policy refers to discrimination for irrelevant and prohibited reasons, such as due to religion, race, sex, ethnicity, etc. The policy applies to all services of the bank. Tracking and monitoring to ensure non-discrimination are performed by the chief compliance officer and the relevant business units.

The increase in the interest rate has made it more difficult for households and businesses with loans or mortgages to manage their routine finances. We have therefore introduced several measures to help these customers make their monthly payments, described below:*

Mortgages

- ◆ The bank subsidized the increase in the interest rate in prime-track mortgages (announced in January 2023) for approximately 15,000 customers who met the criteria set by the bank and were proactively identified as those primarily harmed by the wave of rate hikes. The bank decided to absorb just this increase in the interest rate on their behalf, for a period of one year. The process was automated, with no need for approvals.
- ◆ An option to spread mortgage payments into more installments was offered for customers with existing prime-track mortgages who meet the criteria and are interested in lowering their monthly payments through a longer loan duration. This change is made while retaining the original terms of the loan (with due disclosure regarding the higher cumulative amount of interest due to the longer term of the loan). No fees were charged for the change in installments.

Small businesses

We launched a subsidized loan fund for small businesses, where eligible small businesses can receive loans of up to NIS 100,000 at attractive rates.

* Failure to repay a loan may lead to penalty interest charges and foreclosure proceedings.

We are doing everything in our power to act fairly and transparently, and we make constant efforts to do better and improve our processes accordingly. We learn and draw conclusions from our experience, including incidents of penalties or claims against the bank, and we compensate customers whenever necessary.

The following are examples of events that led to processes to attain improvement and prevent recurrence, with commensurate compensation for the customers:

- ◆ **Customers erroneously charged postage expenses** - An examination we conducted following an inquiry by the Bank of Israel indicated that customers' accounts were charged for registered mail sent to their account address based on Israel Post service prices, instead of the lower price

that the Postal Bank charges the bank as a benefit. The examination also found that some accounts were erroneously charged notification fees and registered-mail expenses based on the number of accounts listed in the message, rather than the number of notifications sent to the account owner at that time. The bank ensured that the accounts were reimbursed for the fees charged and the differences in expenses collected in error, with retroactive reimbursements seven years back. We took the necessary measures to prevent similar errors in the future.

- ◆ **Report to the Execution Office on debt collection procedures** - In February 2023, the Supervisor of Banks imposed a monetary sanction of NIS 850,000 on the bank, in accordance with his authority under Section

14H(a)(1) of the Banking Ordinance, 1941. The sanction concerns a breach of Section 25 of Proper Conduct of Banking Business Directive 450, "Debt Collection Procedures," pursuant to which a banking corporation is required to report to the Execution Office within seven days on proceeds paid on debts other than through the Execution Office. The bank took rapid steps to remedy the deficiencies and prevent recurrence, including improvement of its debt collection system, with a direct interface to Execution Office files; the sanction was therefore reduced by 15%, to the amount noted.



Photo: Moriel Lerner, Herzeliya business center.

Poalim Financial Health

Over the years, Bank Hapoalim has provided guidance to customers who encounter financial difficulties, to help them emerge from the crisis with dignity and strive for renewed financial stability. **The Poalim Financial Health unit** was established at the bank with the aim of creating holistic, multi-system solutions in partnership with the customer, based

on each customer's banking activity profile and financial capabilities. The unit consists of expert, experienced bankers who have undergone specialized training to respond to individual customers' needs appropriately and sensitively, with a commitment to resolve the problem. The unit works in full cooperation with the branches of the bank, and is responsible

for managing and monitoring the process, using the bank's range of tools and services, including a computerized system built for this purpose. Over the years, the unit has helped individual customers experiencing difficulties resume astute financial behavior, often succeeding in averting collection procedures through the courts or Execution Office.

Sensitivity in collection procedures

Impacts of the tail end of the COVID-19 crisis coupled with the challenges of the rising interest rates and inflation made the last year exceptionally challenging. During this time, we continued to exercise flexibility and sensitivity to show the utmost consideration to our customers in all matters concerning collection procedures. We generally prefer to

refrain from taking legal action, to the extent possible; in most cases, we seek arrangements where debt is spread over installments or paid in a lump-sum settlement, according to the customer's possibilities. We encourage the attorneys representing the bank in collection procedures to reach debt settlements with the borrowers shortly after receiving

the case and avoid filing a legal claim. The bank endeavors to apply special sensitivity in collecting debts on mortgages, to allow customers to reach settlements regarding their past-due payments and sometimes the entire debt, in order to ease the situation for the customer to the extent possible.

Financial inclusion

Accessible financial services, products, and knowledge

Financial inclusion refers to the extent to which people can access financial products and services responsive and adapted to their needs, delivered to them in a responsible and sustainable manner. Access to financial services facilitates the management of people's everyday affairs and helps them plan ahead and make informed financial decisions for the long term.



Photo: Avivit Cohen, Herzeliya business center.

To make financial services and products accessible to all of our customers and provide meaningful value, we mapped the unique needs of various communities and population segments in order to deliver an adapted response to each, to help them grow and thrive. We also worked to make knowledge about astute financial behavior accessible to the general public in Israel.

Financial Growth Center



As part of the long-standing commitment of the bank to social progress, economic growth, and the reduction of inequalities, we opened the Financial Growth Center, in 2018, as a hub for learning and acquiring tools supporting astute financial behavior. The services of the Financial Growth Center are offered to customers of the bank and to the general public free of charge. The work of the Financial Growth Center is conducted through a website offering advanced digital learning tools, lectures by top speakers, interactive learning through family games, lesson plans for elementary- and middle-school students, and more. The materials at the center are developed with the academic oversight of Professor Zvi Eckstein, dean

of the School of Economics at Reichman University. The content was formulated based on research and surveys of public attitudes towards economic issues, and is aligned with significant financial crossroads such as the growth of a family, taking a mortgage, career changes, retirement, and more. The center collaborates with a broad range of professionals, within and outside the bank.

After four consecutive years of activity, 2022 was a year of momentum and accelerated development for the Financial Growth Center. A training program for businesses was created, scheduled to launch in 2023, and tools were developed and implemented to provide personalized guidance for individuals and families. Over the last year, we also developed a feature allowing access

to the center's website through the Financial Partner section of the bank's app, gaining exposure to the activities and content of the Financial Growth Center for approximately 30,000 customers.

We continued to adapt the center's content to developments in real time and to significant events during the course of 2022. For example, we offered lectures for business owners on the best ways to handle holiday periods and the end of the tax year; developed content for consumers on "shopping holidays" and the discounts typically available in November; provided content on household budgeting and how to manage finances for families with children, in advance of summer vacation and Family Month; provided access to information on coping with the cost of living; and more.



The importance of financial education in Israeli society

From a public survey we conducted with the Midgam Institute in 2022:

42%

of Israelis have doubts about their ability to pay for their everyday expenses (66% in the Arab sector)

Only

33%

maintain a specified budget of income and expenses (21% in the Arab sector)

Only

28%

are familiar with the details of their pension plans (10% in the Arab sector)

70%

of the public expect financial institutions to provide decision-supporting knowledge

Other studies indicate:

30% of the public has characteristic patterns of action that impair sound financial management (based on in-depth research we conducted in cooperation with Ben Gurion University to examine connections between personality patterns and financial conduct).

Financial literacy is correlated with saving habits; and during periods of economic uncertainty or financial crisis, households' financial resilience is influenced by their approach towards savings¹²

These data highlight the importance of financial education and the scope of the challenge in Israeli society as a whole, especially over the last year, which was marked by rising interest rates and inflation.

Special activities of the Financial Growth Center in 2022

Raising awareness of astute, fair banking

To raise general public awareness of astute financial behavior, we produced short informational and instructional videos on topics such as fees, the Banking ID, benefits for people with disabilities, reduced credit facilities in credit cards, and more. We also launched a podcast that discusses these matters at length.

To expand responsiveness to broader population groups in additional languages, we produced Russian-language videos explaining how to avoid fraud, following incidents in which Russian-speaking senior citizens were asked for their credit-card information over the telephone. We also prepared information packages and learning materials in Russian on the first steps in banking for new immigrants from Russia and Ukraine, for use at immigration centers and financial institutions.

Individual guidance for private customers and households

In 2022, we continued to offer a unique hybrid program combining online sessions with in-person guidance over a period of up to four months, through the non-profit organization Chasdei Lev, with sponsorship from the bank. Program participants are mentored by individual guides and by expert advisors in three fields: family counseling, occupational counseling, and financial consulting.

Providing access to financial knowledge and tools in the ultra-orthodox sector

- ◆ **Rollout of Mehadrin Growth** - A website dedicated to ultra-orthodox society was built within the Financial Growth Center site, offering hundreds of content items, articles, and digital courses adapted to the needs and preferences of ultra-orthodox users, with suitable appearance and language.
- ◆ **Financial tools for children** - In a collaboration with the Havurat Taryag franchise (the "613 Mitzvah Crew," well-known fictional characters in the Haredi community), articles by the Financial Growth Center were published in the "Silver Spoon" section of the magazine Taryagnik. Three articles were targeted to parents and three were aimed at children. This project delivered a variety of financial content to the magazine's 25,000 subscribers every month, including explainers, stories, ideas, and practical tips on savings.

- ◆ **Financial education for students of yeshivas (religious educational institutions for young men) who are engaged to be married** - A collaboration with the non-profit organization Tvuna.

Approximately 1,900 engaged yeshiva students attended the workshops and gained knowledge and skills they can use in adult life (for further information, see the section on the ultra-orthodox sector).

- ◆ **Collaboration with Shefa** - Shefa is an educational center for informed, sound financial behavior aimed at helping families avoid poverty. Experts from the Financial Growth Center work with Shefa on its activities (for further information, see the section on the ultra-orthodox sector).

New content area - "Employment in the new age"

Following the COVID-19 crisis, organizational culture changed at many businesses, and remote work has become more common. Recognizing this shift, as part of our focus on promoting employment and social mobility, we developed targeted content on the Financial Growth Center website presented as a combined value offer: tools and tips on finding one's place and developing in the evolving world of work, as well as the option for an individual occupational consulting session free of charge, in collaboration with the non-profit organization Chasdei Lev.

185 families that took part in the hybrid program in 2022: **23.7%** succeeded in raising their income, and **44%** were able to reduce their total monthly expenses by **30%**

Expansion of solutions for soldiers and young people

We produced short Tiktok videos starring influencers and popular figures familiar to a young audience, to reach out to them with lighthearted content on complex financial issues. The videos, available on the Financial Growth Center website and social media, aim to make financial information more accessible through everyday language and an informal approach, inviting adolescents and young adults to broaden and deepen their knowledge through the center's website.

Empowerment of women for financial independence

- ◆ We created a content area on the Financial Growth Center website dedicated to empowering women interested in the capital market and boosting their confidence in the area of financial investment; three online meetings were led by experts from the bank and external lecturers. Hundreds of women attended the meetings and expressed high satisfaction with the experience.
- ◆ The Nazareth Women and Business Conference was held for the second year, in collaboration with Shark by Iqbal Adawi. Over 450 women - self-employed, entrepreneurs, small-business owners, and social leaders - of the Arab sector from across Israel attended. Conference participants gained knowledge and practical skills on managing a successful business.

Raising awareness of the importance of financial education

The Conference on Financial Education - Banking in the Age of Innovative Technologies was held for the second year, in cooperation with Reichman University. Some 300 people attended in person, while thousands viewed a live broadcast of the conference on social media, as research findings on financial education were presented, including a study we performed with the Pension Center at Ben

Gurion University of the Negev. Top experts presented effective tools for economic decision-making and the promotion of financial growth.

Providing knowledge and tools for astute financial behavior in the Arab sector

Surveys we conducted in recent years on financial literacy and behavior in the Arab sector indicated that only about 21% of the respondents maintained a specified budget of income and expenses, 25% saved money routinely, 10% were familiar with the details of their pension plans, and 66% had doubts about their ability to pay for their everyday expenses.

- ◆ The Financial Growth Center website, including materials such as videos, guides, and articles, has been made accessible and adapted to the Arab sector. In 2022, we also held regular Arabic-language lectures, presented to thousands of private individuals and business owners from every part of Israel, on topics such as astute financial behavior, how to market a business, budget management, and cash flows. To expand its impact, the Financial Growth Center collaborated with the National Association of Engineers, the Israel Dental Association, the Small Business Agency, and more.
- ◆ Over fifty Arab-sector municipalities participated in nationwide financial education activities, in collaboration with the Bank of Israel and the Association of Banks; approximately 4,000 people attended instructional sessions on a wide variety of topics. In late 2022, this project was expanded to 65 municipalities, with an emphasis on instruction on credit ratings; over 6,000 people attended.
- ◆ A radio program on finances was broadcasted over a period of four months on the Arabic-language station Nas, with guest bankers from Bank Hapoalim discussing various topics.

¹² From the study "Financial literacy and access to emergency funds among households in Israel at the beginning of the Corona epidemic, and the effect on the financial stability of households", 2021.

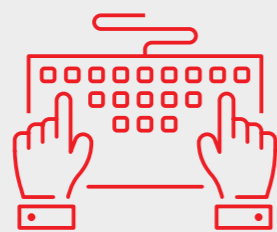
- ◆ A media campaign based on an Arabic saying meaning “Money is slipping through your fingers” was launched on social media and on the radio station Alshams. The campaign highlighted advice, tips, and tools for savings and astute financial behavior during the summer, which is typically a season with high expenses; the content drew hundreds of thousands of views. In another campaign under the heading “Free advice” (balash in Arabic), advice was offered to students and families on beginning the academic year at schools and colleges. This content also had hundreds of thousands of views.

Assistance for businesses in the transition to the digital space

E-commerce offers important growth opportunities for businesses that primarily operate in brick-and-mortar locations. Accordingly, the Financial Growth Center has provided assistance for businesses seeking to expand or transfer activity to the digital space since its inception. The center offers a wealth of content for businesses, including dozens of courses and digital guides on managing a business, with special emphasis on practical knowledge and tools for entering the world of e-commerce, such as opening an online shop, digital marketing, and managing social-media communities.

- ◆ ~1,200 small-business owners participated in two sessions of a comprehensive online course on digital business marketing in 2022. Participants gained practical skills for ecommerce and for promoting a business on social media, including Facebook, Instagram, and Tiktok.
- ◆ 240 businesses received individual guidance on business management, through collaborations with various non-profits that specialize in empowering businesses.

The Financial Growth Center in numbers



Over **5 million views**

of digital content available on the center's website in Hebrew and Arabic, over its lifetime (600,000 views in 2022)



~3,600 people

including families, college students, senior citizens, and yeshiva students, received individual guidance on astute financial behavior

612,000

people participated in activities of the Financial Growth Center in 2022, including in-person lectures and the use of tools and knowledge for financial growth posted on the center's website

12%

higher financial knowledge, perceptions, and behaviors were found among participants in Financial Growth Center lectures, compared with a general sample

We also examined the economic impact of the activity of the Financial Growth Center based on methodology we developed with the consulting firm Deloitte. We evaluated the center's impact in terms of the expected added income per family, individual, or business, using a “depth of intervention” factor. The depth of intervention is on a scale from entering the website and using the digital tools through participation in lectures to receiving ongoing individual guidance.

NIS 32.3 million

estimated economic impact, in terms of added disposable income

2022 plans - status:

2022 plans	Status
Expand the financial empowerment model in the activity of the Financial Growth Center to encompass individual financial guidance for interested participants in the workshops and digital learning processes, in cooperation with non-profit organizations in this field.	✓ Completed

Scan the QR code to visit the Financial Growth Center website.



Supporting senior citizens

Poalim Digital Independence

Bank Hapoalim aspires to operational excellence and the implementation of innovative technologies to serve all of its customers. However, we recognize that senior citizens may need focused support in the transition from traditional banking to the banking of tomorrow. We have therefore resolved to assist senior citizens in enhancing their digital independence in all areas, thereby improving their quality of life. Poalim Digital Independence, a project launched in 2018, is led by the Social Banking Center and based on multi-sector cooperation (business, public, and third sector), including the Ministry of Social Equality; JDC Eshel; business partners; elderly residential care facilities and day centers; and specialized non-profits and organizations, such as Unistream, Machshava Tova, Appleseeds Academy, Motke, Aleh, Milav, Hasalon Shel Ronit, and more.

Comprehensive support and education for senior-citizen customers

The service offering developed by the bank includes in-person courses provided free of charge, online meetings, and educational content available online for home-based study and practice.

- ◆ **Senior-citizen digital literacy courses and instruction sessions**
Courses offered free of charge for



Photo: Patrick Baranes, Information Technology Division.

senior citizens, consisting of six to ten sessions, on safe browsing and digital banking. The courses are taught via Zoom by professional instructors, in small groups of up to twenty participants, with individual guidance for participants on the use of this platform. In response to demand, we added French-language courses in 2022. Hundreds of topic-specific sessions were also held for senior citizens, open to the general public, offering tools for the development of digital life skills in various areas.

Over
63,000
senior citizens
received knowledge
and tools for the
development of digital
skills in 2018-2022

◆ **Creating partnerships for digital empowerment**

Pass it Forward - Students from the non-profit organization Amanina who received scholarships from Bank Hapoalim committed to providing digital instruction to hundreds of senior citizens in the Arab sector, as part of the terms of the scholarships. The students received guidance from professional staff at the bank and were supplied with lesson plans. A survey conducted at the end of the program found that 57% of the senior citizens who participated felt safer using digital services, and 100% felt less loneliness.

◆ **A range of tools for practicing the use of the digital channels**

- ◆ We launched a content area under the heading Poalim Digital Independence, which allows users to register for courses and offers a range of tools for practicing the use of the bank's digital channels.
- ◆ We developed a virtual practice environment allowing our senior-citizen customers to simulate banking transactions using the bank's application and ATMs, such as transferring money, creating a deposit, depositing a check using the application, and more. This platform helps senior citizens practice carrying out banking transactions using the digital channels and overcome the obstacles caused by the fear of making a mistake.
- ◆ An online course consisting of 25 short instructional videos in several languages (Hebrew, Arabic, and Amharic), in which senior citizens demonstrate how to perform various bank-account transactions independently on the bank's digital channels, step by step, in simple and clear language.

- ◆ Manuals on the use of the bank's digital channels were created, written in clear language and accompanied by relevant screenshots of the bank's website, application, and self-service devices. The manuals were distributed at branches and during the instructional sessions.
- ◆ For our customers who have difficulty with reading, we produced printed pamphlets with visual presentation of the use of the self-service devices, using appropriate screenshots, in Hebrew, Arabic, and Russian.

~ **3,000** senior citizens
participated in digital
courses and instructional
sessions in 2022

Many participants stated that following the course they felt more confident in independently carrying out a range of banking activities using digital means, and that the experience they gained in the use of Zoom during the course also served them to relieve loneliness and connect with family. Further, they grew more aware that digital platforms made the bank available to them at any place and time.

Surveys conducted among the thousands of customers who participated in the instructional programs indicate:

- ◆ 94% of participants expressed satisfaction with the activity and stated that they would recommend the program to a friend.
- ◆ 75% said that the course increased their confidence in the use of the bank's digital platforms.

Service adapted for senior citizens

- ◆ **Dedicated rapid call center** - We introduced a call line exclusively for customers above the age of 70, which provides a rapid human response by a banker. This is an extended implementation of the Senior Citizens Law, which mandates the provision of services without queues for customers above the age of 80.
- ◆ **Mobile branches** - The bank operates two mobile branches offering banking services, including teller services. The mobile branches visit 46 service points across Israel, of which 27 locations at residential facilities for the elderly and assisted-living facilities. The team of mobile branch bankers specializes in serving elderly customers; in addition to banking services, they work with interested customers to increase their digital literacy. The frequency of mobile branch visits is matched to the needs that emerge and the demand for the service.

Working to help the Arab community thrive

Bank Hapoalim supports the development of the Arab community and considers it to have great potential for growth; realizing this potential is essential to the momentum of the Israeli economy, higher work productivity, and better quality of life for the population of Israel as a whole and for future generations. We work to promote growth in various facets of life in this sector, taking into consideration the barriers and challenges the community faces, with the aim of supporting the positive developments underway today. We have a broad reach through twenty branches in Arab towns, eleven additional branches in mixed towns, and two banking offices targeted to the Arab sector. We develop unique value offers for this sector and communicate all services of the bank in the Arabic language. **In 2022, for the first time in Israel, the 2021 ESG Report of Bank Hapoalim was translated into Arabic.**

We also conduct a wide range of activities to support the financial development of students, women, small-business owners, and more, as part of the programs of the Financial Growth Center and the Poalim Community Foundation, which dedicate extensive resources to this purpose. In 2022, our activity in the Arab sector focused on continuing to respond to this community's unique economic challenges and requirements.

An extensive drive to raise financial awareness in the Arab sector was launched in 2022, led by the Banking Supervision Department, with the entire banking industry participating. Within this effort, we offered dozens of lectures open to customers of all banks in Arab communities nationwide on the subject, "How to manage my money wisely." The lectures provided information on budget management, credit ratings, using debit cards, and the advantages of digital banking. In the second phase of the program, our customers were invited to attend individual sessions at their bank branches aimed at helping with the transition to digital banking. Participants were introduced to the bank's website and practiced using the app, monitoring their accounts, using the self-service devices to carry out transactions, and more.

To further expand our activity promoting growth in the Arab sector while strengthening our community engagement and continuing to develop suitable products and services, in 2022 we appointed two managers from the Arab sector to lead our activity in this area.

Guidance for home buyers

In 2019, we began a study of the causes and reasons for the relatively low presence of the Arab sector in the mortgage market in Israel. Through this process, we realized that there were worries over mortgaging a family home for the long term arising from a lack of awareness of available financing options. These concerns may lead to the selection of short-term financing options that impede repayment and can bring about financial and social difficulties. Over recent years, this insight led us to develop adapted processes and products aimed at making mortgages more accessible in Arab society. The mortgage unit at the Nazareth branch, which is staffed by employees from the Arab sector, continued its activities aimed at raising awareness, promoting value offers, and guiding customers in the process of taking a mortgage.

Promoting economic growth and employment

We regularly conduct activities in the Arab community aimed at promoting growth and economic development, with an emphasis on women. Events and activities within this effort in 2022 included:

- ◆ **Support for the foundation of an employment incubator for women -** A training program held in collaboration with the non-profit organization Lotus, aimed at inclusion of Druze women from the Galilee and Carmel regions in high-quality employment. The program included practical experience and preparation and guidance for job interviews. The organization also connected participants with potential employers and guided workers through their professional development in their first two years on the job. Forty women participated in the incubator program in 2022.
- ◆ **Placement of people with disabilities -** In a collaboration with the non-profit organization AlManarah, thirty men and women with disabilities found placements in the job market.

◆ Conferences for corporate clients and small businesses

- ◆ Several targeted conferences were held for our business clients: a conference in Daliyat al-Karmel for business clients in the Arab and Druze communities, a conference in Sakhnin for accountants and opinion leaders, and a conference in Kafr Qara for business clients. Professional lectures on business were provided at the conferences, on topics such as cash-flow management, marketing, and more.
- ◆ A national conference for our small-business customers was held in Ar'ara, under the heading Growing Together, attended by senior executives from the bank, opinion leaders, and community leaders of the Arab sector.

Financial empowerment

In 2022, we conducted a public survey, with Midgam, that included participants from the Arab sector. The findings indicated that only 21% of respondents from the Arab sector had a specified income and expense budget, versus 33% in the general population; 66% had doubts about their ability to pay for their everyday expenses, compared with 42% in the general population; and only 10% were familiar with the details of their pension plans. Among other matters, these data illustrate the great importance of financial education and the challenging state of financial literacy today, particularly in Arab society.

In 2022, the bank continued to promote financial empowerment programs targeted to the Arab sector, including the following:

- ◆ The Nazareth Women and Business Conference was held for the second year, in collaboration with Shark by Iqbal Adawi. Over 450 women - self-employed,



Photo: Mias Shbeta, Information Technology Division.

entrepreneurs, small-business owners, and social leaders - of the Arab sector from across Israel attended. Conference participants gained knowledge and practical skills on managing a successful business, and attended lectures by the Financial Growth Center, a panel discussion among successful and inspiring Arab women, and more.

- ◆ During Women's Month, and on the Mother's Day holiday observed in the Arab community, conferences for women were held in cooperation with municipalities. Branches serving the Arab sector in Tira and Umm al-Fahm held lectures on family budget management, panels, TED talks, and more, attended by hundreds of women.
- ◆ The Arab-language radio stations Nas and Shams hosted experts from the bank, on several shows, to explain various financial topics such as investments, mortgages, astute financial behavior during periods with a high cost of living, and more.
- ◆ Videos targeted to the Arab community were produced on a range of topics: the Banking ID, fee tracks, the reduction of credit facilities in credit cards, and more. The videos were posted on the bank's website, the Financial Growth Center website, and social media for the benefit of the general public in the Arab sector.

Empowerment of students

- ◆ **Scholarships** - To encourage higher education, we maintain long-term collaborations with several non-profit organizations in the Arab community. In 2022, we granted scholarships for approximately fifty students in collaboration with the non-profit organization Amanina. Recipients volunteered in digital empowerment activities for senior citizens in the Arab sector as part of the terms of their scholarships, providing instruction in the use of the bank's digital services. Similar collaborations were held with the Nazareth Foundation, the Poalim Success Fund, and the Lieutenant Colonel Salach Falakh Foundation. **In total, scholarships were given to approximately 150 students in the Arab sector, in an amount of more than NIS 500,000.**
- ◆ **Placements for students in the technology industry** - Within our support for the non-profit organization Portland Trust and the ITWorks initiative, nine courses attended by approximately 300 participants were held this year to help students in the Arab sector find work at leading high-tech companies.
- ◆ **Support for the Student Business Clubs program, in collaboration with the non-profit organization Kav Mashve** - The program is designed for outstanding students with leadership potential from the Arab sector. Each business club has fifteen to twenty members in a shared academic or professional field, of the occupations drawing high interest and in high demand in today's job market. The clubs are aimed at helping students embark on meaningful career paths in key positions, with an emphasis on the development of leadership and social consciousness. In 2022, we supported fifteen clubs for over 300 students at leading universities across Israel.

- ◆ **Long-term support for technological innovation centers founded by the non-profit organization Mona** - The centers train young people with backgrounds in academics and technical engineering for roles in the technology industry, and help with job placement. 485 young people from the Arab sector received training at eight centers across Israel through the cooperation with the bank. For further information, see the Community section.



Bank Hapoalim Facebook page in Arabic

The bank introduced its Arabic-language Facebook page in 2021. Content on the page is aligned with activities relevant to the Arab community, including holidays and special occasions; visitors have expressed high satisfaction with the page.

2022 plans - status:

2022 plans	Status
Hold targeted conferences near the holidays for owners of small and mid-sized businesses, to help them leverage the business opportunities of these periods.	✓ Completed
Conduct a comprehensive survey in the Arab sector to specify and map needs in the area of astute financial behavior and digital connectivity.	✓ Completed
Continue to promote small businesses in the Arab sector through relevant lectures, communication of success stories, and formulation of attractive value offers for business owners.	✓ Completed

Future Plans

- Continue to provide guidance for growth to small businesses and self-employed people in the Arab sector by holding conferences and developing value offers in banking.
- Continue to provide guidance for growth to families and private individuals by holding lectures and developing courses and digital content on astute financial behavior.
- Continue to proactively adapt services and credit solutions to Arab society.

Supporting economic growth in the ultra-orthodox (Haredi) sector

10

branches
in towns characterized by significant ultra-orthodox populations, and an additional nine branches in mixed towns

The ultra-orthodox sector is experiencing continual change and growth processes; we see strategic importance and a values-driven commitment in supporting the economic development of this community.

The bank respects ultra-orthodox lifestyles, and has adapted branches serving predominantly Haredi customers to this community, in terms of the appearance of the branch, the videos played on screens, and the marketing materials displayed. The branches are also staffed by bankers familiar with the unique needs of this population, capable of providing customers with guidance through various life stages and formulating adapted value offers.

Initiatives to encourage economic growth and employment in ultra-orthodox society

- ◆ **Financial education for engaged yeshiva students** - A collaboration with the non-profit organization Tvuna, aimed at supplying knowledge and tools relevant to family finances and preparation for buying a home to students of yeshivas (religious educational institutions for young men) who are engaged to be married. **127 in-depth workshops on astute financial behavior, each consisting of four sessions, were held at yeshivas across Israel in 2022.** Approximately 1,900 engaged yeshiva students attended the workshops and gained knowledge and skills they can use in adult life.
- ◆ **Collaboration with Shefa** - The Shefa section at the organization Ahavat Chesed was founded in 2019, with the support of Bank Hapoalim, to provide financial education to families, with the goal of gradually reducing dependence on monetary aid. 430 families participated in an individual guidance program, 280 families attended group sessions, and 1,300 people participated in financial workshops. Experts from the Financial Growth Center work with Shefa on its activities. Families that began the program with deficits in their household budgets reported improvement by the end of the sessions: over 50% of participants said they had a surplus in their monthly budget and 30% had a balanced budget.
- ◆ **Promoting employment and cultivating technological entrepreneurship**
 - ◆ **Cultivating ultra - orthodox technological entrepreneurship** - This was the third year of our support for Kamatech, which works towards the inclusion and promotion of ultra-orthodox people in the high-tech industry in Israel. As part of this collaboration, we conducted a targeted training program, with support for sixty startups, to find placements for hundreds of ultra-orthodox men and women in the job market.
 - ◆ **Encouraging employment** - Tools and skills were provided to ultra-orthodox men interested in placements in the high-tech industry, through support for the non-profit organization Avra-Tech JBH. The organization has two locations, in Bnei Brak and Jerusalem, offering a unique educational model consisting of half a day of religious studies and half a day of technology studies. Through this activity, the bank directly supported the inclusion of eighty ultra-orthodox men in the high-tech industry.

Signing a writ of prozbul for the year of shmita

A few days before the holiday of Rosh Hashanah, as the year of shmita (in Judaism, the seventh year of the seven-year agricultural cycle; the sabbatical year of the land) was coming to an end, representatives of Bank Hapoalim visited the office of the Chief Rabbi of Netanya for the preparation of a writ of prozbul in accordance with halakhah (Jewish law). A prozbul is a halakhic ruling permitting the collection of past-due debts not paid until the end of the year of shmita. The writ of prozbul, formulated by the posek hador (halakhic scholar of the generation), was signed with kinyan (formal execution of the transaction) by the representatives of the management of the bank and by the Chief Rabbi and the rabbis in his delegation.



Photo: Yisrael Dekelboim, Manager of the ultra-orthodox (Haredi) sector.

Future Plans

- Hold targeted conferences emphasizing the empowerment of businesswomen in ultra-orthodox society.
- Continue to cultivate technological entrepreneurship in the high-tech industry and support the Kamatech Alumnae Forum.

◆ Conferences to encourage financial growth

◆ **Conference for the Gur Hasidic community in Dimona** - In October 2022, the Financial Growth Center held an instructional session on household finances for dozens of yeshiva students from the Gur Hasidic community in Dimona.

◆ **Conference for business owners in the ultra-orthodox sector** - In November 2022, approximately 250 business owners of the ultra-orthodox sector participated in a targeted conference, which included a professional panel on businesses coping with challenging times and potential financial solutions.

◆ Financial empowerment for women in the ultra-orthodox sector

We founded the Ultra-Orthodox Women in High Tech Community, in collaboration with the non-profit organization Kamatech and the Alumnae Forum, and held a series of professional lectures in the areas of finance, personal growth, and career development. Fourteen Coding Bootcamp workshops were held for approximately 300 students, with the participation of leading high-tech companies. As of 2022, more than 100 graduates have found job placements at a range of companies, earning three times the average salary they would have had without the program.¹³

Accessibility for customers with disabilities

We take action to realize the basic right of every customer with a disability to receive the full range of offered services, in the most respectful, equitable, and independent way possible

About 1.5 million people with physical, mental, and/or cognitive disabilities live in Israel, or approximately 17% of the adult Israeli population.¹⁴ Bank Hapoalim views accessibility for people with disabilities as an essential value and as its obligation as a business, integral elements of its approach to service and social responsibility. In addition to actions taken to ensure that the bank's buildings and services are accessible, we are committed to doing our part to make Israel a country that removes obstacles from the path of people with disabilities. Accordingly, we work to improve quality of life for people with disabilities and the way they are treated, mainly through collaborations and projects aimed at raising awareness, developing technological products, and promoting employment of people with disabilities.

We take action to realize the basic right of every customer with a disability to receive the full range of offered services, in the most respectful, equitable, and independent way possible. The bank has an obligation, derived both from regulation and from the standards it has voluntarily adopted, to adapt and create dedicated

solutions for various types of disabilities, in order to enable all customers to receive optimal service. Accessibility processes are performed routinely and continuously, including physical accessibilization of buildings as well as accessibilization of technological means, information, services, and products for our customers and employees. The accessibility process is based on dialogue conducted by the bank with relevant stakeholders, regulatory agencies, and professionals in this field, and guided by the Access Israel Foundation.

Accessibility of branches and buildings

100% of the premises of the bank are accessible to people with disabilities. All branches of the bank have:

- ◆ **Convenient accessible entry**, wide passages free of obstacles, accessible restrooms, signage in compliance with legal requirements, and at least one accessible ATM. Branches with more than one floor have elevators, wheelchair lifts, or elevating platforms.
- ◆ **Assistive systems: Step Hear** - An active voice guidance system providing voice instructions for people with visual impairments, to help them locate branch entrance doors and accessible ATMs.
- ◆ **Call Hear** - A device designed to alert the banker stationed at the accessible service desk of the branch that a customer with vision impairment is at the entrance to the branch and in need of assistance.
- ◆ **Accessible service stations** for the various types of service, in each department of the branch, compliant with accessible service regulations and equipped with the following devices:

- ◆ Wheelchair-adapted desks and accessible chairs with handholds, and an accessible waiting area.
- ◆ Inductive Loopset - A system designed to improve dialogue with customers who have auditory impairments, allowing them to hear only the banker through a hearing aid, without superfluous background noise.

In order to ensure that the quality and level of accessibility are maintained over time, we regularly monitor accessibility features and remedy deficiencies as necessary, through several functions:

- ◆ Branch employees and managers perform semiannual monitoring of accessibility status according to parameters established by the head of accessibility at the bank, in collaboration with the Access Israel Foundation.
- ◆ Maintenance supervisors at the bank visit each of its locations (branches and head-office buildings) annually to check the physical accessibility of buildings, accessories, and furniture.
- ◆ In projects involving layout changes or renovation of the bank's branches or buildings, an internal and/or external accessibility official ensures that accessibility is maintained in the new planning.

As part of the process of maintaining the accessibility of the bank's premises, our employees can use an app to report a problem or lack of physical accessibility; reports are conveyed directly to the relevant party.

13. Data received from Kamatech.

14. Based on data of the Equal Rights for Persons with Disabilities Commission.

Accessible service self-test

Since 2018, the bank has conducted an annual voluntary self-test of the quality of service provided by the bank to customers with disabilities. The decision to perform a service self-test was made in the understanding that the process of instilling accessibility at a large organization is exceptionally complex, and based on a genuine desire to ensure that implementation is successful on the practical level and takes the full range of needs of people with disabilities into account. The test is conducted with the assistance of external testers with various disabilities who visit our branches as "mystery" customers, as well as experiencing the service offered by the call center and through the digital channels. **Mystery customer surveys by people with disabilities were performed at approximately forty branches in 2022; surveyors used questionnaires developed at the bank to rate the level of accessible service at the various branches and at the call center. We have seen continual improvement over the years in the results of the survey, which continued in 2022. The survey findings are presented to the management of the Retail Banking Division each year, and integrated into the work plans of the bank.**

Accessible ATMs and self-service devices for customers with vision impairments

All locations where Bank Hapoalim self-service devices are available have been adapted for physical and technological accessibility. Self-service devices adapted for people with disabilities are marked with an accessibility symbol, and Step Hear voice instruction systems have been installed to

easily guide customers to the accessible devices. We have also installed accessible self-service deposit stations for business clients. These devices allow customers to enter the amount of their deposit using an accessible app and deposit checks and cash into the automated station, during and after the business hours of the branch.

The height of the self-service devices and the access routes to them were adapted to ensure accessibility to people with physical disabilities. The accessible devices can also be operated by people with vision impairments. Display and print fonts can be enlarged, and instructions can be received by voice using headphones. These devices can also be operated using an accessible physical keyboard. Instructions are provided in four languages: Hebrew, English, Russian, and Arabic.

Accessibility of banking services through the bank's digital channels

Technological innovations, which are an integral part of the service offering for our customers, allow access to the full range of products and services, at any place and time, through telephone call centers or through a computer or smartphone, using advanced, convenient interfaces. Accessibility of these channels represents a leap forward in possibilities for people with disabilities to consume banking services in ways convenient to them. The bank's website, including marketing content and banking services, is in compliance with the requirements of the Israeli standard at Level AA, Grade 2. We have added a guide on carrying out the most common transactions using screen readers to the bank's website, to assist customers with vision impairments who use this technology.

Benefits, services, and products available to customers with disabilities

◆ Accessibility of information to customers

◆ **Reading forms aloud** - At the customer's request, a banker at a branch will read the relevant forms aloud. Audio files of long forms have also been uploaded to the bank's website.

◆ **Accessible mail** - Customers who find it difficult to read mail received from the bank can contact their branch, or a banker at Poalim by Telephone, and ask for the document to be read aloud to them. We also applied an automated accessibility process in which materials mailed to customers are uploaded to the bank's website and the Account Management app as accessible files.

◆ **Sign-language interpretation** - On complex financial subjects that require extensive discussion, a meeting can be held at the branch in the presence of a sign-language interpreter.

◆ **Accessible print** - At the customer's request, forms will be supplied in accessible print or in Braille.

◆ **Skipping the line** - The bank's personal service system offers a Direct Reception function for people with disabilities, who are exempt from waiting in line.

◆ **Exemption from scheduled appointments** - Service at the branches of the bank requires scheduling an appointment in advance. Customers with disabilities are exempted from the regulations and can visit branches freely, without advance scheduling.

◆ **Priority in line at the Poalim by Telephone call center** - Customers with disabilities have priority in line at the call center. They also have the option of using a voice signature, so that they do not need to remember and enter a password.

◆ **Written messages to bankers on the website and application** - Customers with hearing impairments can be served by bankers via written communications on the digital channels.

◆ **Mail-to-fax service** - For the convenience of customers with disabilities, they can also receive service in writing by sending a fax or an email attachment.

◆ **Fee discounts** - Four transactions by tellers per month are performed at the fee usually charged for a direct-channel transaction; accounts are registered for the Poalim Basic fee track.

◆ **Card-free cash withdrawals via text messages** sent to the customer's mobile phone.



Photo: Deddy Kochan, Social Banking Center.

In 2021, we worked to raise awareness among customers with disabilities of the benefits to which they are entitled. We advertised the relevant benefits through various channels: the Account Management app, the bank's website, the bank's Facebook page, and screens at the branches, as well as through bankers at the branches and the Poalim by Telephone call center. In 2022, we continued to work to raise customers' awareness in this area, including through newspaper advertisements.

Banking products to encourage accessibility in Israel

As part of our commitment to the promotion of accessibility in Israel, we have adapted banking products to meet the needs of people with disabilities and of businesses seeking to become accessible. The bank developed the **Accessibility Toolbox** for businesses, consisting of videos explaining how to adapt and improve the service experience for people with disabilities in order to comply with the requirements of the Accessibility Law, while gaining the added value of a broader customer base.

In early 2023, we developed a loan targeted to our small-business customers, for financing the costs of the preparations required in order to make the business accessible to customers with disabilities.

Mortgages for people with disabilities -

In Israel, until 2018, people with life-shortening disabilities were not eligible for mortgages, due to the refusal of insurance companies to provide them with coverage. We led an initiative, mobilizing the banking system, the Israel Insurance Association, and the state, which resulted in eligibility for housing loans in amounts of up to NIS 1 million for this population. This program is backed by a commitment of the state to subsidize insurance premiums for eligible borrowers.

Training the employees of the bank to provide adapted service to people with disabilities

At an organization serving millions of customers, we consider training and instruction of employees to provide accessible service a core element in the process of embedding accessibility. We accord high importance to employees' familiarity with the range of challenges faced by people with disabilities, alongside the various solutions we offer for the provision of accessible service. We have established a dedicated content area on the bank's portal for this purpose, with comprehensive, current, regularly updated information on topics such as accessibility and adapted tools at the bank, fundamentals of service for people with disabilities, and the accessibility of the bank's website. All employees of the bank also participate in training on this subject through tutorials, including instructional videos we produced. The accessibility coordinator has held training sessions for various professional forums at the bank, including branch managers, branch attendants, and ombudsman employees.

During the course of 2022, accessibility trustees were appointed at all branches of the bank; the trustees review the soundness of the branch's accessibility devices twice a year. The accessibility trustees are the first to receive updates of professional information on accessibility, and serve as a resource on this subject for branch employees, along with the Diversity and Accessibility Unit at the Social Banking Center.

2022 plans - status:

2022 plans	Status
Continue to improve service for customers with hearing impairments.	✓ Completed
Improve service for customers with invisible disabilities.	✓ Completed

Future Plans

- Continue to improve service for customers with invisible disabilities.
- Continue to improve results of mystery customer surveys by customers with disabilities.

~270 women

participated in employment initiatives for inclusion in the job market and/or mentoring on economic growth for their businesses in 2022.



Photo: Rotem Hason, Corporate Banking Division; Meital Zuberi, Banking Services Division.

Gender equality and economic empowerment for women

We are taking action to promote gender equality, as part of our efforts to reduce social inequalities and provide equal opportunities. Personal and economic empowerment of women in Israeli society contributes to their ability to find their place and make progress in the job market in proportion with the percentage of women in the population; enables them to achieve greater impact and take an active role in shaping opinions, attitudes, and values; and helps increase productivity in the Israeli economy.

To map gender-related challenges and design optimal solutions, we conducted several surveys. The findings point to several differences between men and women in their perceptions of financial issues:

- ◆ Men tend to be more satisfied with their financial condition and are able to save more.
- ◆ 43.9% of men evaluate their financial knowledge as above average, versus just 23.6% of women; in practice, no major differences in knowledge levels were observed. Women were found to be less familiar with the details of their pension plans.

The surveys pointed to a gap in perceptions regarding salaries, careers, business entrepreneurship, and money in relationships:

- ◆ Approximately 90% of women estimated that women earn less than men, and 50% said women ask for lower pay than men for similar jobs.
- ◆ Approximately 60% of respondents said women were less likely than men to dare to apply for a senior position, and had less of a tendency to start an independent business.
- ◆ About two-thirds of women agreed with the statement that women, more than men, tend to stay in unhealthy relationships for financial reasons (higher than the percentage of men who agreed with this statement).

In the last two years, we have been seeing growing awareness among women of the importance of knowledge and tools for astute financial behavior. Women are signing up for courses on economic topics and joining communities that share knowledge about the capital market. However, our survey indicates that women manage to save less and report a higher level of debt compared with men, and express worry about their ability to pay for routine expenses. Accordingly, in recognition of the importance of the economic empowerment of women and the promotion of gender equality, we have worked in recent years to advance economic growth for women in Israeli society through support for non-profits and initiatives focused on employment, financial guidance, and business entrepreneurship for women.

- ◆ We supported an incubator program by the Lotus Foundation promoting employment for women with religious and traditional lifestyles in Druze society from the Galilee and Carmel region.
- ◆ We supported the Mizrach Ma'arav (East West) program, which supports entrepreneurship by Jewish and Arab women in Jerusalem. The goal of the program is to develop women's entrepreneurship and form economic connections between the two sides of the city of Jerusalem through dialogue and neighborly relationships between entrepreneurs. Approximately 1,000 women entrepreneurs will participate in the program over the coming three years.
- ◆ We also supported a range of initiatives promoting the employment of women in the ultra-orthodox sector and in the Arab sector (for details, see pages 54-58).

Women's Investment Community

To empower women interested in the capital market and boost their confidence in financial investments, we founded a community for women, led by the Bank Hapoalim research and advisory unit with the Financial Growth Center. The Women's Investment Community offers lectures and knowledge on investing in the capital market and a content area within the Financial Growth Center website. In 2022, three online meetings led by experts from the bank and external lecturers were held for the community. Hundreds of women attended the meetings and expressed high satisfaction with the experience.

Promoting women's employment and entrepreneurship

- ◆ We supported the foundation of five employment centers for women, of Group 19 by the entrepreneur Hannah Rado, in Ofakim, Sderot, Yeruham, Rahat, and Safed, focused on marketing, digital services, software, and bookkeeping. 120 women are employed at these centers.
- ◆ We provided mentoring on business growth for women owners of small businesses, in collaboration with the non-profit organizations A Business of Your Own and Jasmine.
- ◆ We supported the project From Risk to Opportunity, in collaboration with the Jaffa Institute (the Tel Aviv Jaffa Education Promotion Foundation), aimed at optimal inclusion of women from disadvantaged population segments (such as women who have been victims of violence and formerly incarcerated women) in the job market.

The Available Banking Compact and assistance for victims of abuse

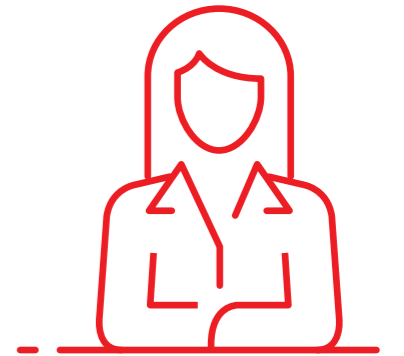
The banking system has established a compact for appropriate treatment of women who have experienced abuse and are staying in shelters or halfway houses, and assistance for women treated at community centers. The compact was formulated by the Banking Supervision Department, in collaboration with the Association of Banks, in light of the awareness that women in this situation may struggle to manage their finances, and that in the absence of sound financial guidance they may remain financially dependent on abusive partners. To implement the compact and assist these women, the bank has appointed liaison staff, led by the ombudsman, to be available to them in order to manage their accounts, with full confidentiality. The service includes ensuring that state allowances to which the women are entitled are at their disposal, and assisting them in dealing with joint accounts, obtaining reliefs on payments, spreading out payments on debts, and more.

The bank also helps women who have suffered abuse by providing skills for astute financial behavior, in instructional sessions by the Financial Growth Center and through volunteer work by employees at bank branches located near the shelters. The bank has donated hundreds of thousands of shekels to crisis centers and shelters for women who have suffered abuse.

On the International Day for the Elimination of Violence against Women, Bank Hapoalim ran a nationwide media campaign including billboards in Tel Aviv, Haifa, and Beer Sheba, advertisements on social media, and lighting of the bank's headquarters building in red, symbolizing red flags and warning signs, aimed at raising awareness and calling for action to eliminate this problem.

Promoting personal empowerment and growth

- ◆ **Shavot** - The bank supported a leadership program for adolescent girls by the non-profit organization Shavot, designed to strengthen self-esteem and impart skills to help the young women realize their ambitions. In addition to our monetary support, dozens of women employees of the bank volunteered during Girls' Week by giving lectures for inspiration and enrichment to girls and boys at schools across Israel.
- ◆ **Miss Fix the Community** - A joint venture of the Social Banking Center and Miss Fix the Universe by the Israel Women's Network, aimed at encouraging social entrepreneurship by women. Three social initiatives aimed at strengthening and empowering women were selected for the project, with an emphasis on socially and geographically peripheral regions. The winning initiatives received grants in the amount of NIS 100,000, NIS 75,000, and NIS 50,000. Three initiatives also won Special Mention awards and received grants of NIS 10,000 each.
 - ◆ In first place was the Safe Online project by the organization Nashim LeGufan, which promotes safety on the internet for girls in the areas of sexuality, relationships, and body image.
 - ◆ Second place went to the Jaffa Academic Forum project, aimed at raising the level of academic degrees and higher education in Arab society as a way of improving economic and social status.
 - ◆ Third place was won by Shavot, a leadership organization for girls, which promotes leadership skills and social initiatives by girls from all parts of Israel, with the aim of creating a generation of change-leading girls.



Meet Danitte the Saver

The importance of astute financial habits from an early age is widely acknowledged, and further highlighted by the gaps demonstrated in the surveys described earlier in this chapter. These insights were the foundation for the idea to create an inspirational character for girls: on International Women's Day, we introduced Danitte the Saver - granddaughter of our mascot Dan the Saver, who has been a symbol of responsible financial behavior for decades. Danitte the Saver was created as an inspiration and model for girls and women, to encourage acquiring habits and capabilities for astute financial behavior and promote financial growth and economic independence.

פועלים בקהילה 
בנקאות חברתית

Along with its business activities, Bank Hapoalim has been committed for many years to the advancement of society and the community, and has acted to reduce inequalities and create equal opportunities for every segment of Israeli society. Based on this approach, the Poalim in the Community Foundation in the Social Banking Center supports hundreds of initiatives aimed at bolstering employment, education, and financial resilience, and contributing to the reduction of inequalities among hundreds of thousands of adults, children, and adolescents in every part of Israel. This activity is conducted in partnership with non-profits, social organizations, and public and government institutions, and takes the form of community engagement, monetary donations, money-equivalent contributions, financing and running workshops by the Financial Growth Center, and extensive volunteering activities by the employees and managers of the bank.

In every activity, we aim for the beneficiaries of our support to also serve as power multipliers – passing the positive impact on to others by volunteering themselves. For example, students who receive scholarships from the bank are required to volunteer for social causes. Together, we multiply the impact, changing reality for wide circles of Israeli society.

Our focus areas for social action

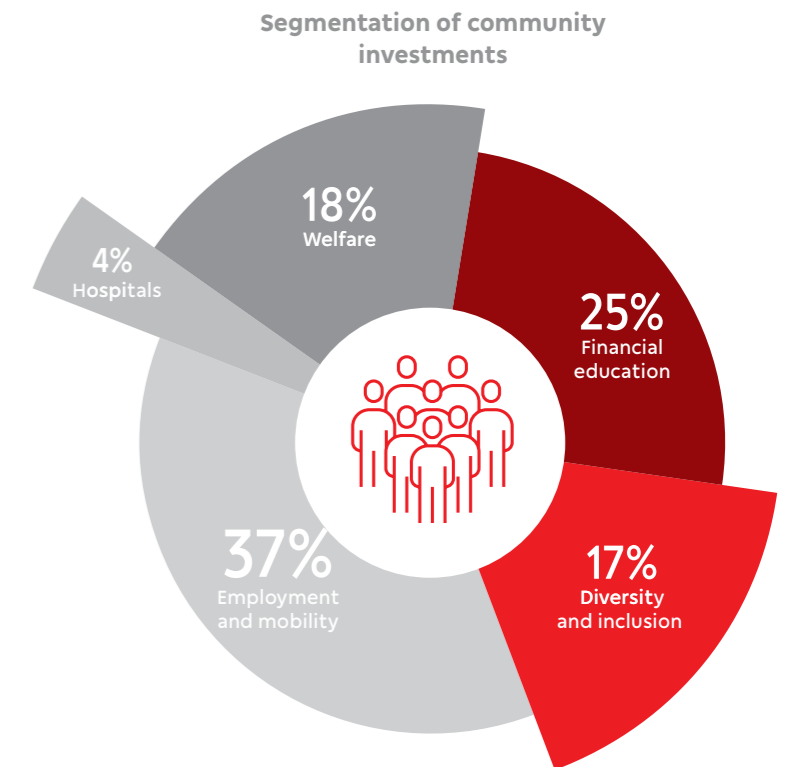
The focus areas for social action in the coming three years were selected by juxtaposing the needs of Israeli society with the Sustainable Development Goals of the United Nations and the core capabilities of the bank as a financial organization:

- ◆ Employment and social mobility
- ◆ Diversity, gender equality, and inclusion
- ◆ Financial education

In addition to these focus areas, we are committed to being attentive to social needs as they emerge in real time, and stepping up to respond. We therefore allocated resources for support in the areas of health care and well-being, assistance for women victims of violence, and continued support for immigrants from Ukraine.

NIS
38
million

social investments of Bank Hapoalim in 2022¹⁵



Bank Hapoalim was voted the leading organization in social action and contribution to the community for the fifth consecutive year, of all business organizations in Israel, in a survey¹⁶ conducted by CI in December 2022.

Action to benefit society and the community

¹⁵ Including the Financial Growth Center and the Impact Fund.

¹⁶ The survey included 1,012 participants.

Principal social investments in 2022

Employment and social mobility

The unemployment rate was approximately 4.3% in 2022, but several population groups were left behind, still struggling to find their place in the job market – primarily people from socially and geographically peripheral regions, and people with disabilities.

We continued to support ventures promoting employment in 2022, including quality training and placement for people from peripheral regions, providing skills and guidance for joining the job market. We also supported entrepreneurship, small businesses, and high tech, encouraged education, and supported empowerment for the generation of the future. The key social impact of promoting quality employment is increased income from work, as well as heightened social mobility, independence, sense of competence, and well-being for individuals.

Tools and individual guidance for joining the job market

Some examples of activities supported by the bank in 2022:

- ◆ 485 young people participated in occupational training at eight technological innovation centers of the non-profit organization Mona, at Kafr Qasim, Eastern Negev, Idan Hanegav, Beit Hakerem, Jaffa, Umm al-Fahm, Baqa al-Gharbiyye, and Daliyat al-Karmel. The centers operate a unique model connecting municipalities with local industry and providing training according to business clients' needs.
- ◆ 2,500 men and women of the Arab community participated in job fairs and webinars, in collaboration with the non-profit organization ITWorks; of these, 500 people attended professional training programs and 300 found quality employment.
- ◆ We supported approximately 500 men and women of the ultra-orthodox, Arab, and Ethiopian-origin Israeli communities in finding placements at high-tech companies through non-profits specializing in this field – Kamatech, Portland, and JBH.
- ◆ 120 women from peripheral towns (Ofakim, Sderot, Yeruham, Rahat, and Safed) joined the labor market with the aid of Group 19 and the entrepreneur Hannah Rado.
- ◆ 320 students of the Arab community participated in seventeen business clubs run by the non-profit organization Kav Mashve.

The impacts of our activity:

In 2022, we sponsored and supported 45 employment initiatives in which approximately 19,000 people received tools and individual guidance in the area of employment, of whom 3,103 have already found work. Based on an impact study we conducted with the consulting firm Deloitte, the economic impact arising from the social investments of the bank in these employment initiatives is estimated at NIS 56.7 million.

4,350
small businesses
received knowledge,
tools, and guidance
for economic growth,
sponsored by the bank

Supporting entrepreneurship, small businesses, and high tech

Small businesses are a pillar of the Israeli economy and provide an important growth driver by cultivating entrepreneurship and innovation and providing occupational opportunities to diverse segments of Israeli society. The bank supports small businesses, self-employed people, and entrepreneurs, including in the high-tech industry, through collaborations with relevant parties.

Some examples of activities supported by the bank in 2022:

- ◆ The Keren Shemesh small business community, sponsored by Bank Hapoalim – 1,700 businesses receive mentoring support, some provided by volunteer bank employees.
- ◆ Business guidance – 2,650 businesses received guidance from the non-profit organizations Jasmine, Future Enterprises, and the 8200 Alumni Association, with sponsorship from the bank.
- ◆ Promoting entrepreneurship and the high-tech industry – The bank supported leading non-profits such as 8200 Impact, Kamatech, JBH, and Israel Initiative, which granted aid to approximately 150 entrepreneurs.



Darom Adom (Red South) Festival

The Darom Adom Festival, held annually in the northern Negev during the red anemone blossom season, promotes tourism and connects farmers, farmers' markets, small businesses, and natural sites through activities for families. For the fourth consecutive year, we provided a 50% subsidy for tickets to fifty attractions operated by local businesses.

The impacts of our activity:

Based on an impact study we conducted with the consulting firm Deloitte, the economic impact of our activity for small businesses is estimated at

NIS
~13.7
million

Studies show that ongoing professional guidance for small businesses contributes to improvement on a range of business metrics, including profitability, staff management, and growth.

The impact assessment was based on professional and academic research and on prevalent evaluation methodologies, with self-reports by the small businesses participating in the programs on their business performance.



Photo: Husniya Ibn Beri, owner of "Husniya House", a Bedouin accommodation complex in Rahat, guided by the Jasmine association.

Encouraging higher education and empowering the generation of the future

Education and learning are key components contributing to the reduction of social inequalities, through stronger capabilities and skills of young adults and adolescents and qualifications for twenty-first century professions. Investment in education also contributes to the cultivation of young leadership, excellence, and a sense of competence. The bank therefore chose to support two scholarship funds through Poalim Community – Poalim Success, in cooperation with the non-profit organization Educating for Excellence; and Growing With You, which is targeted to the Arab community, with the non-profit organization Amanina. We also support additional scholarship funds and educational initiatives.

Encouraging higher education

320 students, most from peripheral regions, 130 of which are from the Arab sector, received scholarships in a total amount of approximately NIS 1.95 million. As part of our social strategy in which beneficiaries become power multipliers, students who receive our scholarships volunteered in the area of education and empowerment of adolescents in one of 34 financial and digital literacy centers. Each student contributed 60 to 160 hours per year.

The impacts of our activity:

The economic impact of the scholarships granted by the bank for higher education results from an increase in income for the students who complete their degrees. An impact study performed by the bank with the consulting firm Deloitte estimated that the scholarships led to a cumulative increase of approximately NIS 4.6 million in the graduates' earning power, or an average increase of approximately 0.44 income deciles for each graduate.

Encouraging entrepreneurship of adolescents to support their future entry into the job market

In view of our ambition to create opportunities for adolescents that lead to meaningful career development allowing for financial independence, we support initiatives that offer tools and skills for entering the new world of work, such as management skills, entrepreneurship, innovation, personal and social skills, and more.

5,631 adolescents received guidance and instruction on personal development, development of entrepreneurship, and future participation in the job market

Selected activities supported by the bank in 2022

- ◆ 1,200 adolescents from peripheral communities participated in entrepreneurial programs by the non-profit organization Unistream, which offered them the opportunity to experience founding a start-up company, from the idea phase to business development. 95% of the graduates of this program over the years earned full high-school matriculation certificates, and 61% continued to higher education.
- ◆ We supported the non-profit organization Insights in Education, which operates a project aimed at breaking the link between socioeconomic status and education. Our support made it possible to run the project at four secondary schools: ORT Lod, Bialik Rogozin, Reshit Banot, and Herzog.

- ◆ Twenty adolescent boys and girls participated in the Youth Team program by the non-profit organization HaGal Sheli (My Wave), which offers educational and leadership skills, taking an active role in instruction at the organization and volunteering in the community.
- ◆ 150 adolescent boys and girls participated in a leadership development program by the Ramon Foundation and LEAD.
- ◆ ~300 adolescents from the Kedma Youth Village and from the town of Karmiel participated in training programs for roles such as coffee-shop manager and restaurateur.
- ◆ ~250 adolescents of the Bedouin community participated in the Leadership and Entrepreneurship Incubator, targeted to high-school graduates with leadership potential and a strong focus on social change. The one-year program offers life skills and capabilities; many participants continued to a subsequent program for graduates in academia.
- ◆ 300 girls and boys aged 15-18 in the town of Kiryat Mal'achi and their families were mentored over the course of a year by scholarship-recipient students who had served in the IDF's Maglan Unit. Support was provided through structured lesson plans emphasizing financial knowledge and the development of occupational skills, including preparation for interviews, in advance of military service and job searches.
- ◆ 360 adolescent boys and girls participated in the Elem Poalim Letaasuka program, which provides occupational guidance to at-risk adolescents and young adults preparing to join the job market and offers skills and tools for employment and astute financial behavior.



Promoting diversity, inclusion, and gender equality

Demographic and cultural processes are reshaping Israeli society, a mosaic of different populations living side by side. As an organization, we are a reflection of Israeli society; we both employ and serve diverse groups of people. We therefore work to connect different parts of society and find the common ground they share. Our community activities include projects aimed at fostering deeper coexistence, forming stronger bonds, and getting to know those different from ourselves. For example, during the holiday of Passover, people from every segment of Israeli culture come together to visit sites open to the public with the bank's sponsorship, such as Beita Israel Village, which preserves and commemorates the heritage of Ethiopian Jews; the Museum of Islam; the Umm al-Fahm Art Gallery; and the Anu Museum of the Jewish People. We also support social organizations such as the Friendship League, A New Way, and others that promote dialogue between Arabs and Jews. These activities join our other efforts aimed at promoting diverse employment, designed for the ultra-orthodox sector, the Arab sector, Ethiopian-origin Israelis, and women, as described earlier in this section.

Empowerment of people with disabilities

About one and a half million people with physical, mental, or cognitive disabilities live in Israel, or approximately 17% of the population.¹⁷ Bank Hapoalim considers accessibility for people with disabilities a significant social value and an integral part of its service concept and social responsibility, rooted in the belief that the Israeli economy and society as a whole benefit from maximization of the individual potential of every person with a disability. The bank therefore works to improve

quality of life for people with disabilities and the way they are treated in society. In 2022, we continued efforts to empower hundreds of thousands of children and adults with disabilities through a range of projects in collaboration with selected non-profits and organizations in this field, including Variety, Adi Negev, Ma'agalei Shema, the Jordan River Village, Krembo Wings, House of Wheels, AlManarah, and more. These organizations and non-profits work to support people with disabilities in all areas of life and help them maximize their individual potential and achieve optimal inclusion in society.

In 2022, we continued to focus our activities dedicated to people with disabilities in two main areas:

1. Promoting employment of people with disabilities

The employment rate among people with disabilities of working age is approximately 57%, compared with 77% of people without disabilities. Average monthly wages of employed people with disabilities are lower by approximately NIS 1,200 than average wages of people without disabilities; further, many people with disabilities are employed in positions that do not correspond to their level of education or qualifications. As part of our activity in this area, we led the issue of employment of people with disabilities at the Israel Economic and Social Forum, studying needs of major employers. We also supported projects promoting employment for people with disabilities through various non-profit organizations, such as the foundation of a department at the Shalva Center dedicated to training and employment for people with disabilities, which helps produce Shalva events and conferences. In another employment project, in collaboration with the Access Israel Foundation, hundreds of job seekers received training and tools for preparation for the world of work, as well as connections to employers, who offered a range of relevant positions.

Selected activities in 2022

- ◆ **Social Tech** - Within the ambition of the bank to spur innovation and entrepreneurship dedicated to social objectives, we founded the Accessibility Section at the 8200 Impact Social Accelerator in 2019. The fourth session of this program was held in 2022, providing guidance to startups developing initiatives, services, and solutions for people with disabilities (for further details, see the section "Supporting the growth of high-tech companies," p. 29).
- ◆ **Support for ALYNnovation, the innovation center of ALYN Hospital** - The center operates a unique model for collaboration with startups, aimed at empowerment and improved functioning for children and adolescents with disabilities in Israel and worldwide through the development of technologies to assist rehabilitation and everyday life, together with local and international organizations and companies.
- ◆ **HackAutism** - A social and technological venture promoting innovative solutions to challenges faced by people on the autism spectrum. In 2022, we hosted an event for potential investors from Israel and other countries with the leading technological ventures that participated in the hackathon.
- ◆ **Support for the Shalva occupational center** - The goal of the center is to help its graduates achieve employment, independence, and community inclusion. Over 100 workers with disabilities create artwork, ceramics, jewelry, woodwork, and more for sale at the Shalva store.
- ◆ **Approximately sixty employees participated in the Special in Uniform (Gdolim Bemadim) program**, which provides guidance and skills to newly discharged IDF soldiers with disabilities for quality personalized inclusion in the job market.
- ◆ **Support for the establishment of a paramedical center at the ADI Negev Nahalat Eran Rehabilitation Village** - A first-of-its-kind center in the Negev region, offering medical and rehabilitation services to people with disabilities, as well as support for the training of forty new rehabilitation staff members directly employed by the village, who care for 250 people with disabilities residing in the village.

¹⁷ According to data of the Equal Rights for Persons with Disabilities Commission, Ministry of Justice, 2021.

2. Raising awareness of the inclusion of people with disabilities in society, and helping to raise resources for their well-being

Within the ambition to empower people with disabilities and foster their inclusion in all areas of life, the bank includes people with disabilities in its advertising campaigns, which reflect the diversity of Israeli society.

The impacts of our activity:

- ◆ Wheelchairs placed at 21 hospitals nationwide. To date, 636 wheelchairs have been placed at hospitals, and loaned 324,600 times.
- ◆ 160 people with disabilities received support for employment (training and placement, in collaboration with major organizations).
- ◆ Six startups developing assistive technologies received assistance from the bank.

In 2022, the bank won two awards for its efforts to empower people with disabilities:

- **The 2022 Access Israel Award**, given in appreciation for exceptional leadership in accessibility at a large organization.
- **The Yakir Elem award**, given at a ceremony with 1,000 guests, attended by the bank's chairman.

Promoting gender equality

We value the promotion of gender equality and economic empowerment for women, who make up 51% of the population of Israel. This is one of the social goals we have undertaken – to reduce inequalities and promote equal opportunities in Israeli society. Accordingly, in recent years we have supported non-profits and initiatives working towards employment, financial guidance, and business entrepreneurship for women, as well as activities to cultivate self-esteem among girls and women and encourage personal growth and development.

For further information, see the section "Gender equality and economic empowerment for women" on p.63.

Financial education

Financial education is an important element of the bank's investment in social causes, as part of its commitment to the promotion of astute financial behavior for the general public in Israel, rooted in the belief that action in this area will lead to economic growth and a thriving future society. The Financial Growth Center was established in 2018, as a hub for learning and acquiring knowledge and tools supporting astute financial behavior; its services are offered to the general public nationwide free of charge. The Financial Growth Center teaches content relevant to significant financial crossroads in people's lives, such as expansion of the family, taking a mortgage, digital marketing for businesses, career changes, pension planning, and more. For further information, see the section "Financial Growth Center" on page 47.

Nationwide projects

- ◆ **Sites and museums open to the public during Passover vacation** - To make the culture and heritage of Israel accessible to all parts of the population, Bank Hapoalim invites all Israelis to travel during the holiday of Passover and visit a range of sites across Israel free of charge. This project, led by the bank, has been ongoing for eighteen years. In Passover 2022, 52 sites across Israel were opened to the general public, including thirteen small businesses in southern Israel, as well as 150 tours and activities.
- ◆ **Over 200,000 people** visited dozens of museums and heritage sites opened to the public free of charge, at the initiative of the bank and with its full sponsorship.
- ◆ **Annual Israeli art exhibition** - Over 3,000 people visited and bought artwork at the bank's annual art exhibition, held for the twenty-second year. The exhibition showcases young Israeli artists; this year, it was dedicated to at-risk youth. NIS 1 million was donated through the exhibition to the non-profit organizations ELEM and Otot and to the Cooking Up a Future project by Rabbi Grossman Enterprises.
- ◆ **The Great Mall Challenge** - A values-based financial education experience for families, held free of charge during the holiday of Hanukkah. Sites were set up at six major shopping malls across Israel, inviting visitors to complete a set of activities to achieve prudent, frugal shopping. Over 32,000 people participated in these activities during the week of the holiday.

- ◆ **The Erech Laderech initiative for training of non-profits** - An initiative for empowerment of the third sector, in collaboration with the non-profit organization Alumot, in which non-profit groups and organizations are provided with business and management tools to promote long-term robustness, based on the ability to raise resources from a variety of sources. Four new sessions of the program were held in 2022, of which two were targeted to specific groups - one session attended by staff from approximately forty community centers, and one for non-profits in the Arab sector.

1,250 non-profit organizations have received guidance and training through the Erech Laderech Initiative since it began in 2017. Participating organizations report that they have raised resources in a cumulative amount of NIS 25 million¹⁸



Bit mobilizes for social causes

In 2022, the bank took part in twelve nationwide fundraising campaigns, in which the Bit app served as a key channel for donations. During the year, approximately NIS 15.5 million was raised through the app for children and adults with disabilities, wounded IDF veterans, and holiday meals for people in need.

The total direct economic impact of the social investments of the bank in 2022 is estimated at

NIS ~178 million

Impact calculations throughout this chapter were performed with the consultin gfirm Deloitte. The calculation is based on quantification of the broad socioeconomic impact resulting from the social investment of the bank, including the activity of the Poalim Community Foundation, the Financial Growth Center, and the bank's volunteering network. Economic impact is reflected in various indicators, among a wide range of beneficiaries, including improvement in beneficiaries' occupational skills and income; increase in households' disposable income following improvements in financial literacy; improved business performance and better ability to recruit and retain employees at small businesses receiving support and guidance; and more.

The bank does not donate money or equivalents to political parties, politicians, or political institutions. Financing for conferences and sponsorships for events are granted only to non-profit organizations and professional bodies, with controls and approvals by professional functions at the bank to ascertain that the sponsorship complies with the bank's rules for the prevention of bribery and corruption. Donations are given through the Poalim Community Foundation to registered non-profits and public benefit companies only, in accordance with the guidelines established by the bank for the prevention of bribery and corruption. Donations by the bank are approved by its social investment committee, headed by the chairman of Bank Hapoalim, and are aligned with the social strategy approved by the board of directors, which is in effect for a period of three years.

18. Based on data from the project manager for 2017-2021.

Bank Hapoalim volunteers

Our wholehearted volunteers

The values of volunteering, generosity, and helping others are inherent in the bank's organizational DNA. For years, the bank has encouraged volunteering and meaningful community engagement by its employees at all levels, leveraging their skills and capabilities to benefit the community. The bank has a national volunteering network in which thousands of its employees participate. The broad distribution of our branches makes it possible for employees to volunteer in a range of activities, turning the branch into a focal point in the community that can enrich local life.

Volunteer activities at the bank are overseen by the Poalim Volunteers unit in the Social Banking Center, which works in partnership with employees and with their involvement to maintain ongoing dialogue and exploration of needs with non-profit organizations and groups, opinion leaders

on social issues, government agencies and institutions across Israel, and the Israel Volunteering Council.

Volunteering activities vary widely in content and frequency, and involve a variety of community partners, so that every employee can choose to participate in an activity regularly throughout the year or in a specific volunteering event (for example, on holidays). Volunteer activities of our employees include assistance for elderly people, Holocaust survivors, and families in financial distress; packing and distributing food packages for people in need; assistance for people with disabilities; and lectures on astute financial behavior, offered nationwide.

Impact strategy

The Poalim Volunteers unit pursues activities in four main areas:

- 1. Continual expansion of the pool of employee volunteers and increase of their involvement** - The volunteering "menu" for employees is updated throughout the year, in an effort to ensure that volunteering options are varied, responsive to evolving current needs, and matched to the various degrees of commitment suited to each volunteer. Volunteering options are accessible to employees on the organizational portal and sent proactively to employee groups.
- 2. Heightened impact through collaborations and power multipliers within and beyond the organization** - Most volunteering activities are conducted through non-profits and social initiatives that receive monetary support from the bank, in alignment with our social focus areas.
- 3. Immediate response to emergency needs** - We are continually attentive to hardships of local communities; in events of extensive harm, we create immediate

~4,300 employees of the bank participate in volunteer activities, aided by a network of 380 Social Leaders

solutions. For example, during Operation Guardian of the Walls, branch employees and employee volunteers from southern Israel distributed food packages to members of the security forces.

4. A series of nationwide volunteering events

- ◆ Good Deeds Day - 3,105 employees participated in a wide range of activities at 187 locations across Israel. For the first time this year, the event was extended to ten days to allow more employees to actively participate and create a broader impact.
- ◆ Gifts were distributed nationwide for the holidays of Purim, Eid al-Adha, and Christmas.
- ◆ Food packages for elderly people, Holocaust survivors, and families in need were distributed across Israel before Passover, the Tishrei holidays, and Hanukkah.
- ◆ Food packages were distributed nationwide in the Muslim community during the month of Ramadan.

~58,500
volunteering hours

were invested in activities organized by Poalim Volunteers (of which approximately 48,000 hours invested by children of employees through the Summer Youth community program).

A volunteering tradition - the Summer Youth Community program

This was the tenth year of the Summer Youth Community program, in which children of employees aged 15-18 participate in activities for the community at various institutions during summer vacation. This year, over 1,200 adolescents participated, at 248 sites: summer camps, day programs for at-risk youth, elderly care facilities, organizations for children and adults with special needs, and more. The involvement of employees' children in community activities, and the experiences they share with their families, contribute to a sense of

meaning and to the development of social consciousness and values-driven behavior beginning in the teen years, as they gain familiarity with the needs of Israeli society.

Our survey of the participating adolescents and the non-profits where they volunteered indicated that the Summer Youth Community program was beneficial and valuable for the non-profits and institutions, and gave a sense of pride and meaning both to the adolescents and to their parents who work at the bank.

Teals

A program aimed at making computer-science studies accessible to students from socially and geographically peripheral regions of Israel was held for the first time this year, in collaboration with Microsoft Israel and Appleseeds Academy. Approximately 500 teenagers from schools in the towns of Bat Yam, Lod, Tira, Ramla, Kafr Qara, and more participated in the program, receiving assistance with theoretical and practical studies from 22 volunteers, mostly employees at the bank's IT Division. The volunteers support the students and their teachers through weekly meetings, and help them prepare for matriculation exams and complete projects.



Photo: Volunteers of the bank during a food packaging activity for Holocaust survivors and families in need.



Photo: Volunteers of the bank during a food packaging activity for families in need.

Unique volunteering platforms

Retiree volunteering

Volunteering that requires activity during work hours is referred to retirees of the bank, through a dedicated portal. In 2022, dozens of bank retirees volunteered to support hospital wards, in response to the increased need for volunteers at medical institutions. The Employee Volunteering unit supports the activity of the retirees by sending materials such as games, craft supplies, books, etc. to the venues where they volunteer, at their request. This year, for the first time, we offered bank retirees the option of using the digital platform Tribu to help organize their volunteering. Users connect to Tribu through a mobile app to select the location, type of activity, and hours, according to each volunteer's wishes and abilities.

Adopting units

Branches and head-office units of the bank have adopted more than 500 social organizations working

across Israel to benefit disadvantaged population groups, and participate in a wide range of activities dedicated to them. The bank encourages its branches and units to adopt non-profits and social organizations and to conduct ongoing guidance and mentoring activities with them, in which bank employees can share their professional knowledge. For example, the High Tech Branches unit adopted an activity of the non-profit organization Unistream by mentoring teen groups in startup development processes; corporate headquarters employees adopted two schools, as part of the program A Different Lesson, to teach financial education for children; two groups of volunteers from the technology units, in collaboration with the non-profit organization Restart, worked with three severely disabled wounded IDF veterans to find technological solutions to assist with the disability caused by their injuries; and more.

Matan - Investing in the Community:

The bank has collaborated with the Matan Foundation to benefit the community since 1999. Through the Matan Campaign, employees at the bank are given the opportunity to strengthen disadvantaged population groups and help promote a wide range of social causes. In 2022, employees of the bank donated a total of approximately NIS 500,000, mainly to benefit elderly people, Holocaust survivors, and children at risk. The bank matched this amount with a donation of NIS 500,000 to promote causes chosen by the employees. This year, for the first time, employees could donate through digital channels, where they could select the amount of their donation, the method (a single sum, regular periodic donations, or a donation of vacation days), and the beneficiaries (a general area or specific organization). This allowed us to avoid the use of thousands of envelopes and donation cards, as in previous years.

Over the last decade, a total of approximately NIS 16 million has been donated to Matan by the bank and its employees.



Photo: Volunteers of the bank during a food packaging activity for families in need.

Measurement and evaluation

To maximize the impact of volunteer activities, we apply monitoring and measurement to examine the effectiveness of the activities carried out by the non-profit organizations and the volunteers, in terms of broad and long-lasting impact.

- ◆ **Listening to non-profits and social organizations where bank employees volunteer** - After each volunteering activity, we contact the organizations to receive feedback, recommendations, and insights.
- ◆ **Listening to volunteers** - To enable each of our employees to strengthen their community involvement and impact, we regularly conduct satisfaction surveys for volunteers throughout the year, to consult with them and receive continuous feedback, through an internal online community for volunteers.
- ◆ **Roundtables with opinion leaders and social leaders** - Each quarter, we meet with volunteers for an open discussion to raise suggestions, think together about new activities, and identify needs of the organizations and the employees.

The feedback and insights drawn from regular planning of community activities help us apply the necessary adaptations and changes to heighten the impact of volunteering by bank employees.

Appreciation for excellence

To reflect the importance we accord to commending and appreciating our employees who volunteer, fifty outstanding volunteers are selected annually, of hundreds of employees recommended by their colleagues and managers. The outstanding employees are given the opportunity to present their contribution to the community, and they receive recognition and appreciation for their volunteer work, expressed in a certificate of excellence and a modest monetary gift. This year, we placed special emphasis on group volunteering efforts, where bank units adopt a specific venue for ongoing activity. Exceptional commendation was given to groups of employees who maintained volunteering efforts of this type over long periods.



over **500 social organizations**

and educational institutions have been adopted by units of the bank

~ **800 children from families in need**

received school supplies and backpacks for the new school year, collected and donated by employees and their families

~ **3,200 books**

for toddlers, children, adolescents, and adults were collected and donated by bank employees and distributed to dozens of preschools, hospitals, schools, and libraries across Israel.

~ **34,000 gift baskets were distributed**

to children and adolescents from all sectors of Israeli society (including ultra-orthodox and Arab) in youth villages, aftercare centers, special-education schools, and shelters for domestic-abuse survivors.

~ **5,900 food packets**

at a value of NIS 950,000 (donated by the bank), were packaged and distributed before the holidays of Rosh Hashanah, Passover, Ramadan, and Hannukah to families in financial distress, elderly people, and Holocaust survivors. 1,150 bank employees volunteered to package and distribute the parcels.



Strengthening employees' capabilities and well-being

Bank Hapoalim considers its employees the key to its success, and aspires to provide them with meaningful, influential work. It is our employees who guide customers and businesses and help them achieve astute financial behavior, better financial decisions, progress, and development. The bank is committed to cultivating and nurturing its human capital through continual dialogue, investment of resources in training, and the provision of tools to enable employees to advance and evolve, while also caring for their health and well-being.

A responsible work culture

The bank promotes an appropriate and responsible employment environment, and ensures compliance with the provisions of the law with regard to the terms of employment of its employees and of all workers employed on its premises. The bank also adheres to universal principles and norms that protect human rights in employment, as specified in the UN compacts¹⁹ and in the declarations of the International Labor Organization (ILO), on issues including the freedom of association, the right to conduct collective negotiations, and the prevention of discrimination and inequality.

Characteristics of the work environment at the bank

- ◆ Encouragement of professionalism and continual learning;
- ◆ A range of opportunities for personal, managerial, and professional development;
- ◆ Equal opportunities and prevention of discrimination;
- ◆ Caring for the health and well-being of employees and their families.

In 2020, we established five organizational values for the bank, based on the approach that organizational culture is a growth driver for business results:

- ◆ **Focus - dedicated to customers' best interests:** We focus our actions on what matters to customers; we are considerate of their evolving needs, to create meaningful value.
- ◆ **Delivery - making it happen:** We take the initiative and move processes forward quickly, to deliver relevant solutions in real time.
- ◆ **Partnership - working together, for you:** Cooperating and joining forces to let customers benefit from our full range of capabilities.
- ◆ **Growth mindset - growth and development:** We encourage curiosity, learning, and continual improvement, as the foundation for high-quality, up-to-date banking that advances our customers' growth.
- ◆ **Fairness - fair and responsible action:** We treat everyone with fairness and compassion; we act with integrity, justifying the trust placed in us by the public.

The five organizational values were translated into seventeen desirable behaviors, reflecting the ways in which each value takes practical shape during routine work. We also developed the Cultural Organizational Change Index, which expresses the desirable behaviors derived from the new culture, and allows us to examine the impact of the cultural change on business results. The index was distributed to all divisions of the bank. The results of the index form a baseline for us to build on to achieve the organizational culture to which we aspire.

The measured results also teach us about employees' sense of connectedness,

the desired work environment from their perspective, and gaps between existing practices and desirable behaviors, and help us understand the actions we need to undertake to achieve optimal implementation of our organizational values.

Over the last year, we worked towards the absorption of the organizational values through means including the relaunch of the Code of Values and Ethics (for details, see the section "Embedding the Code of Values and Ethics") and a third measurement of the Organizational Cultural Change Index. The results of the measurement indicate significant improvements, in comparison to the 2020 baseline, of 28% in the engagement index²⁰ and 18.32% in putting values into practice - evidence of the positive trend in the development of the bank's organizational culture.

Our insights from the measurement results formed the foundation for building an in-depth plan to continue to instill the organizational values and promote our organizational culture in each division of the bank, according to the relevant results in each context. We reflected the index results to employees and managers, and shared the measures planned in direct response to the feedback on the index with them.

19. UN Global Compact; UN International Bill of Human Rights; UN international Convention on Economic, Social and Cultural Rights; and UN Guiding Principles on Business and Human rights.

20. In 2022, 65% of the survey respondents were women and 35% were men. Segmented by rank, respondents were 1% senior management and executives, 7% first-tier management, 20% middle management, and 72% employees.

Our employees²¹

88%
internal employees

88% of employee positions are of internal employees (vs. 90% in 2021), while 12% are positions staffed by external agencies²⁴ (10% in 2021).

84.1%
under collective agreements

84.1% of the employees of the bank (permanent and temporary) are employed under a collective agreement. The bank recognizes its employees' right to unionize and conduct collective bargaining. A collective agreement applies to the majority of employees of the bank, excluding those employed under personal employment contracts.

72%
of employees of the bank hold academic degrees

versus 71% in 2021. In 2022, 248 employees received financing for tuition in undergraduate and graduate degree programs, and 34 employees received financing for language and bookkeeping courses.

7,644²²
total employees of the bank in 2022

674
new employees
were hired at the bank in 2022

45.2
average age of employees

98%
of the bank's employees
are employed full time²³

17.2
years
average tenure of employees

309
employees took parental leave²⁵

309 women and three men took parental leave in 2022. 178 women and three men returned to work after parental leave during the year. Most employees returning from parental leave resume their previous positions, or begin a new position at their request.

845
departures

845 employees left the bank in 2022, of which 314 retired.

21. Data in this section refer only to the employees of the bank itself.

22. Excluding employees on unpaid leave, parental leave, or bed rest during pregnancy. The data do not include external personnel or employees of subsidiaries.

23. 64% of full-time employees are women. 84% of part-time employees are women.

24. External staffing agency workers are employed at call centers, in IT services, in programming, and more.

25. Women returning from parental leave are entitled to one hour of absence per day (a parenting hour). Additionally, a dedicated nursing room is available at headquarters.



Photo: Sagi Kinan, Information Technology Division; Keren Inbal, Retail Banking Division.

Education level of employees of the bank

Age	Education level	Bachelor's degree	Master's degree	Doctoral degree	No academic degree	Total	Percentage of degree holders in each age group
18-21					79	79	0%
22-30		238	44		500	782	36%
31-40		1157	1,046	5	468	2,676	83%
41-50		705	691	5	580	1,981	71%
51-60		884	473		292	1,649	82%
61+		131	91	1	254	477	47%
Total		3,115	2,345	11	2,173	7,644	72%
Percentage		40.8%	30.7%	0.1%	28.4%		100%

Segmentation of employees by age and gender

Age	Women	Men	Total	%
Under 30	654	207	861	11%
31-50	2,803	1,522	4,325	57%
Over 51	1,485	973	2,548	32%
Total	4,942	2,702	7,644	100%

New hires, by age and gender

Year	2020				2021				2022			
	Women	Men	Total	%	Women	Men	Total	%	Women	Men	Total	%
Under 30	263	84	347	73.2%	383	141	524	64%	304	96	400	59%
31-50	67	57	124	26.2%	130	155	285	35%	123	134	257	38%
Over 51	2	1	3	0.6%	4	11	15	2%	3	14	17	3%
Total	332	142	474	100%	517	307	824	100%	430	244	674	100%

Departure of employees, by age and gender

Year	2020				2021				2022			
	Women	Men	Total	%	Women	Men	Total	%	Women	Men	Total	%
Under 30	163	38	201	22%	248	91	339	45%	225	65	290	34%
31-50	91	51	142	16%	114	95	209	28%	135	82	217	26%
Over 51	385	183	568	62%	122	83	205	27%	239	99	338	40%
Total	639	272	911	100%	484	269	753	100%	599	246	845	100%

Employee absences

Sick days ²⁶	Vacations ²⁷	Reserve military duty	Total
126,338	182,789	2,109	311,236

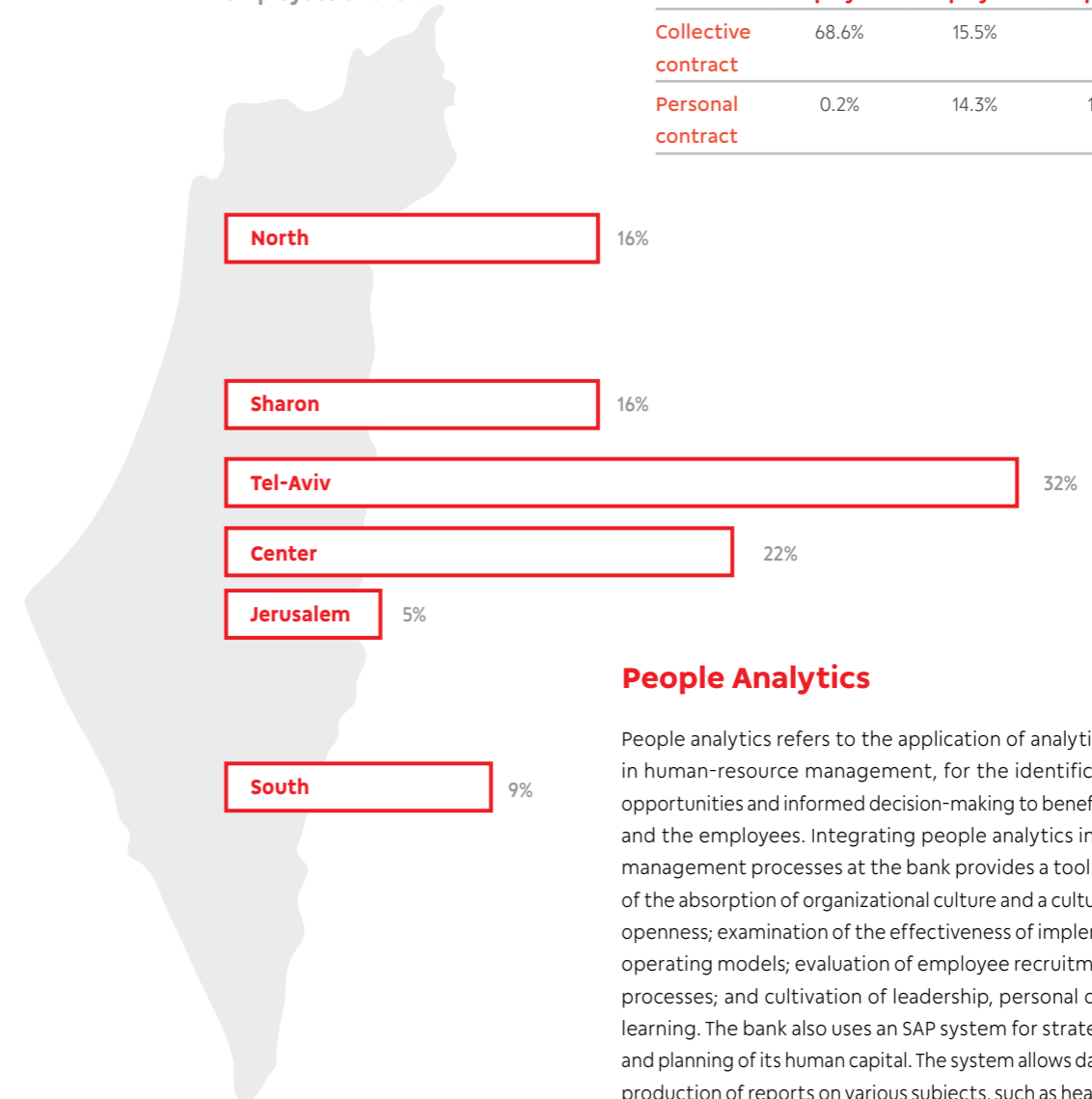
Employee absences by gender

Sick days		Vacation		Reserve military duty		Total	
Women	Men	Women	Men	Women	Men	Women	Men
91,748	34,590	119,273	63,516	68	2,041	211,089	100,147

Distribution of employees by type of employment agreement

	Permanent employees	Temporary employees	Senior employees	Total
Collective contract	68.6%	15.5%	-	84.1%
Personal contract	0.2%	14.3%	1.4%	15.9%

Distribution of areas of residence of employees of the bank



People Analytics

People analytics refers to the application of analytical tools and data in human-resource management, for the identification of risks and opportunities and informed decision-making to benefit the organization and the employees. Integrating people analytics into human-capital management processes at the bank provides a tool for measurement of the absorption of organizational culture and a culture of dialogue and openness; examination of the effectiveness of implementation of Agile operating models; evaluation of employee recruitment and retention processes; and cultivation of leadership, personal development, and learning. The bank also uses an SAP system for strategic management and planning of its human capital. The system allows data analysis and the production of reports on various subjects, such as headcount, employee performance evaluations, engagement, training and instruction, hiring, developing and encouraging excellence, and more.

26. Including reported illness and illness of a family member.
27. Excluding unpaid leave and parental leave.

Developing and nurturing leadership

Today's dynamic reality requires constant self-examination to enable us to take the necessary actions to adapt to developments in the business environment. As part of this process, we have chosen to refresh the bank's approach to leadership and develop a leadership model, as a compass for growth and change.

In 2021, a participatory process was carried out at the bank, calling on all employees to help shape our new leadership model. 253 employees and managers from all parts of the organization took part. A similar process was conducted with Forum 100, the senior executive forum at the bank. Insights derived from these processes were synthesized to create the new leadership model: Growth-Generating Leadership. The five components of the leadership model are:

1. Authentic and courageous
2. Performance-oriented and value-creating
3. and leading change
4. Realizing potential
5. Promoting partnerships

Each component of the model is associated with a set of behaviors that managers are expected to demonstrate. The model was integrated into manager training, hiring, and promotion processes in 2022, as well as performance evaluation and feedback processes, in recognition of the significant impact of the bank's management culture on its organizational

culture. Within the process of instilling the model, 25 department heads were tapped to help implement the model and participate in manager training at the bank. In addition to embedding the leadership model, we are designing development programs for all managers within the organization, encompassing the following elements:

1. Leader-Ship

A training and development program for Forum 100 executives, providing knowledge, tools, and skills for optimal navigation of the organization, with an emphasis on growth-generating leadership. The program includes:

- A series of meetings for executives held every two months, covering highly advanced leadership and management content.
- We Meet - A WeWork-style team development center. In 2022, we introduced Workshop in a Box, a program to enable managers to run teambuilding and development activities. Throughout the bank, managers held over ninety workshops in this format during the year.
- Mentoring for managers embarking on their first management role.

2. Guidance for managers during change processes

The Leadership and Organizational Development Center provides organizational guidance and consulting to the divisions of the bank in processes of structural change, organizational change, cultural change, and change in operating models.

3. Field meetings

The Leadership and Organizational Development Center team holds meetings with managers and employees of the various units to provide assistance and impart knowledge and tools they need to cope successfully with the challenges of leading organizational change. All change-management processes at the bank are based on a participatory model. Employees and managers take an active part in building the best and most suitable plan, as part of the leadership model and worldview that recognize the need for each person to feel and be meaningful at work and for people to be able to influence their own work environment.

4. Development of implementation tools

Development of kits and supporting materials to help managers promote employee connectedness, manage remotely, and instill the chosen organizational values. The kits were developed in a participatory process, with many managers taking an active part in formulating and developing content, thereby exerting an impact on the cultural change at the bank.

743
managers
at all levels participated
in management and
leadership development
programs in 2022, at a
cumulative total of 18,053
hours of study



Photo: Inbal Miara, Customer Experience and Direct Banking.

Succession planning and career planning

Succession planning refers to the strategy and means used by an organization for mobility and staffing in management positions, to allow continuity in its functioning. The bank's manager and employee development programs include identifying a pool of potential managers and planning career tracks. In 2022, we conducted several programs to find and develop potential managers at various ranks - identifying suitable candidates, imparting necessary skills, and providing in-depth knowledge of the various units of the bank:

- ◆ **Leaders** - A development program for leading department heads with the potential to advance to more senior roles at the bank. Thirty department heads from all divisions of the bank participated in the program in 2022.
- ◆ **Pisga (Peak)** - A development program for deputy branch managers with the potential to become branch managers. Twenty deputy branch managers participated in the program in 2022.
- ◆ **Ofek (Horizon)** - A development program for employees with professional talents. The program concerns personal development and career management, improvement of selected skills, and deeper familiarity with the organization. Candidates for the program are found using a matrix-based analysis of performance evaluations and potential for advancement to other roles. Fifteen employees participated in the program in 2022, including external contractor employees.

The bank also sends suitable employees to external executive development programs, including various programs at Reichman University with advanced professional content on business or management and the Hoffman Kofman Foundation's interdisciplinary program on leadership and personal development, which is targeted to senior executives in Israel.

Promoting a culture of dialogue and openness



Photo: Mias Shbeta, Information Technology Division; Chen Sabag and Lizet Barzel, Retail Banking Division.

We see our employees as full partners who contribute to organizational and business processes at the bank. We therefore endeavor to promote a culture of partnership, dialogue, transparency, mutual feedback, appreciation, and lessons learned, to allow employees to influence significant matters in the life of the organization.

Internal communication at the bank is bidirectional: we maintain ongoing processes for listening to employees and managers, while conveying messages from management to employees in real time. This dialogue enables employees and managers to be involved and influence both the actions of the bank and the employee experience.

98%
of employees and managers took part in performance evaluation and feedback sessions

Multiple channels for dialogue:

- ◆ **Organizational portal** - Our organizational portal serves as a key arena for organizational and banking knowledge management, intra-organizational communication, and conveying messages within the bank. The portal offers:
 - ◆ Management of and access to organizational knowledge (work processes, rights and obligations, etc.);
 - ◆ Management of and access to professional knowledge (processes, data, and supporting information);
 - ◆ A professional desktop with access to systems and applications within the organization;
 - ◆ Latest news from the organization and various divisions;
 - ◆ The story of outstanding professional and team activities and introduction to employees and professional units through short videos, articles, podcasts, and more.

The portal allows comments on posted items, encouraging open organizational discourse. Through the portal and the tools it offers, we have been able to contribute to employees' professional skills, increased synergy between the head office and the units on the ground, stronger organizational identity among our employees, and productive dialogue within the organization.

- ◆ **Portal to Go app** - The application provides an accessible platform for intra-organizational communication and dialogue through cellphones, at any place and time, and serves as another tool to enhance employee connectedness. Content offered on the app includes organizational news, podcasts, videos, information on employment terms and insurance policies, enrichment in various areas, access to the organization's directory, an interface for daily attendance reports, and options to send service requests for errors, sign up for special offers, and confirm participation in events.
- ◆ **Open communication with bank management** - We accord high importance to direct dialogue with employees, as an opportunity to listen to authentic voices. Insights and issues arising from the field are passed on to be addressed by the relevant professional functions. Channels for dialogue with management in 2022:

- ◆ **Poalim Live** - A quarterly meeting broadcast live on Zoom of the CEO and members of management with all employees of the bank. At the meeting, the strategic plan and annual financial statements are presented and employees' questions are answered.
- ◆ Regular visits to bank branches by the CEO, board chairman, and members of management throughout the year.
- ◆ Roundtables on Zoom - Meetings via Zoom with specifically invited employees, aimed at listening to employees and improving the employee experience at crucial personal and professional junctures.

- ◆ **Communication supporting employee connectedness** - As part of the ongoing effort to boost connectedness among employees, we embarked on a series of activities designed to spotlight the individuality of our employees and help them get to know each other:
 - ◆ Videos produced for the portal in which employees shared special hobbies.
 - ◆ A series of articles posted on the portal about bank employees chosen as Volunteer of the Month.
 - ◆ The Poalim Story community - a group of internal communication ambassadors consisting of representatives from each division of the bank.
 - ◆ Personal birthday greeting videos to improve the employee experience and strengthen employees' sense of belonging and connectedness, sent to employees' phones on the morning of their birthdays, with a gift of three hours of time off to celebrate.
 - ◆ A large-scale event to celebrate the bank's centennial, attended by approximately 6,000 employees.

~30 views
30 million of content on the portal and 5.5 million views of the Portal to Go app were recorded in 2022, up 30% from 2021

◆ Performance evaluation and feedback process for employees and managers -

In 2020, a new process was implemented at the bank for performance evaluation and feedback, developed in alignment with the new organizational culture. Within the process, the evaluation form has been simplified to reflect the new values of the bank. The evaluation procedure was developed based on a collaborative process encompassing thought sessions and interviews with

hundreds of employees and managers, relayed into significant insights that we implemented. The new performance evaluation and feedback process is based on an employee-focused and customer-centric approach and encourages meaningful, authentic, open dialogue between managers and employees. Some divisions apply the 360 Feedback method,²⁸ in which feedback is provided not only by direct managers but also by colleagues and

work partners, as well as by employees to managers. In 2021, we integrated the new leadership model into managers' performance evaluation forms, so that it could become part of the measurement scale in the following year. In 2022, evaluation forms were adjusted and updated following feedback from employees and managers in various divisions. With the growing trend of transition to Agile operating models, the forms will be revised again for 2023.

Working at a distance, feeling close

At the outbreak of the coronavirus pandemic, the need arose to maintain social distancing. To preserve business continuity under these circumstances, in early 2020 we quickly prepared the technological infrastructure and the process-related and managerial infrastructure needed for remote work. Among other elements, this included supplying laptop computers to employees, while maintaining a high level of information security, and setting up a page on the organizational portal dedicated to instructional content and various tools to improve capabilities for working and managing from home. We also took action to allow more flexible work hours, in recognition of the importance of work-life balance.

Remote work is founded on trust between employees and managers, a principle that is a pillar of the organizational culture promoted by the bank. Accordingly, and in view of the many inherent advantages of working from home, the bank reached the decision to maintain this form of work as a routine, not only in times of crisis. This positions the bank at the forefront of organizations leading this trend in employment - in the Israeli economy in general, and in the banking sector in particular.

5,500 employees
have the infrastructure to work remotely,²⁹ and can choose to do so one day every week

28. 1,020 employees participated in the 360 Feedback process in 2022.
29. In accordance with the bank's policy on this topic.

The Agile approach

The ambition to continually improve the value proposition for our customers amid the high level of competition in our business environment requires us to develop rapid responses matched to customers' needs. We have therefore adopted the Agile approach, which is aligned with the cultural values of the bank: focus, partnership, growth mindset, delivery, and fairness. These values are reflected in our perspectives, work processes, and

supportive organizational structures.

The Agile journey at the bank began several years ago, with the formation of multidisciplinary software-development teams in the Technology Division consisting of staff members in the relevant fields: developers, designers, testers, and more. The next stage was to experience an integrative business and technological organizational structure

responsible for end-to-end development of a product. The Retail Credit Tribe, created in 2019, is a unit consisting of several multidisciplinary teams charged with developing and managing credit products for the retail customers of the bank. The newly organized "tribe" format allowed improved productivity and better response times for our customers, and reinforced employee connectedness and satisfaction.



Photo: Eyal Simon and Tseela Hadar, Platinum Banking.

Today, there are nine "tribes" at the bank, comprising more than 1,000 employees applying the principles of the Agile approach. We plan to form additional "tribes" in 2023, to complete the full-scale business and technological operating model, while striving for deeper implementation of the Agile approach at the existing "tribes."

Promoting equal opportunities

Non-discrimination

Bank Hapoalim employs, promotes, and makes decisions regarding employees based on pertinent considerations, such as qualifications and performance, without discrimination due to religion, race, sex, political views, sexual orientation, disabilities, medical conditions, socioeconomic status, or marital status. No justified complaints of discrimination were filed at the bank in 2022.

Equality in wages and terms

The policy of Bank Hapoalim towards its employees, as formalized in its code of ethics, is based on pertinent professional considerations such as education and skills, without discrimination, including based on gender. The bank is fair and transparent with regard to the terms of employment of its employees. Most employees of the bank are employed under collective contracts whose terms are determined based on a role book, which is transparently available to all employees on the organizational

portal and contains information regarding the terms and benefits accorded to every position and rank.

Pursuant to Section 6B(c) of the Equal Pay for Female and Male Workers Law, the bank and other employers in Israel are required to analyze the pay of their men and women workers, by categories appropriate to the nature of employment at the bank, to examine pay gaps. Accordingly, the bank segmented its employees into 21 categories, by type of employment and rank; data for each category were analyzed to determine whether pay gaps between men and women exist within that group.

The report on wage data for 2022, released in June 2023, presents three types of pay: the determinant wage for severance pay, the gross wage, and the gross wage plus employer deposits (in accordance with the position of the Equal Employment Opportunity Commission). Of the three types, the determinant wage for severance pay³⁰

provides the best indication of the degree of equality in wages between men and women employees of the bank; based on examination of this data, men were found to receive approximately 3% higher pay than women among all employees of the bank. In terms of gross wages plus employer deposits,³¹ men's pay was found to be approximately 4% higher than women's pay at the bank.

It is important to note that pay gaps are influenced by variables such as the quantity of overtime work, shift work, and overtime-based daily expense reimbursement, as well as individual parameters such as seniority, intragroup variation, etc., and do not derive from gender-based discriminatory policies. We also examined pay gaps among senior managers³² at the bank. As of the end of 2022, no pay gaps were found among senior managers, excluding members of the board of management.

Preventing sexual harassment

From the Bank Hapoalim code of ethics: "We apply a zero-tolerance policy to sexual harassment. If you experience sexual harassment, contact the Supervisor of the Prevention of Sexual Harassment at the bank to file a complaint, or contact one of the regional operations officers appointed as sexual harassment prevention trustees. If you witness sexual harassment or encounter

rumors pertaining to sexual harassment, you can safely report it to the Supervisor of the Prevention of Sexual Harassment at the bank or to one of the regional operations officers appointed as sexual harassment prevention trustees."

The bank has appointed a senior executive to oversee the prevention of sexual harassment. Operations

managers at the branches have also been named sexual harassment prevention trustees, charged with identifying incidents and relaying them to the officer responsible for the prevention of sexual harassment at the bank. Complaints of harassment or sexual harassment are investigated in absolute confidentiality by the Supervisor of the Prevention of Sexual Harassment. During

the investigation, the bank protects complainants against retribution at work or in any other form and distances the subject of the complaint from the complainant. If a sexual-harassment complaint is found to be justified, the bank assists the complainant accordingly and takes the necessary measures to prevent recurrence, as well as disciplinary proceedings against the offender.

Within its commitment to the prevention of sexual harassment, in 2018 the bank adopted a voluntary code for the prevention of sexual harassment and received certification in this area from the Israel Standards Institute.

The bank established and published a procedure and regulations in the area of the prevention of sexual harassment, which are posted on the organizational portal, in the procedures system, in public spaces at the bank, on its website, and at its branches. The procedure lists authorized parties and responsibilities in connection with implementation of the bank's policy in this area,

channels for reporting, and processes for investigating and addressing complaints. The page dedicated to the bank's policy on the prevention of sexual harassment on the organizational portal contains all relevant information, including procedures and rules, videos on simulations of scenarios, an instructional video on the Law for the Prevention of Sexual Harassment, examples of incidents that have been addressed, and an instructional presentation for Learning Hours.

The bank also holds training sessions on this subject throughout the year. All employees are required to complete a tutorial at least once annually; managers of the first rank or higher participate in additional training, in person or via Zoom. The employee union and the head of the Human Resources Division are informed and take part in the process of addressing complaints. The board of directors and board of management of the bank receive an annual report on the number of complaints and the way they have been addressed.

- Activities to raise awareness in 2022:**
- ◆ A letter from the CEO was sent to all employees, highlighting the bank's commitment to eradicating sexual harassment and the zero-tolerance policy for incidents of this type.
 - ◆ The language of the regulations posted in public spaces at the offices of the bank was updated.
 - ◆ A training session under the heading Respectful Work Environments was held, including animated videos simulating relevant situations and explaining this subject in simple, informal terms.
 - ◆ Training was held for managers covering issues including the prevention of sexual harassment in remote-work interfaces, including behavior on Zoom calls, also addressing the prevention of sexual harassment in different sectors.
 - ◆ An instructional video on the Law for the Prevention of Sexual Harassment was produced.
 - ◆ A talk was held at a retiree conference to learn and receive feedback.
 - ◆ A new tutorial on the prevention of sexual harassment was developed.

2022 plans - status

2022 plans	Status
Hold training sessions at manager conferences.	✓ Completed
Conduct surveys to examine the absorption of this issue among employees of the bank.	Completed in part, due to changes in the survey system.
Conduct training for all employees through the video on the Law for the Prevention of Sexual Harassment.	✓ Completed

Future Plans

- Continue training for managers at targeted conferences.
- Invite managers to attend the play, "What is Sexual Harassment?" and conduct surveys to examine the absorption of this issue among employees of the bank.
- Revamp procedures and rules.

30. Reflects base pay.

31. Reflects base pay plus employer deposits, including bonuses, etc.

32. Reflects base pay plus benefits and personal additions, excluding bonuses and overtime.

Promoting workplace diversity and inclusion



~
34%

of the bank's employees

live in geographically peripheral regions. Employees of the bank come from every region of Israel and from every segment of Israeli society

Natanel Levi, Customer Experience and Direct Banking.

We encourage inclusion and acceptance of employees from every part of Israeli society, including population groups underrepresented in the labor market.³³ This approach is part of the bank's commitment to social values as well as a justified business practice, and is grounded in our awareness of the advantages of diverse employment - in terms of better familiarity with a variety of customer segments, boosting innovation and creativity through more open and diverse work environments, and more.

Bank Hapoalim has diverse human capital and a diverse customer base; the Arab sector, the ultra-orthodox sector, the LGBTQ+ community, Israelis of Ethiopian descent, and people with disabilities are all represented. We believe that a diverse team leads to business opportunities for the bank within our employees' communities, as we gain better understanding of the community's needs.

We have modified our hiring and onboarding procedures to align with our ambition to promote diversity and inclusion in the workplace. We also maintain regular contact with various government ministries and placement organizations specializing in the advancement of these population groups in the labor market. The bank has appointed a supervisor to lead and oversee diverse employment, within the Human Resources Division.

33. According to the definition of the Israeli Forum for Employment Diversity, these groups primarily include the ultra-orthodox (Haredi) population, the Arab population, Israelis of Ethiopian descent, and people with disabilities.



Photo: Meyrav Kestenbaoum, Business center Herzelyia.

56%
of the management tier at the bank consists of women³⁴

64.7%
of the employees of the bank are women, compared with approximately 48% women in the labor market³⁵

Comparison between women and men by rank

Rank	Women	Men	Total
Members of management	4	9	13
Senior management	30	46	76
First-tier management	248	275	523
Middle management	934	627	1,561
Employees	3,726	1,745	5,471
Total	4,942	2,702	7,644

Bank Hapoalim is the first and currently the only Israeli bank included in the Bloomberg GEI Gender Equality Index. Complementing the ESG ratings, this index assigns a weighted score to companies' performance and data transparency in the area of the percentage of women managers, empowerment of women, equal pay and non-discrimination, inclusive organizational culture, prevention of sexual harassment, and promotion of women within the organization. 484 leading companies from 45 countries in eleven different sectors were included in the ratings in 2022. Bank Hapoalim is ranked above average in the financial sector. We aim to continue to be included in this index, while constantly improving our performance over the coming years.



Recruitment, hiring, and employment of employees with disabilities

The bank employs hundreds of people with disabilities, and makes a continual effort to recruit additional employees through ongoing dialogue with more than 200 contacts at government ministries, social organizations, and non-profits specializing in placement and guidance of people with disabilities in the job market.

Processes for inclusion and retention over the long term of employees with disabilities

Accommodations during screening

- ◆ Publication of available positions in suitable channels and prioritization of employees with disabilities, with an emphasis on the strengths of employees with disabilities during the process of matching candidates with roles.
- ◆ Ensuring that screening agencies working with the bank comply with accessibility standards, and offering the option to take screening tests at home, using adapted language, with the close supervision of the screening agency.
- ◆ Adapted interviewing, with the inclusion of a support person if necessary.

34. The percentage of women managers in the business divisions (i.e. revenue-generating functions) is 57%. The business divisions consist of the three divisions that interact directly with customers: the Retail Banking Division, the Corporate Banking Division, and the Financial Markets and International Banking Division. The percentage of women in the technology divisions is 40.3%.

35. Refers to total workers in the Israeli job market. From the Labor Force Survey, December 2022, Central Bureau of Statistics.

Accommodations during onboarding and retention

- ◆ New employees hired at the bank meet regularly with mentors and employment coordinators from non-profit organizations specializing in placement and retention of employees with disabilities in the workplace; the Diversity Unit also provides ongoing guidance and keeps in touch with workers individually.
- ◆ Necessary adaptations of the work environment when an employee with a physical disability is hired or in the event of a change in the health of an employee. These accommodations may include physical adaptation of the work environment, and purchasing or adapting screens for employees with vision impairments.
- ◆ Accessibility of internal publications of the bank for employees with vision impairments, and acquisition of magnification and accessibility devices for employees with vision impairments and blindness.
- ◆ Transcription and sign-language interpretation for employees with hearing impairments during in-person meetings, multi-person Zoom sessions, conferences, and meetings of bank employees.

Special initiatives to promote employment of people with disabilities

- ◆ **Program for hiring and inclusion of employees with high-functioning autism** - The bank has recruited employees who are on the autism spectrum, within a collaboration with Beit Ekstein. These employees were hired for flexible part-time positions, and individual plans were formulated for each employee to support successful long-term employment at the bank.
- ◆ **Recruitment of employees with hearing impairments and deafness for the written communications section of the Poalim by Telephone call center** - The bank has hired employees with hearing impairments and deafness to respond in writing to customers who write messages to the contact center. The unique recruitment process for these positions was designed and adapted for people with hearing impairments, in collaboration with relevant non-profits and organizations, from the interview stage to accessible testing and the orientation and training process, during and beyond onboarding.



Photo: Shula Bentovim, Human Resources Division.

Parenting of a child with special needs is rife with challenges throughout the child's life. Recognizing this, the bank has placed a team of occupational welfare professionals at the disposal of employees and retirees who are parents of children with disabilities. The support offered includes consultation by telephone, in-person meetings, and home visits; during the COVID-19 pandemic, these visits were conducted via Zoom. These services are provided with full protection for the employees' privacy and confidentiality. We also grant these employees a larger quota of days and hours of absence, beyond legal requirements, to care for children with disabilities. Conferences and seminars are held on full realization of the families' rights, covering legal and welfare aspects. In recognition of the importance of mutual support among employees coping with special-needs parenting, we created the Special Parents ERG (employee resource group), run by the Diversity and Accessibility Unit at the Social Banking Center with representatives of the community. Over a hundred employees are members of the ERG, which meets both in person and virtually to share knowledge, practical tips, lectures, and enriching content from expert organizations, such as the non-profit organization Keshet - Connecting Special Families.

Promoting inclusion

Creating ERGs (employee resource groups) Intra-organizational employee resource groups are communities founded by the organization within the workplace to cultivate relationships and knowledge sharing. The ERGs can contribute to members' personal and professional development and strengthen their connectedness to the organization.

In 2022, we created the **Poalim Mehadrin ERG** for ultra-orthodox employees, as a place for these workers to express themselves on issues relevant to ultra-orthodox life. Nearly 200 employees are members of the ERG, becoming partners in the creation of business and social value for their colleagues, the ultra-orthodox community, and the bank.

We are also promoting channels for content and activities targeted to additional communities at the bank. We launched **a mentoring program dedicated to members of the Ethiopian-origin Israeli community**, with individual guidance for participants from senior executives at the bank. The goal of this program is to boost personal and professional development and empower the participating employees.

For the LGBTQ+ community, a content page for employees under the heading Pride at the Bank has been created on the organizational portal, with links to content about the community and an invitation to join a WhatsApp group. The page also spotlights employees from the LGBTQ+ community who have chosen to share their stories. In 2023, we plan to create an ERG for LGBTQ+ employees at the bank.

Raising awareness among employees and managers

- ◆ We realize that our differences are a source of cultural, individual, and business power; based on this approach, we provide space for all of our employees to find expression through our portal. The Diverse Employment page offers information and content such as success stories, rights, tips, and contacts to turn to in case of need. The messaging theme for this content is, "Many hues - one bank."
- ◆ We encouraged a broad range of employees to share their stories and the way they see the meaning of diversity, for themselves, the organization, and the community. We marked special occasions by focusing on stories of Israelis of Ethiopian descent in the days ahead of the Sigd holiday celebrated by this community, stories of ultra-orthodox employees near Passover, stories of Muslim employees near Ramadan, stories of Christian employees near Christmas, and stories of employees with disabilities near the International Day of Persons with Disabilities.
- ◆ Holidays and occasions important to the diverse groups of employees at the bank were noted through greetings on the bank's portal and special events, such as a celebration of Pride Day, lectures on International Women's Day, and a lecture to mark the Sigd holiday; Ethiopian-origin Israeli employees received three vacation hours as a gift in honor of their community's holiday.

- ◆ Collaboration with Co-Impact - An in-depth, comprehensive learning process was conducted to improve connectedness and belonging of the bank's employees from the Arab community. Among other processes, approximately fifty individual interviews were held with both Arab and Jewish employees. In 2023, the bank plans to implement an action plan in this area.
- ◆ Events were held at the headquarters of the bank and at branches nationwide to celebrate International Women's Day; this included Haredi Women's Day, adapted for ultra-orthodox employees.
- ◆ In honor of International Diversity Day, we posted success stories of employees from every segment of Israeli society on our intra-organizational communication channels.
- ◆ We opened a chapel for the benefit of our Muslim employees.

In 2022, we developed a targeted survey on the subject of diversity and inclusion, to examine the quality of the bank's responsiveness to the unique cultural needs of different groups of employees and the connectedness that employees from population groups underrepresented in the job market feel towards the bank. The survey was broadly distributed, reaching more than 1,600 employees. Bank employees from population groups underrepresented in the job market had significantly higher connectedness scores on the survey than other respondents. The survey also contained open-ended questions, to enable the bank to analyze gaps and create appropriate solutions.



6.3%

of the bank's employees are of the Arab sector.³⁶ People of the Arab sector constitute 4.5% of the management tier of the bank

Photo: Eyal Gato, Social Banking Center; Ahmed Haj-Yahaya, Accounting.

12.3%
of the bank's employees are from underrepresented population groups

24.5%
of employees hired at the bank in 2022 are from underrepresented population groups

3%
of the bank's employees are of the ultra-orthodox sector

36. 4% in the first management tier and 16% in middle management.

2022 plans - status:

2022 plans	Status
Implement a mentoring program for employees of Ethiopian descent.	✓ Completed
Include diversity in the leadership model; hold workshops on this topic for managers at the bank.	Embedded in the leadership model. Workshops for managers will be held in 2023.
Provide diversity training to hiring staff at the bank.	To be held in the first quarter of 2023.
Create an ERG (employee resource group).	✓ Completed

Future Plans

Goals for 2023

- Prepare a set of leadership tools, including principles and guidelines for managing employees from underrepresented population groups and enriching information on these groups.
- Create an ERG for the LGBTQ+ community.
- Implement an action plan to boost connectedness among employees from the Arab sector.
- Implement plans to promote gender equality at the bank.

Goals for 2030

- Promote gender equality by increasing the representation of women in the senior management of the bank to 50%.
- Raise the percentage of bank employees from underrepresented population groups to 15%.



Photo: Orly Yasu, Information Technology Division.

Enhancing professional expertise in the digital age and in the evolving world of work

To secure its competitive advantage, support the achievement of its business objectives, and strengthen its employees' connectedness and well-being, the bank leads a culture of life-long learning throughout the organization and endeavors to maintain and improve employees' professional competencies. This effort focuses on creating business value, while strengthening infrastructures for learning in order to cope with present and future challenges.

In 2022, we increased the reach of processes designed to instill a culture of learning at the bank, in alignment with the changes and developments in the world of work in the digital age. We built technological infrastructures to support learning, enriched learning content, and applied a hybrid digital learning approach to promote business needs and prepare for future challenges. The digital learning platforms and infrastructures we developed create new learning opportunities for all employees, and are available from their personal workstations at the bank as well as during remote work. We are also working to develop training programs to boost the skills employees need in various fields of knowledge and the capabilities to support personal development and better well-being.

Reducing environmental impacts: As part of the transformation of learning processes at the bank, we have significantly reduced the quantities of printed materials, transitioning to digital learning on tablets and computers. Remote learning also contributes significantly to reducing employees' travel from various parts of the country to the Poalim Campus at Kibbutz Shefayim.

The Poalim Campus Learning Hub - from a teaching campus to a learning and teaching organization

Most professional training processes at the bank are led by the Poalim Campus Learning Hub, which serves as the central arena for change-generating learning, encouraging personal, organizational, and professional growth and leading to improved performance. Content in the training and development programs is derived from business goals, mapping of skills needed for various roles, and mapping of knowledge gaps of employees and managers across divisions.

In becoming a learning and teaching organization, we are promoting learning as a way of life - learning at any time and place, on professional and personal topics, at the initiative of the organization or the employee, in various forms: remote learning, hybrid learning that combines in-person instruction with independent study, synchronous and asynchronous remote sessions, online courses, podcasts, videos, and more. The Agile methods applied at the Poalim Campus enable us to dynamically modify work plans according to changes in the economy, business goals, and customers' needs.

All of our training processes support improvement in employees' professional and personal capabilities and in business performance, and provide focused, rapid solutions for training for roles - a particularly essential aspect during times of organizational change, and as experienced employees retire. In 2022, we completed 212,000 hours of learning, or 26,585 days of learning for employees, 73% of which occurred in the business divisions.³⁷ The programs emphasize effective learning and imparting maximum business value to the employee. The number of hours of learning was lower than in the preceding year, mainly due a deliberate change in course programs to attain effective, focused study.

In recognition of the importance of preserving knowledge at the bank, we worked on knowledge retention at units where the need arose and created supporting tools, such as kits to help managers evaluate the knowledge to be retained when employees change roles or retire.

This year, we expanded the use of measurement and data analysis to promote learning:

- ◆ For the first time, we measured return on investment in learning processes, through analysis of DWH data and examination of work performance as a result of learning.
- ◆ Within the drive to maximize the effectiveness of learning, we examined actual performance data in banking services, to identify weaknesses in work processes, and focused learning efforts in these areas, while adapting relevant learning materials.
- ◆ We measured and compared the effectiveness of different learning methodologies and channels, such as learning at the Campus versus learning at a branch, including mentoring and hands-on experience; independent learning combined with group study, versus individual learning only; etc. Measurement is an important means of assessing the contribution of learning to performance.

Platforms promoting learning and professional expertise

The acquisition of new relevant knowledge, skills, and competencies is essential in order to advance in the dynamic and evolving world of work. Recognizing this, we developed tools, content, and professional forums to assist employees in their professional development and in taking responsibility for advancing their careers.

- ◆ **Boost** - A new learning system, available at any time and place, introduced to implement the aspiration to enable all employees to develop professionally and personally, learn on the job, and maintain professional qualification.

All of the existing learning processes at the bank have been integrated into this system, so that each employee can view content relevant to their position and track their progress. The infrastructure makes learning more flexible and accessible, and gives employees more responsibility for their own learning. Boost also serves as a management tool, letting managers track their employees' learning through a dashboard and assign learning based on needs and knowledge gaps in each unit.

◆ Sharing and distributing knowledge through forums and podcasts -

The bank has a range of professional forums, such as forums for analysts, real-estate experts, compliance officers, investment advisors, digital experts, and more. This was the second year in which the Poalim Campus ran the Learning Leaders Team, to promote an organizational culture of continual learning, based on the approach that a greater impact of continual learning contributes to maintaining our competitive advantage. The forum consists of representatives of the divisions of the

bank selected for their ability to lead learning processes and their in-depth understanding of the professional challenges and business focus areas. Forum members gain practical tools for managing effective learning processes and participate in peer learning, where they encounter the successes and challenges of selected bank units and leading learning institutions in Israel. The Campus also created a series of podcasts under the heading, "Talking About Learning - Talking About Business," to promote organizational learning culture in areas such as mentoring, service, lessons-learned processes, and more.

◆ Targeted sessions to develop individual abilities -

Based on mapping of needs among bank employees and comparison to leading organizations in this field internationally, we offered remote-learning lectures developed according to the skills needed in the evolving world of work, on topics such as personal excellence, creativity, storytelling, changing habits, and more.

Simulation center

The ability to differentiate the bank in customers' perception and achieve a competitive advantage arises from our power to create exceptional experiences at points of contact with customers, through quality personalized service and more.

Today, with many professions subject to digitization and automation, interpersonal skills are more important than ever to organizations' success, including the ability to build trust, listen, and express empathy. The simulation center at the Poalim Campus develops coaching programs for managers and employees to practice a range of skills in areas such as the service experience, negotiating, and more. The learning process involves the use of video scenarios created with actors, experienced in a safe, secure, innovative environment, to simulate real-life environments for learners without the risk of error.

³⁷ The units that interact directly with customers: the Retail Banking Division, the Corporate Banking Division, and the Financial Markets and International Banking Division.



Photo: Herzelyia business center employees.

Banking training and development of business skills

Training is conducted through a wide variety of professional coaching programs in the area of banking and finance. Content covered includes service; compliance and regulation; development of business skills, such as negotiation and time management; and more. The programs are adapted to the specific set of employees, the strategic focus areas of the bank, and its business goals.

Bankers' training includes instruction when they begin working in a new position, and programs to retain and improve professional qualifications in various areas of banking. The training process is focused on learning about the tasks required for each position and contributing to shorter onboarding and improved performance.

Banking training is conducted in synchronous and asynchronous hybrid formats, emphasizing shared responsibility for learning among the learner, their manager, and the organization. Learning methods are varied, allowing flexibility

and adaptation to the business needs of the professional units. Some learning occurs on the job, at the branch or unit, including mentoring, hands-on learning, and focused brief training sessions. Learning is led by knowledge experts at the units, with the support of the Poalim Campus, allowing employees and managers to match relevant topics to their units. Most digital learning materials are suited for independent study and accessible to all employees through various platforms, such as tablets, the bank's portal, the learning system, and more.

Training programs are developed based on mapping of the skills needed to perform a role. In addition, focused training programs are tailored to knowledge gaps of specific categories of employees; intra-division professional training is held at each of the divisions of the bank, including Finance, Risk Management, Legal Counsel, and more. Targeted professional training is also provided for bankers at the central back offices and at the Poalim by Telephone call centers, from basic instruction for all new employees to advanced training for experienced employees, aimed at achieving expertise in specific knowledge areas.

Learning Leaders Team

In 2022, we formed a team of thirty representatives of different units charged with promoting an organizational culture of continual learning, with the aim of maintaining our competitive advantage in an area of constant change, which also has an impact on connectedness and business growth. The members of the Learning Leaders Team meet monthly to learn, develop, and strengthen their learning-related skills, serving as an extension of the Poalim Campus at their divisions.

Learning in numbers, 2022³⁸

5,600
employees participated in training programs*

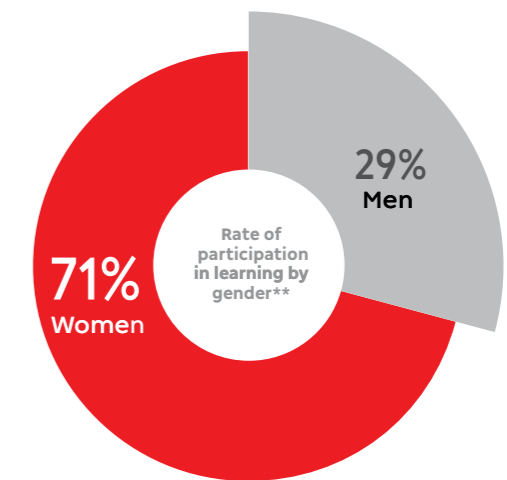
71%
of bank employees participated in training*

26,585
days of learning at the bank**

26.6
average hours of learning per employee**

378
employees took courses at external venues, gaining skills and qualifications for personal and professional development in the banking industry and in the new world of work***

Average hours of learning by rank*



* Includes external workers and part-time employees.
The results reflect a culture of learning among employees and managers.
** Bank employees only.
*** Includes part-time employees; does not include external workers.

38. The data reflect new measurement processes adapted to the approach to learning at the bank, in light of the transition to a hybrid digital learning model. In 2022, 30% of employees who participated in training were managers of various ranks, including 1% members of management and senior executives, 25% middle managers, and 4% first-tier managers. Rates of participation in training by rank: 70% of total non-management employees; 86% of first-tier managers; 75% of middle managers; 54% of senior managers; and 38% of members of management.

Ensuring a supportive work environment

MASHAB (the Personal Service Center) serves as the destination for queries of employees, managers, and business partners on various matters related to human resources, aimed at improving satisfaction and strengthening connections. 10,430 queries to MASHAB were processed in 2022, sent by 4,550 employees and retirees. During the coronavirus crisis, the center took on a key role in supporting employees and managers, and, when necessary, in responding and providing solutions for the bank as a whole.

MASHAB operates in three main areas:

- ◆ **Service center for queries from employees** on human-resource issues, including support for work processes derived from queries, in areas such as employee attendance; parental leave and unpaid leave; flexible employment and part-time positions; travel; parking; newspapers; employment permits and

visas; and eligibility for mobile phones, cafeteria points, daily expenses, and more. To streamline processes and improve the employee experience, in 2022 we provided a self-service option for employees to access some of the approvals.

- ◆ **Support center for employees** - Assists employees at vital moments such as childbirth, illness, work accidents, and mourning. The support center also offers aid through care and counseling, information, mediation, and assistance in realizing rights, with functions within the bank or the community, for personal and family issues such as caring for elderly parents, coping with children with special needs, parenting guidance, health concerns, bereavement and coping with death, communicating with an occupational physician, work-related crises, and more. During the COVID-19 pandemic,

the center was responsible for keeping in touch with employees who were sick or in quarantine, including response to needs raised by employees and reports to division management on employees' condition - among other factors, to maintain the bank's business continuity. Guidance and assistance processes for employees are conducted in partnership with the well-being staff of the bank. Any employee can request assistance directly from the well-being employees; the service is confidential.

- ◆ **Employee loans** - The Bank Employees Credit (ELH) system offers loans to eligible employees of the bank through a quick, simple, user-friendly procedure on the bank's website.

Targeted workshops for bank employees on astute financial conduct

As an organization with financial expertise that offers tools and knowledge on astute financial conduct to the general public, we accord high importance to making this information accessible to our employees and their families as well. Over the years, we have held dedicated workshops for employees to impart knowledge and tools for better management of their household budget. In 2022, we continued to offer digital workshops to the employees of the bank, in collaboration with the Financial Growth Center, to encourage meaningful behavior change in the way participants manage their finances. Interested employees who completed the workshops also received individual guidance on astute financial conduct, over a period of four months, from the non-profit organization Chasdei Lev, sponsored by the bank.



Photo: Katya Winter and Nati Bogovski, Hagalim branch.

Guidance for organizational change processes

Bank Hapoalim is a dynamic business organization; as part of our innovative banking approach, reflected in the vision of the bank, we actively modify our organizational structure from time to time, to improve service, continue to deliver meaningful value to our customers, and support the growth of our business. The ability of the bank's managers and employees to successfully navigate change and transition is a measure of its resilience. We make a point of involving employees and managers in change processes, from the thinking and planning phases onward. Change management is performed on three levels:

- ◆ Guidance for managers through the Leadership and Organizational Development Center, including mapping of the current challenges, formulating plans to prepare for the change with each of the stakeholders influenced by the transition (employees, suppliers, and business partners), and providing appropriate support tools.
- ◆ Outlining a process for intra-organizational communication of the changes and the reasoning behind the change, in collaboration with the managers leading the change.
- ◆ Individual guidance by human-resource experts for managers and employees during organizational change processes, including organizational consulting, to assist in areas including onboarding, mobility, and role changes, while maintaining the values of equal opportunities, transparency, and fairness.

Hiring and onboarding new employees at the bank

Within the innovative banking concept, we recruit bankers to deliver value propositions, advisory services, and personalized financial guidance to our customers, as well as experts in various fields, including technology, digital services, innovation, and analysis, to take part in leading important projects.

Recognition of the importance of the employee experience, beginning with the hiring process, leads us to continually work to improve and adapt recruitment and screening, in line with the developments in the job market. In 2022, we introduced several processes in the area of human capital and hiring:

- ◆ We ran an online recruitment campaign, with bank employees participating.
- ◆ Under the slogan Bring a Friend, we encouraged employees to join our recruitment efforts by recommending candidates.
- ◆ We launched a new careers website, inviting the general public to get to know the bank and discover opportunities we offer for employment and career development.
- ◆ We participated in various job fairs to invite candidates to apply for positions at the bank.

- ◆ During the year, workshops were held for employees on the use of LinkedIn, as a way of taking part in recruitment.
- ◆ We introduced a shorter and more focused hiring process for banking positions, to achieve a more meaningful and professional candidate experience. We embedded innovative methods in processes for hiring experts in various fields, to proactively identify people with the right education, qualifications, and experience for our needs.

Alongside meaningful processes in recruitment, we recognize the importance of guidance for employees entering a new role that presents professional, social, and personal challenges. To help employees settle in quickly, create a positive onboarding experience, and strengthen their sense of connectedness, we created a process to mentor employees and managers during onboarding using advanced tools and digital platforms. Along with the innovative and automated methods, we assign new employees a "buddy" - a colleague who is there for the new hire throughout the orientation phase.

2022 plans - status:

2022 plans	Status
Develop innovative technologies and processes for employee screening and onboarding.	✓ Completed
Adapt and shorten hiring processes for banking roles, to create an innovative and positive experience for the candidate.	✓ Completed



Photo: Einav Segal, Business center Herzelyia.

Encouraging growth and development

Bank Hapoalim is leading an organizational culture that encourages personal growth and development as a driver of business growth. We believe that a culture encouraging mobility among positions at the bank creates opportunities for professional and personal development, and strengthens employees' sense of meaning, connectedness, and achievement orientation over time.

As part of a change in the organizational mobility process and the effort to encourage employees and managers to proactively apply for various positions, we introduced a new policy aimed at generating meaningful opportunities for movement and

development among different units and roles. Employees are invited to view and apply for available positions at the bank through the Maavarim ("Transitions") system, a reflection of our ambition to provide employment and development opportunities and maintain transparency and equal opportunities.

39. In 2022, 89% of available positions were staffed by workers from within the bank.

Processes in 2022

- ◆ **Restart** - In view of the technological developments and accelerated automation processes, to prepare for the challenges of the future and the new world of work, we launched the Restart System Analysts initiative, in 2022, which offers bank employees opportunities for professional development and retraining during their work at the bank. Employees thereby maintain relevance in the job market, while bringing their accumulated experience at the organization to their new role. Employees who participated in the retraining program studied system analysis, and were assigned to new roles at the bank's Technology Division.
- ◆ **Skills model** - In 2022, we built a new skills model at the bank, adapted to our innovative banking approach. The model serves as the foundation for broad development and growth processes based on the awareness that the skills of the bank's human capital are an important key to professional, personal, and business growth.
- ◆ **Our Home** - An initiative to help employees familiarize themselves with the range of units and occupations at the bank by visiting different units for guided tours and lectures. In addition to strengthening interfaces for everyday communication, this project introduces employees to opportunities for development, growth, and career planning at the bank.

Transforming the employee experience at the Technology Division

The Technology Division at Bank Hapoalim is one of the largest development organizations in Israel, and is responsible for defending, maintaining, and operating the technological infrastructures, systems, and products of the bank, while developing new banking systems and products to unlock value for our customers. The division has employees in a wide range of technological roles, and competes with the high-tech industry to recruit and retain workers in this field. We therefore take many measures to enhance the employee experience in this division, based on the values of learning and development, openness and transparency, innovation and initiative, excellence, and partnership.

Key processes in 2022 to enhance the employee experience at the Technology Division:

- ◆ Developing an employee recruitment website, including a virtual tour to give potential candidates a glimpse of the division's work.
- ◆ Designing development tracks based on a catalog of roles and skills, to help employees become familiar with the competencies needed for each role and plan their own training and career path, with support from approximately twenty internal career advisors and career builders.
- ◆ Strengthening intra-organizational communication mechanisms, such as a targeted website presenting information about the division, opportunities for development and learning, career management information, and more.
- ◆ Structuring the onboarding process and training managers for intake and mentoring of new employees.
- ◆ Strengthening feedback and appreciation processes for employees.
- ◆ Promoting learning and development, through:
 - ◆ Beta>Sefer, created as a hub for division employees' personal and professional learning and development; develops training, reskilling, upskilling, and enrichment programs to support the division's operating model.
 - ◆ Cultivating a culture of life-long learning; developing learning infrastructures and a range of channels to support learning.
 - ◆ Establishing professional communities to support learning and development processes.
 - ◆ Creating teams to lead teambuilding activities at the various units; dozens of events, meetups, and hackathons were held to encourage innovation, learning, and sharing.

Newsroom - An initiative introduced in 2021 in which fifty employees of the division voluntarily serve as reporters creating news items. The group publishes the Code Review, an internal newsletter sent to all employees of the division every Thursday and posted for all employees of the bank on the organizational portal. News items address the activity of the division, advanced technologies on the market, and other areas of interest, such as leadership, employee retention, the relationship between music and coding, and more. Items are posted on the intra-organizational communication channels of the bank; some appeared on social media or in newspapers as opinion columns, articles, and interviews, which drew great interest in the division and its activities.

In 2022, we launched the **Music Room**, which hosts lessons on various musical instruments. Two bands have formed as part of this activity.

Well-being and promotion of healthy lifestyles

Well-being services

Employees of the bank benefit from an extensive array of social and well-being services, including daycare subsidies for children. These services provide solutions for a broad range of employee preferences and needs: leisure activities, healthy lifestyles, enrichment for employees and their families, and more. Some of the services take the form of a choice of activities offered to improve well-being and strengthen employees' sense of connectedness; various social, cultural, and leisure activities are offered to employees of the bank at discounted and/or subsidized prices, including vacation getaways, memberships at cultural centers, theater performances, the Good Movie Club, sports facilities, fitness centers, and swimming pools.

Promotion of healthy lifestyles among employees

- ◆ **Sports** - The bank manages and provides coaching for a wide range of sports teams for employees, participates in sports events for workplaces, and subsidizes events such as marathons, bike races, and more. The bank also offers employees subsidized memberships at fitness centers and swimming pools across Israel.
- ◆ **Physical examinations and raising awareness of healthy lifestyles** - The bank subsidizes periodical physical examinations for its employees, and conducts a wide range of lectures and workshops on healthy lifestyles and good nutrition.
- ◆ **Ergonomics** - As part of the effort to maintain a beneficial and healthy work environment, the bank's Logistics Area has an ergonomics consultant who assists and instructs employees on correct seated posture when working on a computer and on work environment improvements, according to need.



Photo: Eyal Gato, Social Banking Center.

Work-life balance

To offer employees conditions amenable to balance between work and leisure, the bank has instituted a shortened work week of 40.5 hours. Most employees also have a higher quota of annual vacation days than required by law, as part of their terms of employment. As part of the drive to promote balance between home and work, the bank has expanded the boundaries of its workday, so that employees can flexibly manage their daily hours of work between 7 a.m. and 11 p.m.

As another measure to support work-life balance, Tuesdays have been designated a shorter workday for employees, whenever possible, with no meetings scheduled in the afternoon. In recognition of the stress and tension engendered by daily life in modern times, we hold workshops at the Poalim Campus, in person and through digital channels, to impart tools and tips for stress reduction, in areas such as positive thinking, optimal time management, personal resilience, and more.

Employee union

The employee union is a strategic partner and a key stakeholder of the bank. Labor relations between management and the employee union are characterized by partnership and continual dialogue. The roles fulfilled by the employee union include protecting each employee's rights and obligations; developing cultural, instructional, and social activities; and organizing mutual assistance among employees. The numerous activities of the union for the well-being of employees include organizing day camps for employees' children throughout Israel, reduced-price or subsidized tickets to cultural and entertainment events, discounts on hotels and vacations, holiday gifts and gifts for personal occasions, various types of insurance for employees and their families, medical examinations, aid funds, assistance

for families in mourning, and more.

The national union leads local employee unions, which are assigned to regional unions based on category. Branch managers in each region have a regional union, as well as representation in the national union. The national union consists of representatives of the regions (including branches and the head office), with representation proportional to the size of the region. The national union operates on the basis of articles of association accessible to all employees in a dedicated section of the organizational portal.

A new collective agreement for 2018-2022 was signed at the bank in January 2020, covering the 84.1% of the permanent and temporary employees of the bank who are part of the collective labor agreement. The parties to the agreement are the employee union of the bank, the management of the bank, and the Histadrut New General Labor Federation, which is the largest employee union in Israel; they are responsible for implementation of the labor agreement, which addresses matters including employee wages, bonuses, and voluntary retirement terms.

Insurance and funds for employees

Bank Hapoalim pays salaries to its employees in accordance with collective employment agreements or personal contracts signed with each employee. Employees have comprehensive insurance coverage, including pension insurance (starting on the first day of employment at the bank), disability insurance, life insurance, personal accident insurance, health insurance, and dental insurance. Beyond the insurance coverage described above, additional safety nets are available to employees in times of need:

- ◆ **The Malki Foundation** - A voluntary fund, administered as a non-profit foundation financed by employee donations, which provides financial coverage for employees in the event of serious illness or similar occurrences.
- ◆ **The Mutual Assistance Foundation** - A foundation financed by the board of management budget, designed to assist employees who encounter financial difficulties or family crises.
- ◆ **Management and employees' joint fund** - A fund managed by the bank, jointly with the employee union, using employee and management resources to finance activities related to well-being and assistance for employees and retirees.

Preparation for retirement and strengthening connections with retirees

The bank cares for its employees and their spouses, as they approach retirement age, through preparatory courses and retirement workshops. The bank maintains continuous contact with its retirees, including through support, financing, and collaboration with the retiree union, which organizes trips and well-being activities and provides grants in situations of distress.

Pensions of employees who reach retirement age are covered by amounts accrued in pension funds and allowance-based provident funds. From time to time, the bank announces voluntary early retirement programs with preferred terms, based on employees' age and seniority. The bank arranges professional advisory services to assist employees in making the decision best suited to them and their families.

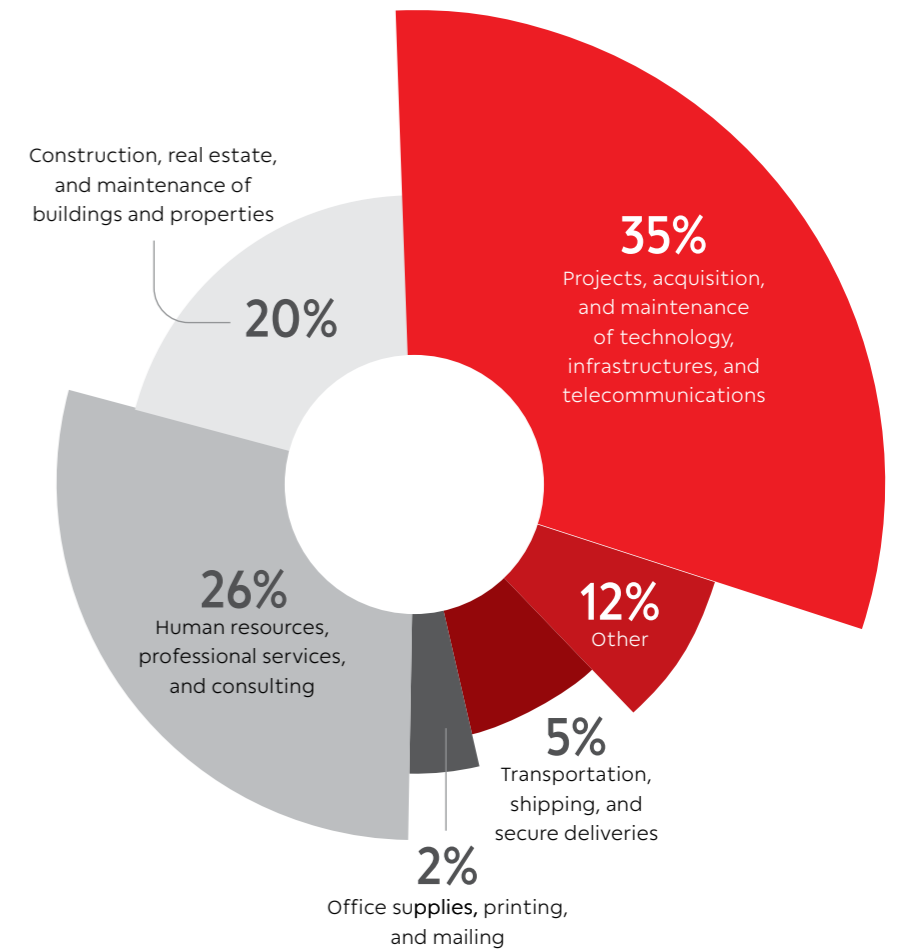
Responsible supply chains

Profile of the bank's supply chain

The operational activity of Bank Hapoalim, as a banking organization, is primarily based on a supply chain that consists of a pool of suppliers of goods and services, of varying sizes (large, mid-sized, small, and micro businesses), encompassing thousands of companies in fields such as logistics, technology, professional services, and more. We contracted with approximately 2,400 suppliers from this pool during 2022.

~95%
of our purchasing
is from suppliers who are located in Israel and employ workers locally

Distribution of Bank Hapoalim procurement in 2022



Purchasing at the bank is managed by the Corporate Purchasing Area, an integrative function that oversees the interfaces composing the supply chain of the bank, with the aim of adding significant value for the units of the bank and supporting the achievement of their goals and work plans, while optimally utilizing resources and striving for quality execution. Purchasing is a well-defined, uniform, orderly process, with clear parameters established for examination of the quality of the purchased items, separation of authority

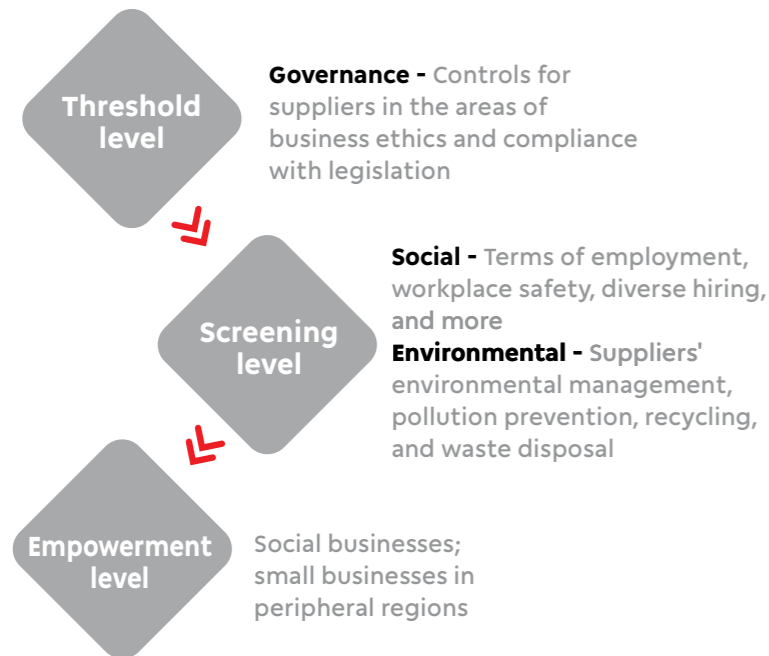
in critical stages of the procurement process (such as specification of demand, selection of supplier, and payment), specified authorizations for approvals, and documentation of information and decisions made at each stage of the process, using a purchasing system based on ERP technology. All of these practices are aimed at improving the efficiency and quality of purchasing management, in order to allow controls to be applied and conclusions to be drawn, and prevent any conflicts of interest in advance.

Responsible purchasing

Our responsible purchasing policy is integrated with the purchasing process and with the routine operations of the purchasing units – establishing demand and specifications, posting calls for proposals, contacting the existing supplier pool, and more. The policy is implemented in cooperation with relevant professional functions and the bank's ESG department.

As part of our corporate responsibility philosophy, we have implemented a formalized program to instill ESG principles in our purchasing activities, based on in-depth analysis of the purchasing patterns and characteristics of suppliers of the bank, applied in the context of our responsible purchasing policy. The program is designed to ensure responsible conduct in the areas of fair and equitable employment, appropriate business conduct, protection of the environment, and promotion of opportunities for green purchasing. We communicate this approach to suppliers, and encourage them to adopt the same norms. The purchasing model is adapted to the characteristics and strategic focus of our business and the environmental and social activity of the bank, as reflected in three levels representing the principles of the responsible purchasing policy:

- ◆ **Threshold level** - a binding threshold applied to all suppliers of the bank.
- ◆ **Screening level** - required screening applied to relevant suppliers according to the category of the purchased product or service.
- ◆ **Empowerment level** - used to expand the pool of suppliers who implement ESG principles.



The policy defines the following principles and guidelines for managing supplier relations:

- ◆ Integrity and transparency
- ◆ Professionalism and excellence
- ◆ Continual dialogue and creation of shared value
- ◆ Partnership and reciprocity
- ◆ Nurturing long-term relationships
- ◆ Prevention of corruption and bribery
- ◆ Fairness and protection of human rights, worker safety, and diverse employment
- ◆ Equal opportunities and prevention of discrimination and harassment
- ◆ Social responsibility – emphasis on encouraging employment of employees with disabilities
- ◆ Minimization and prevention of environmental damage and promotion of environmental values
- ◆ Promotion of diverse and local purchasing - from small businesses, social businesses, and peripheral businesses

Embedding ESG principles in supplier agreements

Corporate procurement applies controls (including through entities external to the bank) to ensure that suppliers engaged by the bank comply with the requirements of the law and with the criteria established by the bank. The bank has applied a formalized program for the implementation of a responsible purchasing policy, since 2015. Within this effort, we have established binding criteria for working with suppliers, as well as criteria that are part of the quality metrics in request-for-proposal processes, prioritizing suppliers who have embedded sustainability and corporate responsibility principles in their routine operations.

As part of their contract with the bank, suppliers sign a commitment to responsible conduct. The document encompasses a commitment to fair employment, including fair wage terms, avoidance of the impairment of rest hours, maintaining employees' benefits, maintaining an appropriate and sound work environment, prevention of harassment, and avoidance of any form of employment prohibited by law. Suppliers commit to protecting the health, security, and safety of their employees and providing the necessary tools and training for that purpose.

In addition, suppliers commit to maintaining appropriate environmental policies and management systems, to protect the environment, including the use of environment-friendly materials. Emphasis is also placed on the supplier's commitment to the prevention of bribery and corruption, and on the prohibition



on giving and receiving favors, for the supplier and its employees, in all areas of its business.

Since 2014, every supplier in a working relationship with the bank has signed a document derived from the bank's code of ethics, and has made a commitment to act accordingly. For further information, see the Responsible Purchasing Policy document on the bank's website.

ESG questionnaire for supplier selection

In 2022, we designed a questionnaire to assess the extent of implementation of ESG aspects by our suppliers. The goal of this process is to expand our impact

in embedding ESG principles among suppliers, and to reduce potential risks in the bank's supply chain. The questionnaire addresses aspects of policy, procedures, objectives, and performance metrics in environmental, social, and governance matters. The suppliers' responses are weighed into an ESG score, which will be included in decision-making processes at the bank when engaging a new supplier or renewing a contract with an existing supplier, subject to a materiality threshold for the scope of the engagement. A pilot project in this area is planned in 2023, and we intend to gradually expand the use of the questionnaire to additional suppliers.

Empowerment of socially conscious suppliers

The bank acquires goods and services from a pool of socially conscious suppliers, in areas such as the production of teambuilding days and conferences for the various units of the bank, and supplying gift packages and flowers for the bank's employees and customers. Our social supplier pool consists of small businesses from every part of Israel that embed values and social content in their activities, including assistance for people in need and employment of at-risk adolescents and people with disabilities.

Promoting small businesses in the supply chain

Bank Hapoalim recognizes the importance of small businesses to the progress of the Israeli economy, and prioritizes these businesses in its procurement

processes. Wherever possible and appropriate, we engage small suppliers. We also harness our extensive purchasing network to forge collaborations between small suppliers and other suppliers (who may not be suppliers or customers of the bank).

Sharing professional knowledge

The purchasing staff at the bank routinely shares professional knowledge with the suppliers of the bank, on subjects such as resource efficiency, cost savings, and more. Purchasing staff members also give talks on responsible purchasing for various stakeholders, such as community organizations. Purchasing staff regularly visit suppliers, on site or via Zoom, in order to become more closely acquainted with their activity, learn about new products they are offering, consider future collaborations, and more.

Within our ambition to expand our spheres of influence on society and the environment, and to promote incorporation of ESG principles among our suppliers, in 2022 we invited selected suppliers to join the Maala rating index. Maala corporate responsibility ratings are aimed at evaluating the social and environmental commitment and impact of companies and organizations, and offer participating companies annual measurement, gap mapping, and identification of opportunities for improvement.

2022 plans - status:

2022 plans	Status
Formulate an ESG questionnaire for supplier selection.	✓ Completed
Include ESG questionnaires in setup for new suppliers.	To be considered for implementation in 2023, after completion of the pilot project for the use of ESG questionnaires in supplier selection.

Future Plans

- Promote the implementation of the use of the ESG assessment questionnaire in supplier selection processes.

Protecting the rights of workers employed by contractors

We have agreements with various contractors for the provision of security, cleaning, and cafeteria services, through employees of the contractor who are assigned to the bank. In order to ensure the protection of contractor workers' rights, the agreements between the bank and the contractors stipulate the obligation of the contractors to provide the following to their employees, among other matters: minimum wage, and other rights granted to workers in Israel under labor laws; employee benefits; prevention of harmful employee turnover; and due disclosure to employees of their rights. This infrastructure was created in order to prevent harmful employment, and has been in place at the bank for years, as part of our social responsibility approach.

In order to protect the safety of contractor workers in the area of construction, such as in the construction of new branches and buildings, an orderly procedure is maintained, including the formulation of a safety plan for the project by a safety engineer, approval by the National Fire and Rescue Authority, and supervision by a regional security officer. An annual seminar on safety and security is held at the bank.

To ensure that the rights of contractor workers employed on our premises are protected, we operate a dedicated contact center for them, within the Poalim Service Center. The bank informs contractor workers of the existence of the contact center, and has them sign a document explaining their rights. One inquiry from an external contractor worker was processed by the center in 2022. We also engage the services of Hilan for review of the terms of payment of suppliers to their employees. During 2022, Hilan conducted reviews at all of the employment contractor companies engaged by the bank.



Photo: Kobi Avrahm and Boris Okunev, Logistics Area.



Environmental



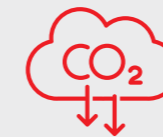
Our efforts to benefit the environment and help cope with the climate crisis

Climate change is one of the key crises facing the world today, and is expected to have far-reaching consequences both for ecosystems and for socioeconomic processes. Thus, organizations' preparedness to cope with these impacts will have a significant effect on their ability to grow in the coming years. The implications of climate change for the financial sector are especially complex, in that the crisis generates substantial financial and operational risks while also presenting new business opportunities.

We at Bank Hapoalim accord great importance to aiding the effort to cope with the climate crisis and promote the transition to a low-carbon economy. We see it as part of our responsibility to support the global drive to combat climate change for the sake of future generations; this work is also part of our ambition to manage threats and business opportunities created by the climate crisis in an effective way, for the benefit of our customers and all of our stakeholders.

Our strategic approach

We are committed to continuing to promote sustainable financing and investments and guide our customers through the transition to a low-carbon economy. Concurrently, we are managing environmental and climate risks and striving to reduce the impacts of the business activities of the bank on greenhouse-gas emissions, to support achievement of the climate goals of the State of Israel. Our strategy consists of three axes:



Support for the transition to a low-carbon economy

Developing financial products and banking services to help accelerate the transition to a low-carbon economy:

- ◆ Increasing financing and investments in projects promoting a green environment - the bank has set a target of NIS 37 billion by the end of 2030.*
- ◆ Green Bonds - the first in Israel - issued at a volume of USD 1 billion.
- ◆ Targeted lending for small businesses, farmers, and households, to encourage the installation of solar-energy systems.
- ◆ Developing Green Deposits to enable savers to take part in our environmental impact.
- ◆ Promoting ESG investment advising for advised customers.
- ◆ Supporting the climate-tech industry.



Environmental and climate risk management

- ◆ Managing environmental and climate risks in our business operations; embedding these considerations in credit and investment decisions.
- ◆ A commitment not to finance or invest in new coal and oil exploration and production projects.
- ◆ Gradually scaling back holdings in companies engaged in coal and oil activities in the proprietary portfolio of the bank, to zero by the end of 2026.



Reduction of environmental impacts

- ◆ Continued reduction of the operational carbon footprint of the bank - a 60% decrease is targeted by 2030 (from the 2020 baseline).
- ◆ Integrating ESG considerations into the supplier selection process.
- ◆ Measuring carbon emissions in the credit portfolio using PCAF methodology.
- ◆ Support for carbon sequestration ventures.

Responsible
action to
protect the
environment

* The balance of financing and investments in projects promoting a green environment stood at NIS 20 billion at the end of 2022.



Managing environmental and climate aspects

Environmental and climate aspects at the bank are managed on four levels:

- ◆ Strategic management as part of the bank's ESG management - under the responsibility of the Head of Human Resources and the Head of ESG.
- ◆ Management of environmental and climate risks - under the responsibility of the Chief Risk Officer of the bank, led by a professional function appointed for this purpose.
- ◆ Embedding environmental and climate aspects in business processes - under the responsibility of business division managers.
- ◆ Management of operational impacts - under the responsibility of the Head of Finance, led by the Head of Logistics.

New climate-focused ESG steering committee

In view of the climate-related regulatory developments and the opportunities inherent in this field, in January 2023 we established an ESG steering committee at the bank. The committee is headed by the Head of Human Resources and the Head of Risk Management, and led by the Head of ESG. Committee members are senior executives from various divisions, including relevant members of the

board of management; external experts also participate. The committee plans to convene twice annually, to monitor the ongoing implementation of ESG strategy; update the strategy from time to time, if necessary; and examine the attainment of ESG targets, while creating intra-organizational collaborations to implement and promote ESG concepts.

Supervision by the board of directors

As part of the routine activity of the board plenum, the board of directors receives updates on climate-related matters at the bank and on the management of these issues, including environmental and climate risks, approval of ESG strategy and the derived targets, monitoring attainment of goals, and adjusting the goals if necessary. Oversight and supervision processes are also conducted by two committees:

Corporate governance committee -

The committee supervises ESG-related issues. Within its routine activities, the committee convenes annually to approve the bank's annual ESG report and its annual and long-term objectives in all ESG-related areas. These include targets for financing of and investment in projects promoting a green environment, and for reduction of the carbon footprint of the bank's operations.

Risk management and control committee -

As part of its responsibilities, the committee supervises all risk-management processes at the bank, including the management of environmental and climate risks. The committee receives quarterly reports on the level of financial exposure of the bank to all emission-intensive sectors with high exposure to climate-related transition risks.

In early 2022, the board of directors and management of the bank approved an initial outline for a policy for the management of transition risks in lending and investments. At this stage, the outline addresses the sectors most exposed to transition risks, first and foremost fossil fuels (for details, see the section "Environmental and climate risk management" on page 126).

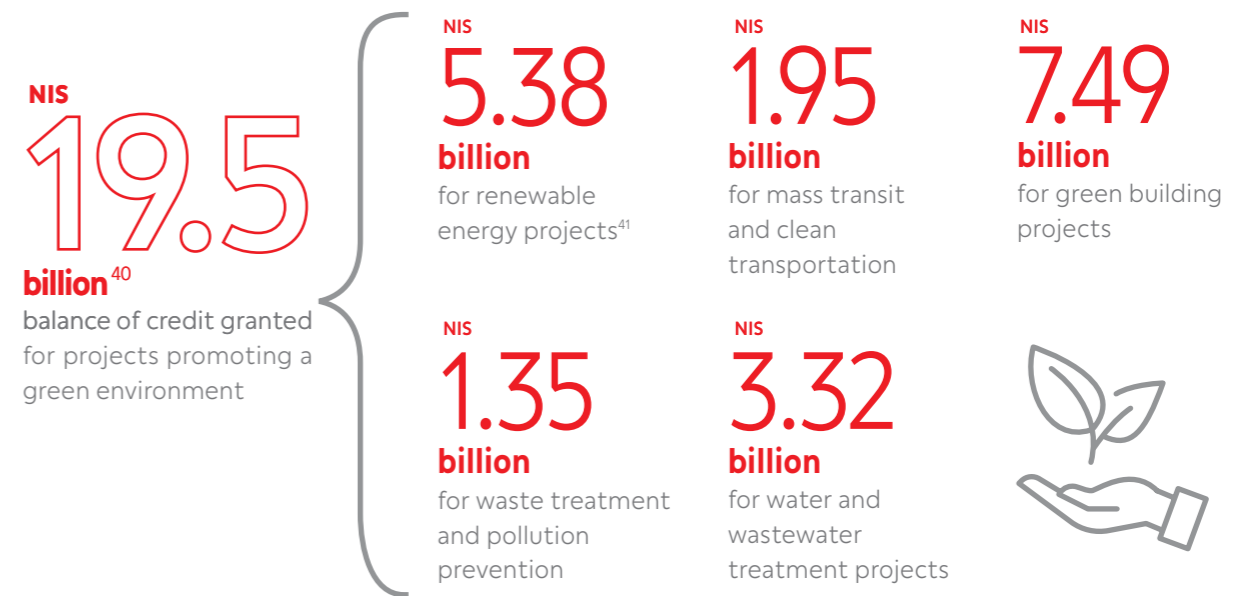
Professional training

In 2022, we continued to enrich the knowledge of our management and board of directors, and of various professional units, in the area of climate-related risks and opportunities. A series of training sessions was run by the bank's Head of ESG and Head of Climate Risks, with external climate and environment experts.

Financing and investments promoting a green environment

The climate crisis requires preparations for escalating physical changes, concurrently with the transition to a low-carbon economy and attainment of global zero emissions. Yet along with the challenges and risks posed by the climate crisis, it also presents opportunities for economic growth - through the development of green technologies and infrastructures, and through new markets in the climate tech and environmental innovation industries.

Green project financing and sustainable investments are valuable business opportunities; as a major financial organization, we see it as our responsibility to support Israel's social and economic growth, and the global battle against climate change, for the sake of future generations. Accordingly, we are working to increase financing and investments in green projects and to guide our customers through the transition to a low-carbon economy, thereby supporting climate change adaptation and mitigation efforts. These efforts include financing solutions for customers of the Corporate Banking Division and the Retail Banking Division, the issuance of the first Green Bond in Israel (in 2021), the development of targeted deposits, and investments in renewable-energy projects through Poalim Equity, which handles the bank's non-financial investments.



In late 2022, the Ministry of Environmental Protection issued a draft of the Israeli Green Taxonomy,⁴² for the classification of economic activities by their contribution to environmental objectives, as defined in the document, and their impact on environmental interests. The Israeli taxonomy draft is based on the EU Taxonomy, with adjustments of specific criteria for the unique characteristics of Israel. At this stage, the draft Israeli taxonomy refers only to criteria with a significant contribution to mitigation.

Green credit provided by the bank was measured and categorized with the assistance and oversight of environmental experts at the consulting firm BDO. The classification methodology takes the criteria presented in the draft taxonomy into account, along with a professional examination of additional environmental benefits, including adaptation to climate change, promotion of a circular economy, prevention of pollution, and more (for details regarding green financing measurement oversight by BDO, see page 182).

40. Balances as at December 31, 2022, balance sheet and off-balance sheet.

41. The balance includes NIS 107 million in credit for energy efficiency projects (including urban infrastructures for environment-friendly street lighting).

42. [The Israeli Green Taxonomy draft](#) for environmentally sustainable economic activities.

Renewable energy

The State of Israel has set a goal of increasing electricity production based on renewable energy to 30% by 2030. We accord high importance to assisting and supporting the transition to renewable energies in the Israeli economy. The bank has provided financing for the construction of a range of projects, including:

- ◆ **Solar energy** - Financing of large projects for customers of the Corporate Banking Division, to build solar-energy facilities and systems nationwide and overseas. The projects, on a scale of dozens of megawatts each, include photovoltaic and thermosolar power plants (at Ashalim), agrovoltaic systems at agricultural farms, and photovoltaic systems installed on water reservoirs. The bank also grants credit to private and business clients of the Retail Banking Division for the installation of small and mid-sized solar-energy systems, mainly on rooftops.
- ◆ **Wind energy** - Financing for the wind farms Sirin on Mount Gilboa, Emek Habacha, and Bereshit in the Golan Heights, at a total capacity of approximately 320 megawatts.
- ◆ **Hydropower** - Financing and construction of a pumped-storage power plant with installed capacity of 340 megawatts.
- ◆ **Geothermal energy** - Financing of geothermal energy production projects outside Israel, including in developing countries, such as Guatemala and Honduras.

Dedicated loans for private customers and small businesses to finance purchases and installations of solar energy systems

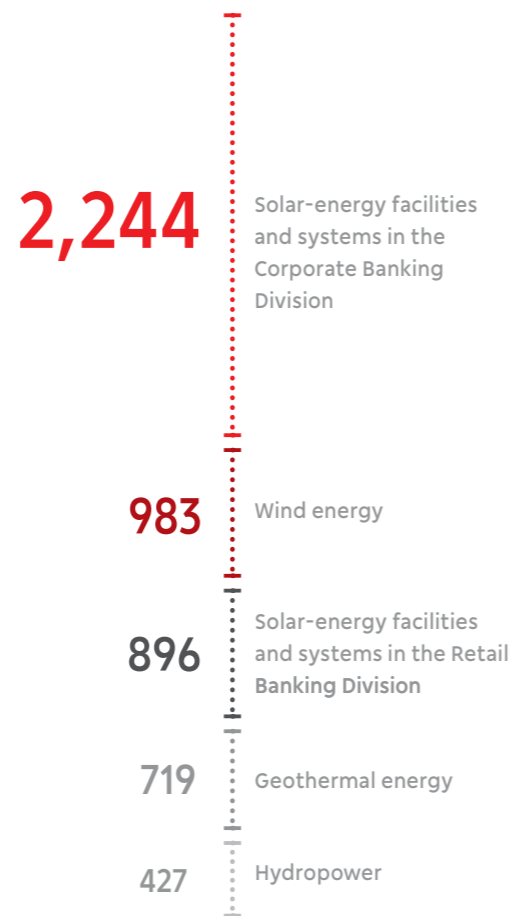
Rate Regulation is a state initiative allowing households, farmers, and businesses to install solar-energy systems for the production of electricity, for their own use or for sale at a predetermined price to the Israel Electric Corporation. The bank identified this initiative as an opportunity for the creation of shared value - for customers, through lower electricity costs and an additional source of income; for the environment, through the promotion of green energy; and for the bank, through its credit solutions. The bank therefore offers its private and small-business customers loans dedicated to financing the acquisition and installation of solar-energy systems, at up to 100% financing, with preferred terms.

NIS 896 million

Credit granted by the bank to its customers, including farmers and farm owners, to finance the installation of solar-energy systems, an increase of approximately 30% compared with the preceding year.



Credit for renewable energy in NIS millions



Clean transportation and mass transit

Traffic density on Israeli roads is the highest in the OECD,⁴³ leading to significant pollution. The bank has financed several projects promoting mass transit and clean transportation, such as the construction and expansion of the light railway project in Jerusalem - an electric train used by about 160,000 passengers daily, which contributes to the reduction of air and noise pollution, and is expected to help achieve a 15% reduction in motor-vehicle use in Jerusalem by 2030.⁴⁴ The bank is also financing a number of projects for the sale and installation of electric vehicle charging stations.

Green building

The Israeli green building standard (Israel Standard 5281) was introduced in 2005, with the aim of reducing the negative impacts of construction processes and building use on the environment by converting construction waste into usable materials, to help promote a circular economy. As of March 2022, the standard is gradually being applied as a binding requirement for about 90% of new construction in Israel. Construction in line with the standard is expected to reduce greenhouse-gas emissions from buildings, and cut back electricity⁴⁵ consumption by approximately 21%. According to estimates by the Ministry of Environmental Protection, a leap in the scope of green construction is expected in Israel, which will help with climate change mitigation and

adaptation.⁴⁶ The bank has financed several residential and commercial construction projects across Israel based on Israeli and international green building standards.

Waste treatment and pollution prevention

The waste industry in Israel lacks high-quality treatment infrastructure and has high landfilling rates and low recycling rates relative to the OECD countries.⁴⁷ Reducing waste generated per capita and converting waste into a resource through the waste-management hierarchy are the foundations of the Ministry of Environmental Protection's strategic vision. In 2022, Bank Hapoalim provided financing for a range of waste-treatment projects, including the following:

- ◆ Collection of waste separated at source and transportation of waste to recycling facilities;
- ◆ Advanced sorting facilities for municipal solid waste not separated at source, to increase waste recycling rates and decrease landfilling;
- ◆ Recycling sites;
- ◆ Composting sites;
- ◆ Anaerobic digestion of bio-waste to generate electricity;
- ◆ Energy recovery and RDF (refuse-derived fuel) production facilities.

The bank has financed several urban waste sorting and treatment projects that generate electricity from biogas, including Zero Waste, an urban waste treatment facility adjacent to the Shafdan Wastewater Treatment Plant, with capacity for at least 1,000 tons of

waste per day. When completed, the facility will treat about 400,000 tons of mixed urban waste annually - sorting into organic waste, plastics, paper, and metals - reducing waste landfilling by approximately 50%. After sorting, the organic waste is designated for anaerobic digestion to generate agricultural fertilizer and biogas for electricity production, with capacity of approximately 12 megawatts.⁴⁸

Water and wastewater treatment

The State of Israel has dealt with water shortages for years, due to factors including scarce precipitation and dwindling natural water sources.⁴⁹ Given Israel's geographical location, the climate crisis exposes it to harm to its natural water sources and water quality; Israel has a high level of water risk that may continue to worsen.⁵⁰ Water desalination is one method of generating new water from existing water resources, and is now the source of most of the water supplied to households in Israel. The bank has financed desalination projects at Palmachim, Hadera, Sorek, and Ashdod, as well as the planned desalination plant in the Western Galilee, designed for a capacity of 100 million cubic meters of water. Today, the volume of desalinated water derived from projects financed by the bank is approximately 600 million cubic meters per year.

43. Based on estimates in the State Comptroller Report, "The transportation crisis in Israel, 2019."

44. Based on the vision and methodology of the Jerusalem Transportation Master Plan Committee.

45. From a comparative survey on electricity consumption in green and standard apartments by the Ministry of Environmental Protection.

46. From an opinion statement by the Ministry of Environmental Protection: "Green building as a tool for adapting to climate change and promoting a circular resource economy, 2021."

47. From the Ministry of Environmental Protection policy document, "Waste strategy 2020, 2030."

48. From the Zero Waste project website.

49. From a report by the Knesset Research and Information Center entitled, "The Water Economy in Israel - Key Issues, 2018."

50. From the Report on National Preparedness to Adapt to Climate Change, Office of the State Comptroller, 2021.

Other methods of optimal utilization of existing water sources include sewage treatment, and use of the treated wastewater and sludge for agricultural purposes; water purification using biological means; and construction of water reservoirs to make wastewater and floodwater usable through water treatment and recovery for irrigation. In 2022, the bank provided financing for water and wastewater treatment projects including the following:

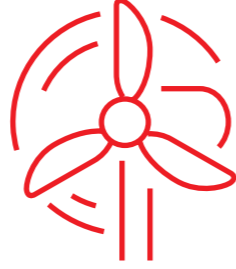
- ◆ High-efficiency water supply and sewage services (under 5% water loss);
- ◆ Wastewater treatment facilities with output water quality allowing irrigation and unlimited discharge into rivers;
- ◆ Cleantech ventures creating solutions for water supply, irrigation, purification, and savings, including in developing countries.

The bank is also one of the financiers of the project for the expansion and upgrade of infrastructures at Igudan, which is developing and adapting the sewage infrastructures of the Dan Region for future needs and expected population growth. The Shafdan, part of the Igudan infrastructure, currently provides about 130 million cubic meters of treated water for agriculture, and approximately 70% of the water consumed by agriculture in the Negev region.⁵¹

Green investments

In addition to encouraging responsible investment among its customers, the bank includes ESG considerations in its own proprietary portfolio by investing in ETFs tracking global equities with high ESG ratings and in renewable energy equities. As part of our commitment to supporting the global effort to cope with the climate crisis, in early 2022 the bank made the decision to gradually reduce holdings in coal and oil companies in its proprietary portfolio, so that no such companies are included by the end of 2026.

The bank also performs impact investments in companies promoting social and environmental values through its subsidiary Poalim Equity.

NIS
513 
million
investments in renewable energy projects through Poalim Equity, the non-financial investment arm of the bank

2022 plans - status:

2022 plans	Status
Increase the volume of financing and investments in projects promoting a green environment.	✓ Completed The balance of credit and investments in projects promoting a green environment has increased to approximately NIS 20 billion.

Future plans

- As the original 2030 target for green financing and investments has been achieved, we have set a new goal of increasing financing for projects promoting a green environment to approximately NIS 37 billion by 2030.

51. From the Igudan project website.



Green Bonds



In October 2021, the bank issued the first Green CoCo Bonds in Israel, in line with the ICMA Green Bond Principles, in an international private offering that drew demand of over USD 2.7 billion from dozens of international and local institutional investors. The bank

won the Green Market Pioneer award of the Climate Bond Initiative for the bonds. In September 2022, we released our first impact report for the Green Bonds. The report describes the allocations during the first year, of about 60% of the amount raised, to green projects that met the eligibility criteria in the Green Bond Framework, in the areas of renewable energy, clean transportation, green building, and waste treatment.

The report also presents the results of measurement of the impact of these projects on avoided emissions of greenhouse gases into the atmosphere. The environmental impact was measured based on international methodologies (CDM, PCAF). For more information, see the Impact Report, available on the bank's website.

\$1 billion
volume of the first Green Bond in Israel, issued by the bank in line with the ICMA Green Bond Principles

146,760 tons CO₂e
the bank's share in avoided emissions per year as a result of the financed projects

Managing climate and environmental risks in our business activities



Global awareness of the existence and scope of environmental risks has risen in recent years. In particular, concerns are mounting over risks arising from climate change, in view of current climate phenomena and scientific data illuminating the scale of these events. The State of Israel is in a climate hotspot, already heating more rapidly than the global average. Financial organizations, including banks, are exposed to these risks when they grant financing or invest in companies directly or indirectly exposed to climate and environmental risks in the course of their routine operations.

Decision-makers in various countries, as well as in Israel, are formulating policies and action plans to contend with the effects of climate change. These impacts have far-reaching implications for humanity and require harmonious and effective solutions, through cooperation and coordination among states, businesses, and people. Like other central banks, the Banking Supervision Department in Israel accords high importance to addressing environmental and climate risks. Since as early as 2009, banks have been required to include environmental risks in their overall risk management. In December 2022, the Bank of Israel updated its Public Reporting Directives on ESG aspects, reflecting a requirement to address environmental and climate aspects more extensively. In the same month, the Bank of Israel issued a first draft of a Proper Conduct of Banking Business Directive on the subject, "Principles for effective management of climate-related financial risks," which adopts the document of principles published by the Basel Committee on Banking Supervision (BCBS) in June 2022.

We at Bank Hapoalim see the management of environmental and climate risks as greatly important both within our financial risk management and as part of our responsibility and commitment to support global efforts to fight climate change, on behalf of future generations.

Environmental risks

Based on the definitions of the Network for Greening the Financial System (NGFS) and the respective definitions of the Banking Supervision Department at the Bank of Israel, environmental risks derive from the exposure of a financial institution and/or the financial sector to activities that have the potential to cause environmental degradation, such as air and water pollution, ground pollution, loss of biodiversity, deforestation, and loss of ecosystems, or to be affected by such harm.

Environmental risk identification methodology at the bank includes, among other things, mapping of potential environmental risk by economic sector, and analyzing and addressing environmental risk aspects individually, at the level of the borrower and the investment. Processes for examining and approving major loan applications and investments in sectors identified as exposed to heightened

environmental risk specifically address the environmental risks that may have a material impact on the borrower, according to their economic sector and business activity.

Wherever a medium or high risk level is identified, a targeted analyst review is performed in which the environmental risk is rated on a scale of 1 to 5, based on predefined thresholds and mapped risks, to determine the quality of the borrower's environmental risk management. In the case of infrastructure projects (BOT, PFI) above a certain threshold, an environmental survey performed for the bank by an external consultant is a prerequisite for financing. The survey ensures that the project complies with all of the requirements in the permits granted by government agencies. Approval of financing for new real-estate and construction projects also requires an assessment by an appraiser regarding possible land pollution.

Key principles of environmental risk exposure management:

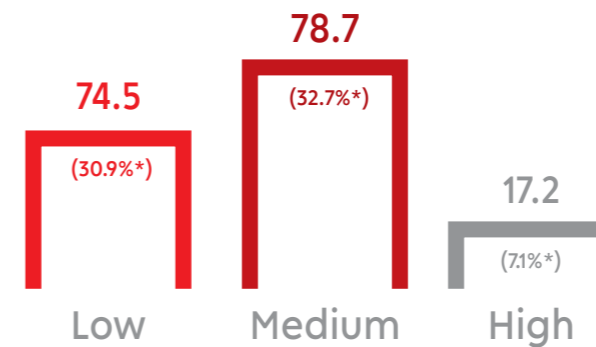
- ◆ Management of environmental risks from the perspective of the overall exposure of the bank to each specific risk.
- ◆ Management of exposure to credit risks both at the level of the overall business credit portfolio and at the level of individual credit transactions. As part of the underwriting process and of the routine management of credit transactions in the business portfolio (based on specified criteria), borrower exposure to environmental risk factors is analyzed in terms of credit-risk aspects, as well as aspects of legal risk and image risk. Among other elements, these processes involve assessment of the financial robustness of borrowers and of the value of collateral, including through land surveys (in financing of real estate), and ongoing monitoring by

control functions. Exposure to environmental risk is also monitored at the level of the overall credit portfolio, with the status reported by the first and second lines of defense to management and the board of directors, as part of the annual report on credit exposures.

- ◆ Management of operational risks - adapting operational systems to regulatory changes on environmental matters.
- ◆ Management of investment risks - exposure to environmental risk in the direct investments of the bank, both through Poalim Equity and in the proprietary portfolio, is managed using methodology identical to risk management in credit.

Risk management at the bank is performed based on a global view of the bank's activity in Israel and at its branches abroad, with due attention to the activity of its subsidiaries, based on policy formulated and approved by the board of directors of the bank. Financial and operational risk control and assessment are performed based on a uniform methodology at the level of the group, with guidance from the Risk Management Division, taking into consideration the unique characteristics of each subsidiary's activities. Risk management involves hedging of some of the risks.

Segmentation of environmental risks⁵² in credit balances in 2022
(exposure balances in NIS billions)



* Percentage of the total exposure balances in the Corporate Banking Division.

Climate risks

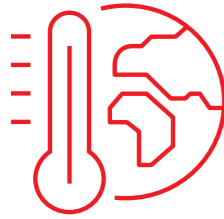
According to the NGFS, and subsequently the definitions of the Banking Supervision Department at the Bank of Israel, climate risks for a financial institution are risks arising from its exposure to risks caused by or related to climate change:

- ◆ Physical risks - Risks resulting from acute climate events, such as floods, storms, heat/cold waves, and wildfires, and/or chronic climate processes, such as rising temperatures, decreasing precipitation and desertification, rising sea levels, and others.
- ◆ Transition risks - Risks that arise due to changes in regulation, government policies, technological changes, market changes, and changes in consumer preferences aimed at fighting climate change and promoting the transition to a low carbon economy.

In light of the importance we accord to climate change management and the ramifications it may have for the bank, in terms of exposure to financial and other risks, in 2021 we formulated an annual and multi-annual work plan to create a comprehensive climate risk management framework, based on study of global trends and practices in this field. The gradual implementation of these plans began in 2021. In 2022:

- ◆ We established a full-time professional function dedicated to climate and environmental risks, responsible for integrating climate risks into the risk-management process at the bank, along the existing lines of defense.
- ◆ We established an interdivision forum on climate risk management, to share knowledge and trends and formulate milestones and future steps. We also held targeted training sessions on climate risk as a financial risk for all CRMs in the Corporate and Commercial Areas of the bank, and for all credit analysts in the first and second lines of defense.
- ◆ We formulated a sector-based heat map for the bank's financing and investment activity, based on a benchmark study, aligned with the specific characteristics of the bank's operations, to identify and assess key areas of economic activity exposed to heightened transition risk. The sectors we have chosen to focus on in the first stage are categorized as emission-intensive industries, in line with the prevalent global focus on sectors exposed to heightened transition risk. We measure the bank's exposure to these sectors on a quarterly basis and integrate the results with our regular mechanisms for reporting on credit risks, including to the board of directors' committee on risk management.

52. Segmentation of environmental risks in balances of credit to customers who meet the established thresholds, based on classification of Corporate Banking Division financing by economic sector.



Rate of credit risk⁵³ in economic sectors identified as exposed to heightened transition risk, December 31, 2022

Fossil fuels	Electricity and gas supply	Transportation and shipping	Chemical industry, rubber, plastics, cement, and steel
1.06%	1.12%	3.07%	1.07%

Based on the heat map, we formulated an initial outline of policies for transition risk management in the financing and investment activities of the bank, referring, at this stage, to the sectors most exposed to these risks, first and foremost the fossil-fuel sector. **Within this process, among other matters, the bank has decided not to finance or invest in new coal and oil exploration and production projects. A decision was also made to gradually scale back holdings in companies engaged in coal and oil activities in the proprietary portfolio of the bank, to zero by the end of 2026.**

As part of the preparations to run scenario analyses and stress tests, we performed a comprehensive benchmark review covering the global experience accumulated

in this area. We continued to enhance our ability to find, present, and analyze geographical information regarding collateral in the form of real-estate properties for housing loans and credit for construction and real estate that are exposed to physical climate risks, as part of the preparations for the uniform climate scenario to be run in 2023/2024, led by the Bank of Israel.

Future plans

- Continue to develop a climate risk management framework, while closely monitoring developments in banking regulation and practices in this area, in and outside Israel. Specifically, the bank plans to prepare to implement a Proper Conduct of Banking Business Directive concerning climate risks and run a uniform systemic scenario led by the Bank of Israel.
- Develop processes for identifying and assessing financial aspects of climate risks within the analysis of substantial credit applications, at the level of the individual borrower, in sectors marked as transition risk centers, taking into account the borrower's preparation for and management of the risk.
- Publish the bank's first TCFD report.

2022 plans - status:

2022 plans	Status
Formulate tools for implementation in the work processes of the relevant business units and integration of ESG considerations in decision-making processes.	✓ Completed (for details, see the Report on Risks on the bank's website).
In 2022, the bank intends to continue to develop its capabilities in connection with climate risks, in reference to the relevance and materiality of these risks for the bank, with due attention to the developments in global and local banking regulation, in disclosure standards and the application of such standards to banks (e.g. TCFD reporting), and in the economic and environmental arena within and outside Israel.	

Managing environmental aspects at the bank

Within the bank's corporate responsibility, and in recognition of the importance of sustainable environmental management, we have formulated a comprehensive, formalized policy for managing the environmental aspects of the bank's operational activity. The environmental policy reflects conduct aimed at preserving and improving existing conditions, while aspiring to maintain economic, social, and environmental balance for the benefit of future generations.

Key points of the environmental policy of the bank:

- ◆ Commitment to managing the bank's environmental impacts to promote continual improvement, by setting goals and measuring its impact on the environment.
- ◆ Diligent prevention of environmental damage, to the extent possible.
- ◆ Compliance with regulations and laws on environmental issues and adherence to the directives of the organizations charged with protecting the environment.
- ◆ Collaboration with external professional organizations to promote environmental causes.

Environmental protection management at the bank accords special attention to the following areas:

- ◆ Reducing energy consumption and improving energy efficiency;
- ◆ Encouraging green transportation and reducing fuel consumption;
- ◆ Reducing the consumption of paper resources;
- ◆ Encouraging green procurement (office supplies and peripheral computer equipment);
- ◆ Reducing the consumption of water resources;
- ◆ **Waste reuse, recycling, and responsible disposal;**
- ◆ Expanding the environmental awareness of employees, and mobilizing them to reduce the environmental impact of the bank, based on the approach that their partnership is essential to create change; the hope is that our employees also become agents of change in their home and family environments.

We treat consumed materials as resources to be managed responsibly. The main environmental resources we consume are managed through measurement, to allow monitoring of trends and identification of areas in need of improvement, implementation of relevant initiatives to increase efficiency, and examination of environmental impacts across the full life cycle of the resource. All of these elements are implemented through formalized processes and routine controls for environmental management at the bank, which were certified under the international

management standard ISO 14001 in 2013. The bank renewed its certification under this standard through an external institute in 2022; this certification is in effect until 2024. The standard covers all premises of the bank in Israel. The bank's compliance with the standard is reexamined annually. Bank Hapoalim is the first financial institution in Israel to obtain certification under this standard, which applies to all activities of the bank in Israel.

During the reported year, the bank or any senior officer of the bank were not parties to substantial legal proceedings related to environmental matters. There were no discoveries of leaks or spills of hazardous materials as a result of the operational activity of the bank during the reported year.

53. Balance sheet and off-balance sheet; stand-alone data of the bank.



Reducing carbon emissions

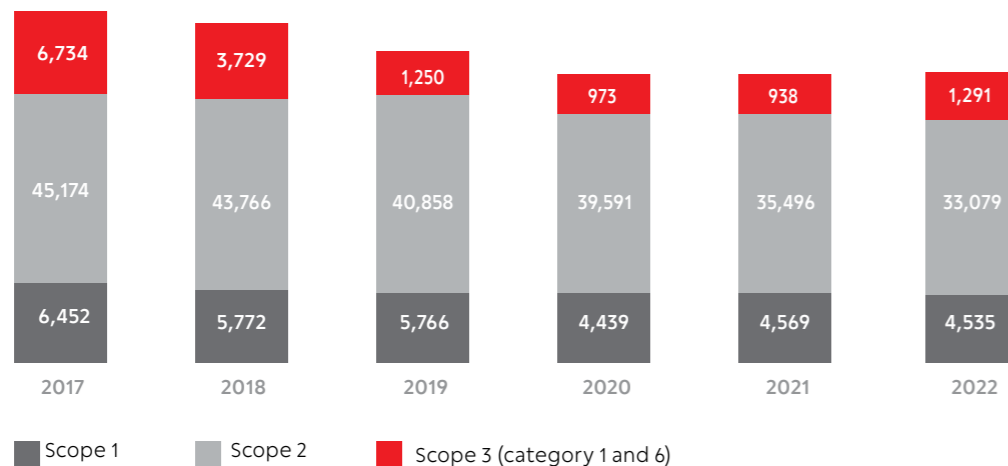
The bank monitors the main components of its activity that contribute to the emission of greenhouse gases. The bank joined the voluntary greenhouse-gas emissions reporting system of the Ministry of Environmental Protection in 2010. Since then, we have reported to the recording system in accordance with the established methodology. Electricity consumption (Scope 2) has the most significant impact on the bank's carbon footprint. As described below, steps are being taken to achieve greater efficiency and reduce this consumption. We also manage and monitor other indirect emissions in the supply chain, such as in paper consumption, water consumption, employee flights, and more.

The operational carbon footprint of the bank in 2022

The total carbon footprint for 2022 is 38,905 tons CO₂e* (including all three scopes), down approximately 5.1%⁵⁴ from 2021. Total Scope 2 emissions decreased by approximately 6.8%, due to a decrease in electricity consumption. In measuring the Scope 3 carbon footprint of the bank's operational activity, we calculate category 1 and 6 emissions. Measurement results this year indicated a 37.7% increase, due to factors including a change in the methodology applied to emission coefficients of electronic equipment.⁵⁵

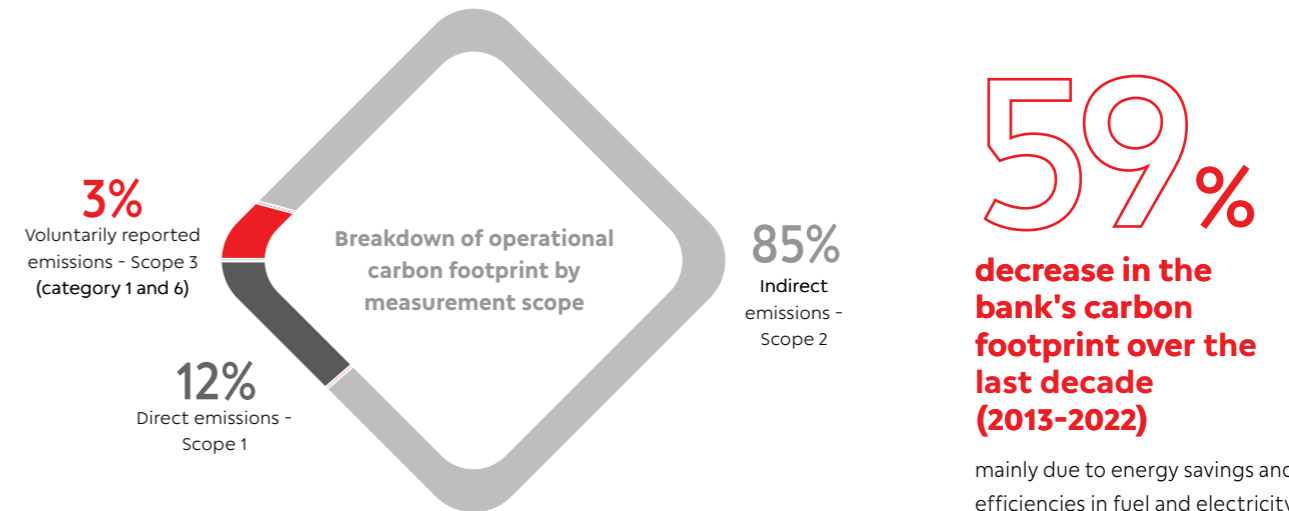
* We used the metric system in this report; one ton = 1,000 kilograms (this refers to all environmental metrics in this report).

Operational carbon footprint of the bank – breakdown by scope (tCO₂e)



54. Data on electricity consumption for December 2022 have been optimized.

55. Calculated based on the new emission coefficient for electronic equipment, as amended by DEFRA. Actual consumption data on electronic equipment shows a decrease of approximately 22% in 2022 in the absolute quantity of equipment acquired, compared with 2021, and a decrease of approximately 27% in the estimated total weight of the equipment.



59%
decrease in the bank's carbon footprint over the last decade (2013-2022)

mainly due to energy savings and efficiencies in fuel and electricity consumption.

Operational carbon footprint intensity of the bank (in tons CO₂e)

Year	2018	2019	2020	2021	2022	Change vs. 2021
Total	53,267	47,874	45,003	41,003	38,905	-5.1%
Per employee	6.43	5.87	5.80	5.26	5.09	-3.3%
Per square meter	0.190	0.175	0.16	0.160	0.154	-3.9%

2022 plans - status:

2022 plans	Status
Continue reducing annual greenhouse-gas emissions as a result of the bank's operational activity	~13.5% decrease relative to 2020 ⁵⁶

Goals for 2030

- Further reduce the carbon footprint of the operations of the bank by 60%,⁵⁷ and reduce the impact of our business on greenhouse-gas emissions, to support the achievement of the climate goals of the State of Israel.

56. Data on electricity consumption for December 2022 have been optimized.

57. In comparison to the 2020 operational carbon footprint of 45,003 tCO₂e.

Scope 3 measurement in the bank's corporate credit portfolio

This year, we embarked on the process of Scope 3 measurement in the bank's corporate credit portfolio, based on methodology from the PCAF standard - the leading global standard on the calculation of Scope 3 emissions in the credit and investment portfolios of financial organizations. As of January 2023, over 355 financial organizations worldwide have adopted the PCAF standard.

The measurement was performed by a team of economists at BDO, headed by chief economist Chen Herzog. The standard was applied in combination with a greenhouse-gas emissions model designed by BDO, which factors in emissions findings and estimates from several sources. This method is used

due to the scarcity of data in this field in Israel, in line with the guidelines of the standard (for further details about the methodology and measurement stages, see page 182).

The carbon-footprint measurement is based on the credit portfolio of the Corporate Banking Division in 2021, which will serve as the baseline year for future measurements. Individual measurement was performed with respect to companies that have received credit in amounts greater than NIS 100 million (approximately 41% of the credit portfolio). Collective measurement was applied to companies with credit in lower amounts, using sector coefficients. **The following are the results for 2021:**⁵⁸

34 tons CO₂e

emissions intensity per million NIS of credit

6,014 thousand tons CO₂e

quantity of emissions associated with the bank as part of Scope 3

4.6

data quality score

Carbon sequestration and biodiversity preservation

As part of our commitment to act to reduce emissions in our operations and help cope with the climate crisis, Bank Hapoalim supports several projects seeking nature-based solutions to cut back greenhouse-gas emissions:

◆ **The Amud project in Kfar Ruppim**, for biodiversity rehabilitation and carbon sequestration through rewetting and wilding, by the company Terra, the Society for the Protection of Nature in Israel, and Kibbutz Kfar Ruppim. The water supply for the project is part of the Water for Nature program of the State of Israel, in which water

is restored to nature. Rewetting leads to the growth of extensive plant mass, carbon sequestration in the ground, and rehabilitation and recreation of humid ecosystems and habitats for various species; specifically, it creates a stopover site for migrating birds. The recreation of wetlands through rewetting is one of the biological methods to sequester carbon, in which carbon is removed via photosynthesis. This makes it possible to form a natural system for long-term quality sequestration of carbon, estimated at more than a thousand tons CO₂e

in the first year and about 500 tons CO₂e annually, on average, in the five years of the project. This program also leads to significant avoided emissions of greenhouse gases, due to the cessation of intensive polluting agriculture, and provides an alternate source of income for farmers in the form of climate agriculture. The Society for the Protection of Nature in Israel, which is monitoring the impact of the project, has reported sightings of more than 200 endangered birds within the area of the project. Oversight and certification for the

58. Scope 3 measurement in the bank's corporate credit portfolio is based on the data available to the bank and on estimates performed by BDO based on the PCAF methodology. These data are characterized by varying reliability levels, taking into account, among other matters, the absence of available specific data regarding many of the bank's customers, as reflected in the data quality score of 4.6 on a scale from 1 (highest) to 5 (lowest). The actual emissions attributable to the corporate credit portfolio of the bank may therefore be different, even materially, from the stated results.

activity is provided by VERRA, the leading accreditation institute in this area, based on the VCS standard. The bank will receive a **carbon credit of 103 tons CO₂e** for its support of this project.

◆ **Support for Eco-Energy, a biogas facility in the Golan Heights** that produces gas for electricity generation through the decomposition of organic waste from cattle farms. Support for the project is provided through Oporto Carbon, an Israeli carbon emissions trading company. According to commitments by Oporto Carbon, the project cuts back

emissions of approximately 100,000 tons CO₂e per year by reducing waste landfilling and generating electricity from alternative fuels. The bank has purchased **carbon credit certificates of 2,500 tons CO₂e**. The carbon credit certificates are produced through a process consisting of several stages, including examination of the baseline scenario and the project scenario, the incremental avoided emissions, and the congruence with the United Nations' CDM methodology. The certification process for the project is performed by the accounting firm BDO; data are verified and validated

according to the assurance standards ISO-14064-3 and ISAE 3410. The carbon credit certificate is accredited under the AA1000 standard by the international standards organization AccountAbility. Legal examination of the project is performed by the law firm Herzog Fox & Neeman.

◆ **Support for the foundation of the first carbon plantation** in Israel and in the Middle East; the bank received a carbon credit of 100 tons CO₂e (for further details, see page 112 of the bank's 2021 ESG Report).



2,703 tons CO₂e⁵⁹

total carbon credit at the bank's disposal from investment in carbon sequestration projects

Photo: Little egret in the Amud project, Kfar Ruppim. By: Yoav Perlman, the Society for the Protection of Nature in Israel.

59. The bank has not used its credit points yet in calculating its overall carbon footprint; it will do so in the future, when the certifications are received from the accreditation providers.

Improving energy efficiency and reducing energy consumption

Electricity is a key resource used by the bank and the main factor affecting the carbon footprint of the organization. We manage electricity consumption year-round, striving for efficiency and savings through optimized timing of air-conditioning, lighting, and computer systems according to employee presence. We also collect and analyze data to identify and optimally eliminate superfluous consumption.

Since 2014, the bank has acquired electricity generated using natural gas from private suppliers. The transition to natural-gas based power lowers costs and reduces the environmental impact of the bank arising from electricity consumption.



Energy efficiency

The bank uses computerized command and control systems to manage its energy consumption; these systems help minimize the operation of air-conditioning and lighting systems, and provide alerts of significant problems. The systems have been installed at the bank's branches, and are operated using settings based on the work hours at each branch or building, with adaptations for remote work. The bank maintains energy oversight through training for field crews and testing to ensure full coordination in the central control rooms' interfaces with branches and buildings. The control systems are proactively tested from time to time, to ascertain that there is no significant change in consumption and that the bank is on track for its planned reduction of consumption. The bank is also aided by a company that monitors energy consumption on a monthly basis. In 2022, the bank submitted an energy survey to the Ministry of Labor, as required by law every 4.5 years.

We are also installing new chillers with a higher COP (coefficient of performance), as well as VRF (variable refrigerant flow) air-conditioning systems, which allow savings of approximately 20% on energy and maintenance costs relative to other systems.

New VRF systems and over fifty split air conditioners with R410 coolant were installed in 2022. CoolMaster controllers have been installed at most of the bank's sites, to automate temperature control and thereby improve energy savings. An analysis of consumption and savings data at five locations of the bank where VRF systems have been installed indicates that the systems led to avoided emissions of approximately 16 tons CO₂e.

Consumption and savings data for the five systems examined

Electricity consumption, 2022	Electricity consumption, 2021	Rate of change in consumption	Cost of electricity consumption excluding VAT, 2022	Cost of electricity consumption excluding VAT, 2021	Rate of change in cost of consumption ⁶⁰	Avoided emissions of greenhouse gases
234,585 kWh	269,868 kWh	-13%	NIS 120,236	NIS 125,386	-4.45%	16 tons CO ₂ e

The bank uses five main types of air-conditioning systems: split air conditioners, central split systems for varying capacities, VRF systems, and chillers cooled by water or air. Older systems permitted by law use the gas R-410. In the reported year, air-conditioning systems were refilled with approximately 50 kg of R-410a gas, and emissions reached approximately 104 tons CO₂e.

⁶⁰ Electricity prices rose by approximately 12% in aggregate over the course of 2022.

Green IT

Another way we work towards energy savings and efficiency is through the use of green IT at the branches and offices of the bank. Energy efficiency is a parameter in specifications for bids on IT equipment, spurring bidders to offer more advanced, efficient equipment. We also do not rely on manufacturers' descriptions of the performance of the various components, instead running tests on server hardware and software, printers, and peripheral equipment at a dedicated laboratory. In 2022, we continued to purchase small computers with reduced power consumption, delivered in recyclable packaging. Concurrently, we endeavor to improve and upgrade existing equipment and reduce purchases of new equipment. Over the last several years, we have also been transitioning to IPT in landline communications, in order to upgrade to a system managed digitally through a central IT hub. This change eliminates the need for local switchboards at each branch, leading to savings in power consumption. In 2021, we implemented a new automatic hibernation process for IT systems and phones, based on monitoring of hours of activity at branches and management buildings.



Call for proposals - energy efficiency collaborations

In late 2022, the bank issued a call for proposals inviting companies in the field of energy efficiency and companies developing innovative technologies, patents, or products in this area to collaborate with the bank on promoting savings and economic efficiency, contribute to the environment together, and share the profits. The bank will thereby enable entrepreneurs to put the products and technologies they are developing into practice on its premises. Proposals are to focus on energy efficiency, reducing greenhouse-gas emissions, green IT, electricity consumption management and measurement, and smart lighting.

Examples of projects aimed at actively improving energy efficiency in 2022

Financial investment vs. annual cost savings⁶¹ and avoided emissions

Description of activity	Investment (NIS)	Annual savings (by unit of consumption)	Annual monetary savings	Time to recover investment	Avoided emissions
Acquisition of small computers with reduced power consumption	NIS 230,000	78,000 kWh	NIS 40,000	5 years	36 tons CO ₂ e
Transition to IPT communications	NIS 270,000	92,000 kWh	NIS 51,000	4 years	42 tons CO ₂ e
Total	NIS 500,000	170,000 kWh	NIS 91,000	4.5 years	78 tons CO₂e

⁶¹ Savings data are based on internal estimates drawn from purchasing data.

Management and measurement of power consumption

The bank administers a database on electricity consumption, regularly updated according to changes in the premises of the bank. The database enables us to examine the monthly and annual consumption patterns of each property, compare it to buildings of similar size and designation at the bank, and analyze multi-year trends in consumption. The database also allows us to identify trends of improvement and increased efficiency and locate properties with possible inefficiencies or malfunctions.

Data on the bank's total power consumption in 2022 indicate a decrease of approximately 4% compared with 2021. This decrease, in line with the consistent downward trend in power consumption at the bank in recent years, joined the reduction during the COVID-19 pandemic due to proactive shutdowns of office electricity consumption. At Rotem, the bank's primary IT site, consumption decreased by approximately 0.9% compared with 2021.

Power consumption at Bank Hapoalim - multi-annual

Year	2018	2019	2020	2021	2022	Change vs. 2021
Total (kWh)	86,217,677	83,123,204	79,366,534	74,215,420	71,210,656	-4.0%
Total (GJ)	310,383	299,243	285,718	267,176	256,358	-4.0%
Bank area (m ²)	280,600	273,697	266,820	256,463	253,157	-1.3%
Consumption per square meter (kWh/m ²) ⁶²	274.3	268.1	258.9	252.7	244.5	-3.3%

2022 plans - status:

2022 plans	Status
Continue to install new VRF air-conditioning systems with R410 coolant at all branches of the bank that currently have older systems.	✓ Completed
Continue the transition to the use of LED light bulbs at the branches of the bank.	✓ Completed

Future plans

- Consider suitable energy efficiency measures derived from responses to the bank's call for proposals.

⁶² The data regarding power consumption per square meter does not include the bank's consumption at the Rotem site, as this site is a backup facility with unique consumption patterns that are not representative of typical power usage at the bank. In 2022, this figure was calculated based on overall consumption of 61,903,671 kWh.



Reducing fuel consumption in transportation



We are working to cut back fuel consumption in our vehicle fleet and in the internal transportation system between our branches and offices, in various ways, including the following:

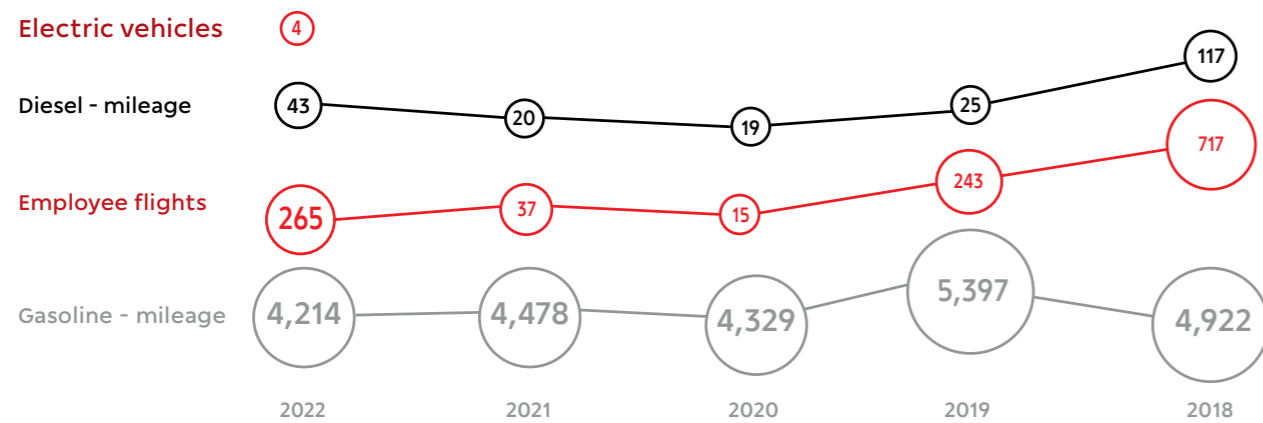
- ◆ **Transition to hybrid vehicles in the leasing fleet** - The transition led to estimated annual savings of approximately 1,000 liters of gasoline per vehicle.
- ◆ **Transition to electric vehicles** - As part of the policy of maintaining a green environment, we encourage transition to electric vehicles through incentives for employees with leased vehicles to choose electric models, including financing for charging stations and charging at selected public stations. Nineteen electric vehicles were added to the bank's fleet in 2022.
- ◆ **Limiting the vehicles chosen for the vehicle fleet to those with a pollution rating of up to 8** - Most of the vehicles at the bank have lower pollution ratings.
- ◆ **Dialogue with employees through the organizational portal** - Articles and recommendations concerning safe, efficient, careful driving are posted on the portal.
- ◆ **Reduced mileage and flights** - Due to the transition to remote work, and meetings held via Zoom whenever possible, along with increased use of conference-call systems.
- ◆ **Encouraging employees to commute by bicycle** - The bank provides showers and bicycle parking spots for employees at the head office who ride bicycles to work.
- ◆ **Improved logistical transport processes** - Delivery lines were cut back by 57% in 2022 and a transition was made to centralized orders, to achieve a significant reduction of shipping volumes at the bank. When branches are merged, we donate or sell the equipment that becomes available, which also reduces transport needs.

In 2022, fuel consumption decreased by approximately 5.5% compared with 2021, due to less travel by employees to bank offices and meetings. We monitor the fuel consumption and mileage of leased vehicles from time to time, to calculate the carbon footprint of the bank and the segmentation of emissions from travel.

Year	2018	2019	2020	2021	2022
Number of vehicles in leasing fleet	1,001	1,029	1,021	1,003	825
Of which hybrid vehicles in the fleet	48	99	151	187	219
Of which electric vehicles in the fleet	-	-	-	-	19
Annual fuel consumption for transportation (in liters, gasoline and diesel)	2,203,957	2,380,344	1,858,315	1,923,133	1,818,161

In 2022, the bank added 51 hybrid and electric vehicles to its fleet. This led to annual savings of approximately 183 tons CO₂e in emissions.

Emissions from transportation (tons CO₂e)



Notes:

Mileage emissions presented above are included in total emissions in all three scopes, as noted below:

- A. In 2022, vehicle mileage emissions constitute approximately 94% of total Scope 1 emissions, and emissions from employee flights constitute approximately 21% of total Scope 3 emissions. Emissions from hotel stays were calculated separately, at approximately 6 tons CO₂e. Emissions from electric vehicles are calculated as part of Scope 2 in the bank's carbon footprint.
- B. In 2021, vehicle mileage emissions constitute approximately 98% of total Scope 1 emissions, and emissions from employee flights constitute approximately 4% of total Scope 3 emissions. Emissions from hotel stays were calculated separately, at approximately 6 tons CO₂e.
- C. In 2020, vehicle mileage emissions constitute approximately 98% of total Scope 1 emissions, and emissions from employee flights constitute approximately 2% of total Scope 3 emissions. Emissions from hotel stays were calculated separately, at approximately 2 tons CO₂e.
- D. In 2019, vehicle mileage emissions constitute approximately 94% of total Scope 1 emissions, and emissions from employee flights constitute approximately 19% of total Scope 3 emissions. Emissions from hotel stays were calculated separately, at approximately 8 tons CO₂e.
- E. In 2018, vehicle mileage emissions constitute approximately 87% of total Scope 1 emissions, and emissions from employee flights constitute approximately 19% of total Scope 3 emissions. Emissions from hotel stays were calculated separately, at approximately 9 tons CO₂e.

2022 plans - status:

2022 plans	Status
Continue to add electrical vehicles to the bank's fleet, with home charging stations provided.	✓ Completed

Future Plans

- Aspire to replace approximately 150 gasoline-fueled vehicles with electric vehicles, which will reduce fuel consumption at the bank.
- In 2026, we plan to relocate the headquarters and head offices of the bank to the Poalim Center, a building being built near a train station and major transportation arteries, allowing convenient access for employees and reduced reliance on private vehicles.

Reducing paper consumption

Due to the nature of the bank's activity, paper is one of the key resources consumed during its routine operations. We therefore manage paper resources based on the approach of reducing consumption while increasing recycling. In 2022, we continued our efforts to cut back paper consumption at the bank, and introduced several new processes.

The continued development of the digital platforms at the bank has reduced the use of paper and the need for customers to visit branches in person. Infrastructure enabling employees to work from home as part of the bank's routine practices and the continued process of replacement of personal printers with central printers at the bank's headquarters have led to significantly reduced printing volumes at the offices of the bank. In 2022, we replaced 180 older printers with printers equipped for dual-sided printing.

senior citizens, replacing the use of faxes with digital means, and more. These processes were stepped up in 2022. For further reading about our efforts in this area, see the section "Reducing paper consumption" in the bank's 2021 ESG Report.

In 2022, we expanded digital channels for mortgages to additional population groups, including external advisors. We also carried out an extensive survey to examine paper storage and use at the bank's head-office buildings, as part of the preparations for the relocation to the Poalim Center building in 2026. With the help of an external consulting firm, we comprehensively mapped paper consumption at the head-office buildings, taking note of work processes and paper usage by the various divisions, including measurement of the quantities used, storage of printed paper, and the suitability of potential technological solutions. Concurrently, the automation of various administrative processes throughout the bank has continued, leading to reduced paper consumption.

Paperless Bank

The Paperless Bank strategic project has been underway since 2009. The project concerns analysis of paper consumption at the bank and the examination of possibilities for reducing or eliminating forms and reports, both for our own internal use and in mailings to our customers.

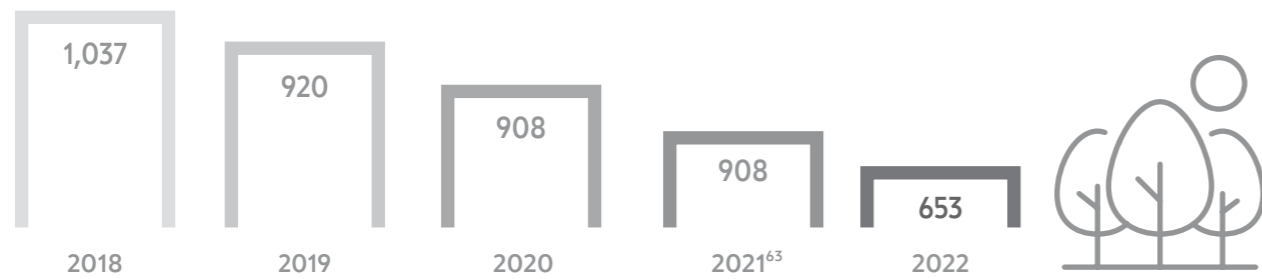
Paper consumption reduction efforts in 2021-2022

This project is conducted on two concurrent axes: improvement of work processes, and creation of platforms to support reduced paper use and transition to digital activity; and raising awareness among employees and customers, to encourage them to adopt this change.

In 2021, the bank promoted digitization and the reduction of paper consumption by developing digital infrastructures for preliminary mortgage applications, raising customers' awareness of the option to sign credit documents on the bank's website, holding training sessions on digital empowerment for

In 2026, we plan to relocate our headquarters and head-office employees to the Poalim Center, a central building compliant with the LEED Gold green building standard. As part of the move, we plan to digitize archives, cutting back the need to store paper by tens of millions of pages annually.

Paper consumption at the bank (in metric tonnes)



~ **90,000** customers

registered for a service, in 2022, allowing them to receive messages electronically, through the bank's website or their email inboxes

Decrease in paper consumption

~ **153 tons**

Paper consumption at the bank decreased by approximately 153 tons in 2022 relative to 2021

Paper recycling:

~ **248 tons**

of paper were collected and transferred for recycling in 2022

Cardboard recycling:

~ **50.4 tons**

of cardboard were collected by the bank and transferred for recycling in 2022

2022 plans - status

2022 plans	Status
5% reduction in paper consumption at the bank in 2022, relative to 2021.	✓ Completed 19% reduction
Allowing employees to receive pay stubs digitally instead of in printed form.	✓ Completed

Future Plans

- Reduce paper consumption at the bank by 5% compared with 2022.
- Continue to replace personal printers and install printing centers.

63. Data on paper consumption for 2021 have been optimized.

Reducing additional environmental impacts

Production and service processes in banking have a minor direct environmental impact, as the bank's activity is essentially administrative and the service it provides to its customers is primarily delivered through digital means. Nonetheless, it is important to us to act to reduce the additional environmental impacts of our activity. We engage our employees in the process of reducing the environmental impact of the bank, based on the approach that their partnership is essential to create change, and in the hope that employees will become promoters of change in their own right. In addition, we seek to extend our influence on environmental conduct to employees' communities; together with their families, our employees are a force for change numbering in the tens of thousands. Towards that end, we provide our employees and their families with knowledge and tools to support green behavior, through recycling, energy savings, reduced paper consumption, transition to reusable dishes and utensils, and more.

Management of water resources

Water services are received from various water corporations and local authorities, which are also responsible for wastewater treatment through municipal sewage systems. We routinely examine and monitor water consumption, to identify exceptional consumption and unique consumption patterns. The bank also

has thirteen Wint command and control systems installed, allowing smart management of water resources. The systems collect detailed information on water flows and generate insights for efficient consumption, identification of leaks, and automated alerts to allow quick repairs.

Promoting green building at the bank

In 2019, we updated the purchasing specifications of the bank for the renovation of existing buildings and for the construction of new offices and branches, according to green-building principles. An expert consultant on green building was also appointed to adapt the technical specifications of materials to green-building standards. It is important to note that many bank branches are located in shopping malls and commercial centers not owned by the bank, where we cannot alter the infrastructures of the buildings. However, we aspire to include as many elements of green building as possible at these properties. Routine construction processes at the bank throughout the year gradually integrate environment-friendly elements, as necessary, such as efficient air-conditioning units and energy-efficient LED lighting. The bank's primary IT site, Rotem, was built and certified based on the LEED Silver green building standard.



In 2026, the bank plans to move its headquarters to the Poalim Center - a head-office building compliant with the LEED Gold green building standard - which will allow cutbacks in resource consumption, including electricity and water. The site is located near a train station and major transportation arteries, allowing convenient access for employees and reduced reliance on private vehicles.

Turning waste into a resource and preventing pollution

The environmental trends of recent years have highlighted the fact that one person's waste is another's resource. Without proper treatment, waste pollutes the environment and damages soil, water, and air quality, while contributing to global warming. The bank promotes the collection and responsible treatment of waste through the following activities, among others:

◆ **Collection of electronic waste** - We dispose of disused computer equipment responsibly. Each year, equipment unsuitable for donation is sent to responsible recycling or landfill sites. All mobile devices no longer in use are returned to the supplier for responsible treatment; all other disused electronic equipment is transferred to Ecommunity, a social business employing people with disabilities, which specializes in electronic waste recycling. The electronic devices we recycle are dismantled, separated, and sorted, and the materials are then transferred for processing, according to type, for reuse in industry. At the bank's primary IT site, Rotem, scrapping is performed on site to cut back on shipping. Reusable IT equipment is returned to the bank for refurbishment, to be reused or donated. **Within the collaboration with Ecommunity, more than 1,400 computers have been donated to the community over the last few years.** We also encourage employees to bring electronic waste from their homes to the collection center at the offices of the bank in Tel Aviv.

- ◆ **Removal of fluorescent bulbs** - Old fluorescent bulbs are collected and transferred to Ecommunity for dismantling, crushing, and disposal according to the standards applicable to this process.
- ◆ **Battery disposal** - Old batteries are collected for recycling.
- ◆ **Construction waste removal** - Waste created by the bank as a result of its activity is sent to a site specializing in responsible waste sorting, in accordance with the regulations in this area. We include a clause in our contracts with construction and renovation contractors working at our branches and buildings requiring the responsible transfer of waste to a licensed specialist waste sorting facility. The aim of the bank is to fully prevent construction waste originating with the organization



Summary of waste data - Bank Hapoalim, 2022

Type of waste	Weight	Treatment
Paper	248.2 tons	Recycling
Cardboard	50.4 tons	Recycling
Electronic waste*	61.3 tons**	Recycling
Construction waste	2,095.2 kg	Dismantling and landfilling
Fluorescent bulbs*	1,140 kg	Dismantling and landfilling

* Although the bank does not deal with hazardous waste, this type of waste may contain hazardous substances, including metals and gases, and is therefore dismantled and processed by licensed operators.

** The increase in the quantity of electronic waste resulted from a special project in 2022 to crush and recycle approximately 22.9 tons of old servers as waste.

from reaching unlicensed sites or open fields.

- ◆ **Collection of bottles, cans, and clothing** - Transferred to licensed contractors for recycling.
- ◆ **Treatment of used ink cartridges** - Used ink cartridges are removed for recycling and reuse. The bank uses recycled ink cartridges only.
- ◆ **Office equipment disposal** - Old office equipment is donated or sold for reuse.

We encourage our employees to collect and recycle waste as a matter of routine. Towards that end, we have placed a variety of waste collection and recycling receptacles at the buildings of the bank. We use the receptacles to promote recycling of paper, electronic waste, bottles and cans, batteries, clothing, and medication. The waste is collected and treated by licensed operators.



363.2 tons
Total waste

359.9 tons
Total waste sent to recycling sites

3.2 tons
Total waste sent to licensed contractors for dismantling and landfilling

NIS 30,000

Value of medications collected: Unused medications were removed from containers at the bank, in an orderly process. The value of the medications removed is estimated at NIS 30,000. Unexpired medications are donated to patients in need through the non-profit organization Haverim Lerefuah (Friends for Health).

Bank employees volunteer for the environment

- **Beach cleanups** - The seashore is a rich ecosystem highly sensitive to pollution and waste, which can severely damage biodiversity. In 2023, we are planning a collaboration with the non-profit organization Zalul in which bank employees will volunteer to participate in beach cleanup initiatives.
- **Planting trees** - Bank Hapoalim sponsors the Great Urban Planting Campaign by the non-profit organization Venatata, in which approximately 100,000 new trees will be planted across Israel over the coming five years. As part of our ambition to expand the impact of giving at the bank, our employees and their families will be invited to volunteer by participating in the tree planting events.



Governance

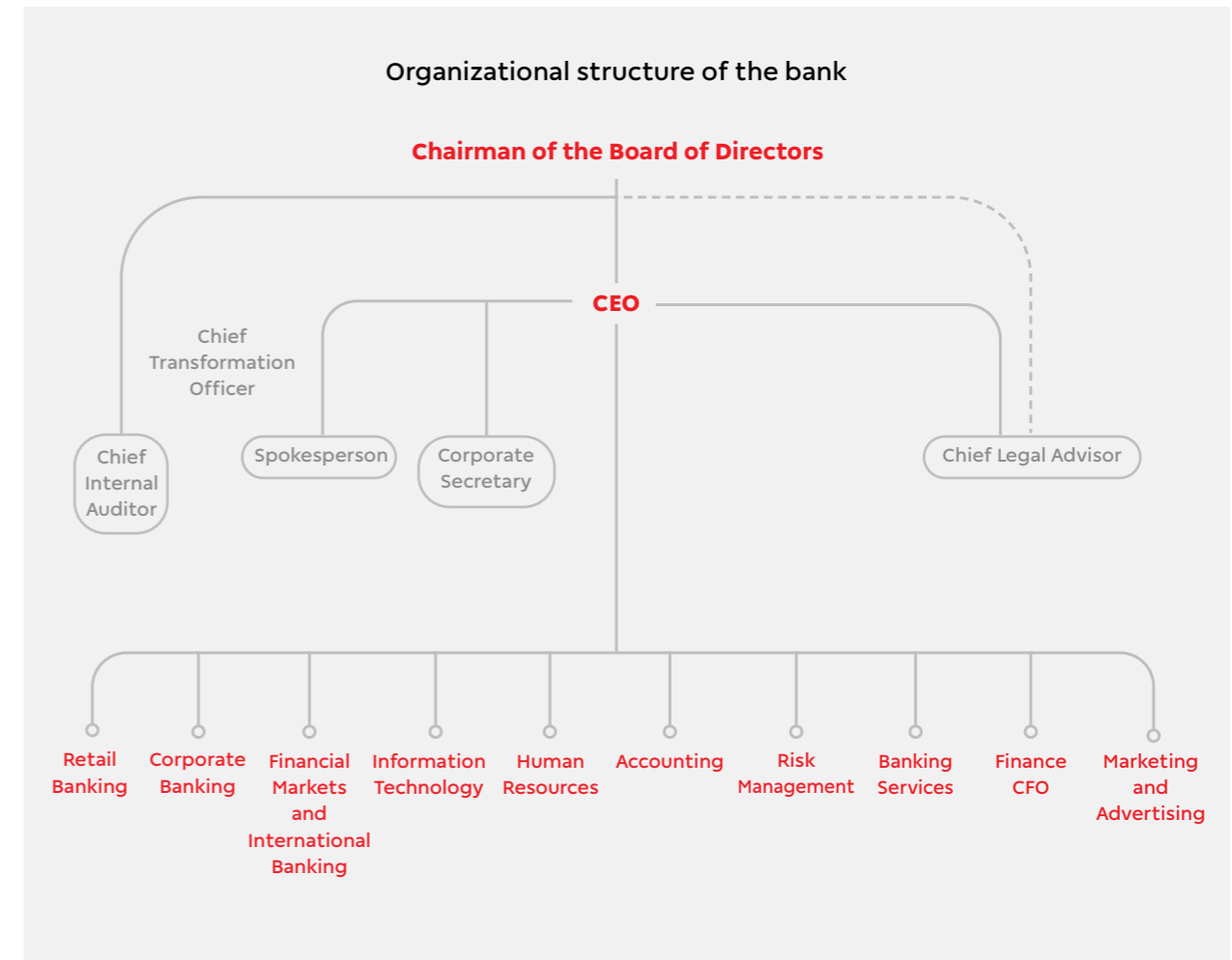


Bank profile

Bank Hapoalim was founded in 1921 with the mission of aiding and promoting all workers of the Jewish Settlement (the Yishuv) in the land of Israel. Among its founders were the leaders of the Yishuv at the time: Yitzhak Ben-Zvi, Berl Katznelson, Yitzhak Tabenkin, David Remez, and others, whose signatures still appear on the Memorandum of Association of the Bank.

The bank is a universal bank, and constitutes a "banking corporation" with a "bank" license, under the directives of the Banking Law. The bank was privatized in 1997, and the controlling interest was transferred to Arison Holdings (1998) Ltd. and others. In November 2018, the bank became a banking corporation without a controlling core.

The bank group operates in Israel in all of the areas of banking and in areas related to banking, serving millions of customers in Israel and worldwide through a wide range of financial activities (for further details, see page 23).



Corporate
governance, ethics,
compliance, and
information security

Shareholders

The bank has only one type of shares – ordinary shares. All ordinary shares have equal rights, for all intents and purposes, including voting rights, the right to dividends, and rights at liquidation. Changes in capital and rights, including increases in registered share capital and the creation of new shares, are detailed in the company articles, which can be viewed on the bank's website. The bank does not have preferred stock. The procedure for the issuance of preferred stock would require amendment of the articles of the bank, with the approval of the shareholders at a general meeting. Annual and special shareholder meetings are convened in accordance with the Companies Law, 1999. Accordingly, one or more shareholders with at least one percent of the voting rights at the general meeting may ask the board of directors to include a matter on the agenda of a future general meeting, provided that the matter is appropriate for discussion at a general meeting (with regard to the proposal of candidates to the meeting for appointment as directors, with due attention to the fact that the bank is a banking corporation without a controlling core, see below and on page 402 of the Financial Statements for 2018). One or more shareholders

holding at least five percent of the issued capital and at least one percent of voting rights can demand to convene a special general meeting. Shareholders may vote at a general meeting in person, via proxy, or using a voting card (or an electronic voting card submitted through an online system); votes are held separately on each relevant item at the general meeting. Reports and notices to shareholders are sent through the online notification system of the Tel Aviv Stock Exchange, and translations into English are posted on the bank's Investor Relations website.

Governance and control

As a part of the banking system in Israel, Bank Hapoalim operates in a broad legislative environment consisting of primary legislation, standards, and regulations with which the bank is obligated to comply: the Banking Ordinance, the banking laws concerning licensing and customer service, the Companies Law, the Securities Law, the rules of the Governor of the Bank of Israel, directives of the Supervisor of Banks, and more. All of these regulate the activities of the bank on various levels, including requirements with respect to its capital and ways of managing capital, exercise of internal and external auditing, and the areas of activity in which the bank is permitted to engage.

Internal audit

Internal audit operates independently and objectively as a third line of defense at the bank, subject to the provisions of the Proper Conduct of Banking Business Directive of the Bank of Israel on the subject, "The Internal Audit Function" (no. 307) and to the provisions of all laws. The internal-audit function is subordinate to the board of directors and reports to the board directly, including the chairperson of the board of directors and the audit committee. The bank's internal auditor generally participates in meetings of the audit committee, and is permitted to ask the committee chairperson to convene the committee for discussion of a matter specified in the request. Auditing work addresses a range of topics, including issues related to the corporate-governance approach of the bank, such as audits of ethics and compliance, information security and cybersecurity, customer privacy, the prohibition of money laundering and financing of terrorism, and more. Further details regarding internal audit work are available in the financial statements of the bank, which can be viewed on the bank's website.

External auditors

The external auditors of the bank serve as an external, independent line of defense, responsible for accounting audits at the bank. Pursuant to Proper Conduct of Banking Business Directive 302, at least every three years, or at the end of the period of the appointment of the external auditors, whichever is later, the audit committee must hold a discussion of the possibility of replacing the external auditors of the bank. As stated in the articles of the bank, the external auditors are appointed annually at the general meeting, unless the meeting resolves on an appointment for a longer period of up to three years. The partner responsible for the audit at the accounting firm cannot perform this function for more than five consecutive years. Further details regarding the external auditors are available in the financial statements and in the articles of the corporation, which can be viewed on the website of the bank.

The bank reports on legal proceedings in which it is involved, as required by the Public Reporting Directives of the Banking Supervision Department (for details, see Note 25 to the Financial Statements).

The board of directors of the bank

The board of directors of the bank acts in accordance with the corporate-governance directives established by law, including those applicable to banking corporations without a controlling core, as well as all of the Proper Conduct of Banking Business Directives of the Bank of Israel (available on the BOI website) and similar regulations. The bank also implements all of the directives included in the legislation, standards, and regulations with regard to the prevention of conflicts of interest within the board of directors. As part of the separation of duties required between management in practice and the formulation of policy and supervision, the chairperson of the board of directors does not serve as CEO of the bank. Directors' duties, according to the law, are uniform for all types of directors; the fundamental duty is to act in the best interests of the bank. These duties include, among others, the duty of care, the duty of loyalty, and the avoidance of conflicts of interest.

Independence of the board of directors

The composition and independence of the board of directors are subject to the provisions of the Companies Law, Proper Conduct of Banking Business Directive 301 ("Directive 301"), and the articles of the bank. In accordance with these directives, the directors do not hold executive positions at the bank; they are non-executive directors who are not employed by the bank and avoid participation in the routine management of the bank, and restrictions apply to their contact with employees of the bank on business matters, outside the meetings of the board of directors and the board committees. As a bank without a controlling core, Bank Hapoalim is subject to specific directives applicable to banking corporations

without a controlling core, as specified in the Banking Ordinance, 1941, and in Directive 301, which state, among other matters, that in the two years preceding appointment and from the date of the appointment forward, directors at the bank are prohibited from having employment relationships or business or professional relationships with the banking corporation, or with a corporation under its control, an officer of the banking corporation, or a material holder, other than negligible relationships. None of the directors are close associates of (including through familial relationships) or in close contact with executive officers of the bank or officers at corporations controlled by the banking corporation. Furthermore, a director whose business or regular occupation creates a conflict of interest between the director and the bank, as defined in Directive 301, cannot serve, including in the event that there is a concern that a conflict of interest may emerge. The board of directors has established guidelines for cases of potential permanent conflict of interest, in accordance with Directive 301. The guidelines refer to the scope and materiality of the business where a conflict of interest may exist between the corporations' business and the director. In this context, candidates for service as a director of the bank sign a declaration stating that they have the required qualifications, including the requisite knowledge, education, and experience, and that their other occupations do not create a conflict of interest with their service as a director of the bank. These declarations are released within the meeting summons report on the online notification system of the Tel Aviv Stock Exchange, and are available in English on the bank's Investor Relations website. In addition, in accordance with Directive 301, at least one-third of

the directors at the bank are external directors. At the date of publication of this report (April 2023), a total of ten directors serve at the bank, of which six are external directors: three are external directors under the definition in the Companies Law, and the other three are external directors under the definition in Directive 301.

Directors are appointed at Bank Hapoalim in accordance with the provisions of the law and the Proper Conduct of Banking Business Directives of the Bank of Israel, and with the approval of the Banking Supervision Department. At a banking corporation without a controlling core, directors are generally appointed at an annual general meeting, or at a meeting convened pursuant to Section 35A of the Banking Law, unless the Supervisor of Banks approves a vote at a special meeting. Candidates for service as directors are proposed to the general meeting of a banking corporation without a controlling core by the Committee for the Appointment of Directors, a designated committee comprising five members, headed by a retired judge, appointed by the Governor of the Bank of Israel pursuant to the Banking (Licensing) Law, 1981 (the "Designated Committee" and the "Banking Licensing Law," respectively). In addition to the committee's chairperson, two members serve on the committee who are proposed by the chairperson and are representatives of the economy, in accordance with the Government Companies Law, or relevant senior academics, and two members are external directors of the bank, elected by the committee. In 2022, Ms. Ronit Abramson Rokach and Mr. Yoel Mintz participated in this committee. As stated, the committee is an entity that is external to the bank, subject to oversight in accordance with the State

Comptroller Law; the members of the committee do not hold means of control of the bank.

In accordance with the provisions of the Banking Ordinance, in addition to the Designated Committee, only material holders (holders of more than 2.5% of the means of control of the bank) or a society of holders (as stated in the Banking Ordinance) may propose candidates for service as directors to the general meeting, provided that there is no director already serving on their behalf. The board of directors of the bank is not permitted to propose candidates for such service, and officers of the banking corporation are not permitted to act to cause or prevent the appointment of a particular director. The Banking Ordinance establishes restrictions and qualification conditions for the service of all directors at a banking corporation without a controlling core, including restrictions on affiliation with the banking corporation or with officers or material holders thereof, restrictions on holdings of means of control of the banking corporation, and restrictions on the duration of service. The term of service for each director is three years. Voting on the appointment or end of service of each candidate/director is held separately. Pursuant to the provisions of the Banking Ordinance, as long as the bank is a banking corporation without a controlling core, more than half of the directors serving immediately after the previous annual meeting cannot be replaced at a general meeting, unless approval is granted by the Supervisor of Banks.

At the general meeting of shareholders of the bank held in 2022, Ms. Odelia Levanon was appointed for a first term as a director with the status of "other director" (non-external director). At the same time, Mr. David Avner, who serves as an external director under the Companies Law, Mr. Noam Hanegbi, who serves as an external director under Directive 301, and Mr. David Zvilichovsky, who serves as a director with the status of "other

director" (non-external director), were appointed for a second term. Further information regarding candidates for service on the board of directors of the bank proposed by the Designated Committee in 2022 and the resolutions of the general meeting on this matter are available in the reports of the bank and on the bank's website. Pursuant to the provisions of the Banking Ordinance and the Companies Law, a vote on the appointment of directors is held, separately for each candidate, at the general meeting. Prior to convening a general meeting the agenda of which includes the appointment of directors or the termination of their service, advance notice is issued at least twenty-one days before the publication of the meeting summons notification. The summons to the general meeting includes a list of items on the agenda of the meeting and the text of the proposed resolutions, a voting card, and a signed statement by every candidate for service as a director in which they declare, among other matters, that they meet the conditions for qualification for service, including the lack of affinity of the candidate and the candidate's close associates with the bank, an officer of the bank, or a material holder of the bank.

Board of directors diversity policy

In May 2022, the board of directors of the bank approved a diversity policy for the board. According to the policy, as part of the range of considerations pertaining to the composition and collective competency of the board of directors, the board should strive for at least 40% of its composition to consist of members from population groups underrepresented in senior business offices (e.g. women, ethnic minorities, ultra-orthodox people, and more), and, in any event, should endeavor, subject to the legal provisions applicable to a banking corporation without a controlling core, to maintain gender diversity at a rate of at least 30%. When formulating a request

for its needs to the Committee for the Appointment of Directors in advance of a general meeting where the appointment of directors is on the agenda, the board of directors should examine its existing diversity rate and include a request for the committee to propose candidates, to the extent possible and as necessary, that would allow the goals of this policy to be fulfilled.

Qualification and expertise of the board of directors

The financial expertise and professional qualification of directors are evaluated by the board of directors. The range of considerations includes the director's education, experience, and knowledge, including in areas and issues related to the activity of the bank, as detailed in the Companies Regulations (Conditions and Tests for Directors with Accounting and Financial Expertise and Directors with Professional Qualification), 2005 (the "Expertise Regulations"), and based on additional guidelines for the implementation of the criteria established in the Expertise Regulations, adopted by the board of directors of the bank in 2021.

An application to appoint a director, with a declaration completed by the director, pursuant to Directive 301, is sent to the Supervisor of Banks for review; the appointment of the director is subject to advance approval by the Supervisor of Banks. Members of the board of directors of the bank meet the requirements for qualification of directors established by the Bank of Israel; cumulatively, they possess knowledge and education in various fields, including law and regulation, finance and accounting, banking, management, risk management, technology and cybersecurity, and corporate governance. The bank has not established a limit on the age of new directors.

Details regarding the education and professional experience of the directors are available in Standard 26 of the Annual Financial Statements of the bank for 2022. According to the regulatory directives, financial expertise is defined as proven ability, based on the director's education and experience, to engage with accounting matters, accounting control, and financial statements. Banking experience is defined as one of the following alternatives: at least three years as an officer of a bank (senior position), engaged in management or oversight of a core area or area of material risk for the banking corporation; at least five years as a partner responsible for management of auditing of a banking corporation, including knowledge of the construction of SOX processes, at an auditing firm; service as a director at a banking corporation for at least nine years, or as chairperson for at least three years; or equivalent experience approved by the Supervisor of Banks. As at the end of 2022, ten directors with professional qualification serve at the bank, of which eight have accounting and financial expertise, and seven have banking experience, according to the regulatory definitions. Some of the members of the board of directors are also experts on risk management, including credit risks. The performance of the board of directors is evaluated in accordance with Section 59 of Directive 301 and the provisions of the Board of Directors Procedures. The effectiveness of the work of the board of directors is evaluated every two years, for the board of directors' internal needs. The board of directors discusses the findings that emerge from the evaluation process. The most recent effectiveness evaluation was conducted in 2021 and completed in the first quarter of 2022.

The members of the board of directors undergo professional training, in accordance with Proper Conduct of Banking Business Directive 301, based on an annual professional training program adapted to the development, strategy, and complexity of the bank, which addresses professional topics and matters related

to the functions of the board of directors and to corporate governance. In 2022, training and instruction were held for members of the board of directors on various subjects, including ESG trends in Israel and globally; climate change, including a survey of current initiatives and trends among leading global banks; innovation; generally accepted accounting principles on current expected credit losses (CECL); fintech and global trends; the new post-COVID economy; market risk creation, measurement, and monitoring tools; awareness of cybersecurity and information leakage; and risk management. At the date of publication of this report, the risk management and control committee is composed of six members, of which four have banking experience.

The activity of the board of directors and the board committees

In 2022, the board of directors of the bank continued to set forth the bank's strategy, policy, and the guiding principles for its activity in Israel and overseas, and established guidelines on various matters, in accordance with the requirements of legislative updates and in accordance with Directive 301 of the Bank of Israel. As part of this process, the board of directors set forth policy for the activities of subsidiaries in Israel and abroad, and established limits for exposure to various risks and for the execution and realization of fixed investments. The board of directors addressed the approval of the quarterly and annual financial statements; the organizational structure of the bank; establishment of policy on manpower, salaries, retirement terms, and the remuneration system for employees and senior executives; and supervision and control over ongoing business operations executed by the board of management, and the congruence of these operations with the policies of the bank.

The plenum of the board of directors

receives regular reports from the relevant professional functions, including on matters aligned with the ESG philosophy of the bank, such as banking products promoting sustainability values; embedding social and environmental aspects in the core business of the organization; customer service; fairness in products and responsible marketing; responsible employment; information security and cybersecurity; environmental risk management in lending; employment of people with disabilities; investment in the community; reduction of environmental impacts; preparing the bank for climate change; and business ethics, including approval of the code of ethics of the bank.

Within the bank's approach to sustainability, the chairperson of the board of directors of the bank serves as the director responsible for ESG, and is charged with promoting this area. On the strategic level, the bank's Social Banking Center oversees ESG, under the member of the board of management responsible for the Human Resources Division, reporting regularly to the board of management and board of directors. Reports and discussions of management and the board of directors on ESG issues include status reports on the bank's progress in this area, an annual discussion and approval of the ESG report, and discussion and approval of future action plans. The bank also examines and evaluates risk-management quality on an annual basis, within the ICAAP (Internal Capital Adequacy Assessment Process), and endeavors to continually implement and improve this process. Selected corporate responsibility metrics that are part of the bank's risk-management philosophy are included in routine controls and reports, such as BSC, SOX, and others. The risk management and control committee of the board of directors receives appropriate annual and quarterly reports in order to monitor, control, and assess risks, as required by the Proper Conduct of Banking Business Directives.

In addition to the meetings of the board of directors, eight permanent board committees convene and operate at the bank: the audit committee, the remuneration committee, the risk management and control committee, the strategy and business development committee, the credit committee, the corporate governance and stakeholders committee, the information technology and technological innovation committee, and the committee for monitoring implementation of the resolutions of the bank with the United States authorities. 45 meetings of the plenum of the board of directors and 102 meetings of the board committees were held in 2022 (for further information regarding the activity of the board of directors, see page 385 of the Annual Financial Statements for 2022). Average attendance of directors at board meetings stands at approximately 99%. Pursuant to Directive 301, directors are required to attend a minimum of two-thirds of the plenum meetings in a calendar year and cannot be absent from all plenum meetings in a consecutive three-month period. Details regarding the attendance rate of each director are presented in the Corporate Governance Questionnaire in the 2022 Periodic Report. The audit committee convened 33 times, with an attendance rate of approximately 99%. The remuneration committee convened seven times, with an attendance rate of 100%.

Information security and cybersecurity are frequently discussed by the information technology and technological innovation committee, as stated in Proper Conduct of Banking Business Directive 301, and by the risk management and control committee. The committees maintain communications with the head of the Technology Division and the head of information security at the bank, as defined in Proper Conduct of Banking Business Directives 357 and 361.

Monitoring of the application of proper corporate governance at the

bank is discussed in meetings of the corporate governance and stakeholders committee and in the plenum of the board of directors. The committee is also responsible for monitoring the implementation of ESG strategy at the bank. The committee discusses and makes recommendations to the board of directors regarding policies, procedures, and guidelines designed to instill corporate-governance principles in the work of the board of directors and its committees, and to enable the bank to comply with the appropriate corporate-governance principles, as adjusted to legal directives, including establishment of the bank's policy and supervision of the board of management and the subsidiaries of the bank, as required by the Proper Conduct of Banking Business Directives of the Bank of Israel.

The board of directors usually convenes in plenary session several times each month; the committees of the board of directors hold additional meetings. In special cases, listed in the Board of Directors Procedures, according to a decision of the board chairperson, a board meeting may be held without convening in person, through advanced means of communication, including to raise a matter for immediate discussion. Pursuant to Sections 99-98 of the Companies Law, directors are entitled to demand a discussion of a specific matter. In accordance with Section 99 of the Companies Law, such issues are added to the board of directors' agenda. Under the provisions of the Companies Law, Proper Conduct of Banking Business Directive 301, and the articles of the bank, the board of directors' agenda should include, among other matters, any subject that a director or the CEO has asked the chairperson of the board to include in the agenda a reasonable amount of time before the meeting convenes.

The Board of Directors Procedures state that the board of directors shall hold a discussion at the earliest possible time regarding the exceptional events listed

therein (outside the regular scheduled reports). The procedure also establishes directives regarding the method of transferring materials in advance of an urgent meeting on a matter added to the agenda. Urgent matters are raised as necessary and/or at the request of the chairperson of the board of directors, directors, or CEO. Urgent matters are discussed routinely, in accordance with the provisions of the law and the procedures of the bank, as noted; there is no separate, unique count of such matters.

Directors' rights to receive information and to consult with various parties in the course of the fulfillment of their duties have been established in accordance with the provisions of the law, including the Companies Law, Directive 301, and the Board of Directors Procedures. These rights refer to all materials related to the activity or assets of the bank, and to all documents of the bank that the directors require in order to fulfill their duties. Directors have the right, in special cases, to receive external professional counsel, at the expense of the bank, if the coverage of the expense is approved by the board of directors. The plenum of the board of directors, or the appropriate board committee, shall discuss and decide upon the need to engage an external consultant in order to receive professional assistance. Such a discussion shall address the questions of whether the counsel can be provided by internal parties within the bank, the purpose of the consultation, the extent of the work, and the schedule.

Remuneration of officers

On March 28, 2016, the Knesset passed the Financial Corporations Officer Remuneration Law (Special Approval and Non-Deduction of Expenses for Tax Purposes due to Exceptional Remuneration), 2016 (the "**Remuneration Limit Law**"). The remuneration policy is presented to the shareholders for



approval at the general meeting or at a special meeting, once every three years. The remuneration policy for officers of the bank is aligned with the directives of the Remuneration Limit Law, the Companies Law, and the directive of the Banking Supervision Department regarding remuneration policies at banking corporations, and was approved by the general meeting of the bank in October 2020 (in respect of the years 2021-2023). The general meeting held in August 2022 approved an update of the terms of service of the chairman of the board of directors.

In accordance with the remuneration policy of the bank, the ratio of the cost of total remuneration of the CEO to the average total remuneration cost of other employees of the bank does not exceed 10.9. In addition, the ratio of the cost of total remuneration of the CEO to the median total remuneration cost of other employees of the bank does not exceed 12.9. We were in compliance with this policy in 2022. Additional information regarding the remuneration policy of the bank, including variable remuneration, deferred remuneration, and mechanisms for repayment of remuneration, is available in Note 22 to the Annual Financial Statements for 2022, and in the report dated September 17, 2020, convening the general meeting for the approval of the remuneration policy, as noted above.

Main principles and objectives of the remuneration policy

- ◆ Motivate officers to work to create long-term economic value for the bank and its stakeholders, in a manner that strengthens the connection between remuneration and the creation of value for the stakeholders of the bank.
- ◆ Base annual bonuses on the return on equity of the bank, as well as on long-term plans and targets aligned with the overall strategic plan of the bank and of its secondary units and the derived work plans. The bonus is determined by the attainment of measurable and non-measurable, quantitative and qualitative personal performance targets.
- ◆ Adjust total remuneration to the risk appetite of the bank. The annual and multi-annual work plans are constructed with reference to the volume and types of the risks that the bank is willing to undertake, among other matters. Achievement of the return on equity threshold establishes the threshold condition for distribution of an annual bonus to officers; discretionary bonuses may be granted in the event that the threshold conditions are not achieved.

Tax policy

The bank manages its tax policy at the level of the group, and pays tax in accordance with the requirements of the law, maintaining cooperation with the tax and law authorities in Israel, in all geographical regions in which it operates, and adhering to directives regarding compliance, disclosure, and reporting. The bank also supplements its tax in Israel in respect of its earnings from activities overseas, in full coordination with the tax authorities. We follow the provisions of the law and the OECD standards with regard to taxation and tax planning. Accordingly, we refrain from tax planning and avoid the use of tax havens and offshore accounts; we do not engage in base erosion and profit shifting; and we apply country-by-country analysis, in which detailed financial data regarding each country in which we operate is presented.

Business continuity in emergencies

The bank maintains a broad action plan for emergency preparedness and business continuity. The plan is implemented in accordance with the bank's policy, regulatory directives (Proper Conduct of Banking Business Directive 355, "Business Continuity"), and other related directives. The bank's preparedness is grounded in detailed plans, enterprise-wide as well as at the level of the divisions, based on prevalent global methodologies and on working procedures, periodic tests and drills, a managed database of essential employees in emergencies, and more. The bank's emergency preparedness plan is broad-based, encompassing policy papers, an outline of reference scenarios, critical process mapping and analysis, and specification of resources required for the continuity of these processes in an emergency. Each is regularly updated and approved annually by management and the board of directors. The enterprise-wide emergency preparedness plan is accompanied by division-level action plans, under the responsibility of the divisions' business continuity supervisors and dedicated committees. The business continuity policy was also adopted by the subsidiaries in Israel and at the overseas branches of the bank, in line with the corporate governance policy and guidelines of the Bank of Israel.

The emergency preparedness and business continuity work plan are overseen at the level of the bank by the Business Continuity Management Department, reporting to the Head of Business Continuity for the corporation and the member of management responsible for emergency response, who heads the bank emergency committee (the CFO). Data recovery aspects of business continuity are under the responsibility of the head of technology. In 2021, the Business Continuity Risk Management and Operational Resilience Department was established in the Risk Management Division, to serve as a second line of defense in the area of business continuity risks and emergency preparedness.

Emergency and business continuity procedures at the bank establish managerial responsibilities, work formats, and means required of every unit in various scenarios, until the emergency comes to an end and routines are resumed. In routine times, the soundness and preparedness of critical sites are rigorously tested, and safety and security drills are held for employees. From time to time, the bank assesses the ability of essential suppliers to continue to deliver services to the bank in emergency scenarios. The bank also holds periodic emergency drills encompassing operational scenarios as well as complex business scenarios. Branches, administrative units,

head-office units, and bank management participate in the drills. Bank Hapoalim has two central IT sites – primary and secondary – to ensure the availability and continuity of its information systems. The business continuity management system of the bank has been certified by the Israel Standards Institute as compliant with the requirements of the international standard ISO 22301 (further information is available in the financial statements of the bank, page 124).

Coping with climate change and natural disasters

The effects of acute and/or chronic climate events are already apparent around the world. Israel's geographical location is considered a hotspot – an area with relatively higher pace and intensity of climate changes. The action plan for emergency preparedness and business continuity therefore also considers various climate scenarios, such as extreme precipitation leading to flooding, fires, earthquakes, and tsunamis. The plans take the effects of these scenarios on the bank into consideration, and are designed in reference to the responsibilities and actions of government agencies.

Risk management and systemic risks

The risk-management strategy of the bank group is designed to support the achievement of the strategic objectives of the group as a whole, while identifying and quantifying risks, establishing risk ownership, and maximizing business value, taking into consideration costs in terms of risk, by every responsible function at all levels of the organization. Accordingly, each business function is responsible for managing the risks in its activity, while the Risk Management Division serves as a second line of defense – an independent function responsible for guiding, challenging, monitoring, and independently reporting risks. Risk management at the bank is based on a uniform methodology, from a comprehensive perspective, adapted to regulatory requirements, with the aim of supporting informed risk-taking in order to maximize the group's profitability at a risk level aligned with its risk appetite and risk tolerance, congruent with business benefits.

The Banking Supervision Department has set forth guidelines concerning risk management in the Proper Conduct of Banking Business Directives. The directives detail the requirements of the Banking Supervision Department for the management of the various risks to which a banking corporation is exposed, and stipulate fundamental principles for the management and control of risks, including suitable involvement in and thorough understanding of risk management by the board of directors of the banking

corporation, the management of risks by a risk manager who is a member of the board of management, the employment of tools for the identification and measurement of risks, and the creation of means for supervision and control, including the existence of an independent risk-control function. The bank operates in accordance with the guidelines of the Banking Supervision Department.

Risk control and the assessment of financial risks and operational risks are performed based on a uniform methodology at the group level, under the direction of the Risk Management Division, taking into account the unique characteristics of the activity of each subsidiary and overseas activity; risks are measured and managed independently at each company, and an overview is presented to the management of the bank. Any risks in new products or processes are identified through an orderly procedure, based on the policy for the launch of new products and processes. Models used to assess risks are tested prior to implementation and periodically, based on the bank's model validation policy. The bank performs comprehensive examinations to assess the risks to which it is exposed and estimates the materiality of such risks, within the ICAAP (Internal Capital Adequacy Assessment Process). For details, see Chapter 3, "Review of risks," on page 69 of the Financial Statements.

In managing risks, the bank takes various systemic effects into account. The bank

routinely examines the potential effects of various financial and operational systemic scenarios, within its regular internal stress testing and the uniform scenarios of the Bank of Israel, on capital and liquidity ratios and on the operations and customer service of the bank, and prepares accordingly. The goal is to ensure resilience in the face of various crises, and to allow continued banking operations, in recognition of the responsibility of the bank towards its customers and various stakeholders, and with awareness of the importance of banking to the functioning of the economy.

Preparations for preserving the continuity of banking operations and the financial robustness of the bank take the form of business continuity preparedness, procedures, and policies, as well as analyses, assumptions, and contingency plans addressing financial aspects of such events. In this context, note that as a large bank (holding over 20% of the balance-sheet assets in the Israeli banking system), Bank Hapoalim is required to maintain a capital ratio of 10% (rather than 9%). This capital adequacy contributes to the financial robustness of the bank and supports the continued activity of the bank and the economy in times of crisis. Along with all of the above, the bank takes into consideration the potential impact on the markets of its management of liquidity and various market exposures, and is prepared to maintain operations in the event of disruptions in the markets.

Safety

Safety at the bank is guided professionally by the Security and Safety Department in the Logistics Area, which works to identify, assess, and detect risks. The department maintains routine communication with branch and unit managers, who are responsible in practice for safety at the units under their responsibility.

As part of the bank's responsibility towards its employees, suppliers, and anyone who visits its premises, we are committed to mitigating and preventing health and safety hazards at all of our sites; safety considerations are embedded in our decision-making processes at every level. The safety policy of the bank, which has been approved by management, establishes the responsibilities of the various functions within the bank for the management of potential health and safety risks on the premises of the bank, in accordance with the provisions of the law and requirements of government agencies, while maintaining some of the most advanced health and safety standards.

In the event of a safety incident, or the discovery of a safety hazard on the premises of the bank, employees and managers are instructed to submit a report immediately and to ascertain that the issue is resolved. Structured formalized processes are in place for reporting and investigating health and safety incidents, including accidents, injuries, and illness. These processes are implemented by appropriately trained safety engineers; the causes of the incident are documented, monitored, and identified for learning purposes.

The bank establishes its safety procedures and plans as required by the regulations of the Labor Inspection Organization, and acts accordingly to prevent accidents and safety incidents. The bank also has an annual safety program monitored by the Security and Safety Department, comprising priorities, objectives, schedules, and resource allocations. Internal tests and a management review are conducted to oversee implementation of the policy and work plan and the attainment of targets, according to a performance review process specified in advance. External controls are applied by professionals to the safety systems and the soundness of equipment at administrative buildings and branches.

The bank has health and safety management systems based on the OSHAS 18001 standard. Information systems are used to manage and monitor the bank's safety systems, in order to manage safety events, monitor the functionality of equipment, and track the implementation of employee training programs. The bank's Security Center monitors its security and safety systems, and alerts relevant parties to respond as necessary, such as the police, firefighters, emergency medical services, security systems, etc.

A safety committee headed by the head of logistics convenes on a quarterly basis to discuss safety management at the bank; the committee recommends actions for the implementation and enforcement of safety requirements. The safety committee consists of the head of the Construction Department and the head of the Security and Safety Department, with representatives of the bank's employees, internal audit, and risk management. An annual summary of safety incidents is reported to management.

Safety risk assessments are performed in accordance with the law and with the bank's safety procedures. The bank maps and specifies the preparedness and responsiveness necessary, according to risks identified in respect of emergency situations and crowd events; accidents and safety incidents; purchasing and renting processes; employment of external contractors; construction and renovation, including working at height; road safety; and fire and electrical safety. The risk-assessment process establishes the severity level and probability of materialization of the risk. Solutions are proposed to lower the risk level in a manner that allows the required activities to be conducted as planned, at the specified risk level. Frequent audits are performed in these areas, and safety performance is monitored to ensure compliance with policy and with the requirements of the law. Emphasis is also placed on office work, which is characteristic of most of the work at the bank; aspects addressed include ergonomics, lighting, noise, office air quality, and other factors that may impair employees' health and cause occupational diseases.

External contractors engaged for construction and maintenance work are

required to use appropriate protective equipment and comply with safety guidelines established by a safety engineer acting on behalf of the bank to oversee the project. The safety engineer provides guidance on safety aspects during the planning and execution of the project, with an emphasis on electricity work, welding, plumbing, working at height, etc. Further information regarding security and safety requirements in contractual engagements with suppliers is presented in the Responsible Purchasing Policy, available on the bank's website.

We hold instructional, training, and educational activities, as part of structured work processes and to raise awareness and heighten responsibility regarding safety. Employees are required to refresh their knowledge through annual safety tutorials. They also participate in safety education on potential risks in person, in areas including accident prevention, evacuation, and electrical and fire emergencies, held by certified external companies. Training effectiveness is measured through interviews and feedback. Safety and security trustees at each unit of the bank receive targeted training and are responsible for the preparedness of the unit and for holding periodic escape drills. A dedicated content area on the organizational portal of the bank presents safety and security tips and procedures for employees, as well as a form for reporting work accidents.

In 2022, four minor work accidents occurred at the bank (of which three caused lost work time); the cumulative absences reached 82 days. The lost time injury frequency rate was 0.040, and the total recordable injury frequency rate stood at 0.053.⁶⁴

64. The data refer to employees of the bank, based on a calculation of 200,000 hours of work (hwkd), at 8 hours per day. There were no cases of loss of life as a result of work accidents in the reported year (including of customers and non-bank employees).

Code of values and ethics

"Our Way: A Code of Values and Ethics" constitutes a declaration of our identity and uniqueness as employees of Bank Hapoalim. The code reflects the bedrock values of the bank and delineates the expectations and behaviors we are all adopting and striving to uphold, among ourselves and towards our customers and other stakeholders. The code is designed to be used by employees and managers, in all units and at all ranks, as a compass for appropriate conduct in coping with ethical dilemmas during their routine work.

The bank's vision is an expression of our commitment to growth through impactful, innovative, fair banking. To ensure that we are able to realize our new vision and integrate its business, organizational, and cultural components, we formulated a foundation of values to guide our actions, and the rules of conduct derived from this foundation. Within this process, we redefined the five core values that guide the way we operate, do business, and benefit the economy, society, and the environment:

- ◆ **Focus** - dedicated to customers' best interests;
- ◆ **Delivery** - making it happen;
- ◆ **Partnership** - working together, for you;
- ◆ **Growth mindset** - growth and development;
- ◆ **Fairness** - fairness and responsibility.

Each of the core values is relayed into key behaviors for application of the values in practice. Taken together, they form a comprehensive organizational approach integrating a customer-centric worldview with quick, flexible deployment to deliver optimal responsiveness grounded in partnership, boldness, and aspiration to continual improvement.

We also refreshed the code of ethics of the bank, in the spirit of the values, and established our rules of ethics in reference to our stakeholders. In 2021, we launched a comprehensive rollout to all employees of the bank of the code of ethics and the values supporting the new vision. The process of instilling the code of ethics and values continued in 2022.

The Ethics Forum was established at the bank in 2022, to promote and instill a culture of ethics and fairness. The forum is led by the head of human resources, who serves as the bank's ethics supervisor, and consists of representatives from various divisions (human resources, risk management, legal, retail banking,

marketing, and internal audit), meeting semiannually. The forum reviews the quantity and types of messages and exceptional events related to ethics at the bank, discusses ethical dilemmas, learns about activity in this area at other organizations, hosts lecturers to expand knowledge and learn, and more.

94%
of employees completed a learning module on the new code of ethics

2022 plans - status

2022 plans	Status
Continue the process of instilling the code of ethics and cultural values among all employees of the bank, as well as external staff.	✓ Completed

Future Plans

- Refresh the code of ethics.
- Continue instilling the code of ethics, for all employees of the bank, under the leadership of the Ethics Forum.

Mechanisms and channels for reporting ethical issues

Bank Hapoalim encourages every employee who encounters an ethical dilemma or violation of compliance directives to report and/or consult on the issue without concern (including anonymously), providing protection under all laws and maintaining confidentiality. The bank accords high importance to employee reports as a means of detecting and locating deficiencies and flaws, investigating the issues, promoting work process improvements, and strengthening alignment with the norms and values of the bank. Employees of the bank are required to report to the relevant functions on cases that raise concern of violation of the norms and values of the bank, such as:

- ◆ Breaches of the law, policies, and procedures.
- ◆ Inappropriate activity by employees, managers, and directors in any area.
- ◆ Attempts to circumvent monitoring and reporting systems of the bank.
- ◆ Unfair, unethical, or irresponsible conduct towards customers of the bank.
- ◆ Discrimination, harassment (including sexual harassment), and disrespectful or offensive behavior.
- ◆ Involvement in offering or giving a bribe and in corruption events.
- ◆ Concern over breaches and failures of compliance and concern over conflicts of interest.

Bank employees who suspect any violation of the bank's values and norms by any other employee can use several open or anonymous reporting methods, as detailed in the code of ethics, including the anonymous channel on the organizational portal, which is available at all times. Channels for anonymous messages were expanded this year, to include a telephone line and email address external to the bank.

Knowledge refreshment on this topic, including the communication channels, is conducted twice annually by the Chief Compliance Officer Area in collaboration with the Human Resources Area and the Internal Audit Area. Notices are sent in individual letters and portal messages describing the channels available to employees for inquiries and reports, examples of situations requiring a report, and past reported incidents and conclusions drawn from them.

To ensure that employees who submit reports are protected and do not suffer any harm as a result of the report, a process and procedure have been developed and approved by the board of directors in order to safeguard these employees and maintain their anonymity, subject to all laws. The Human Resources Area protects employees of the bank from retribution or harassment, including worsened terms, withholding of promotion, or dismissal. Internal audit serves as another channel for employees to contact in the event that they believe they have not been adequately protected.

Throughout the year, audit, risk-management, and human-resource functions maintain a shared interface to assess and manage ethics risks and risks related to possible violations of the code of ethics. Internal audit at the bank also reviews the usage of the bank's systems, to ensure implementation of the code of ethics. In the event that behavior or action inconsistent with the bank's code of ethics is identified, an in-depth examination is conducted, and relevant measures are applied to prevent and remedy the problem, in addition to routine audit activities and the lines of defense

at the bank. The process of evaluating employees' performance also includes examination of how they uphold the ethics and compliance rules of the bank, and completion of their required study of regulatory issues.

Every six months, within the periodic compliance report by the Compliance Officer, the board of management and board of directors receive a report on the number of inquiries, nature of the inquiries, and type of reporting (open or anonymous). The audit committee receives a report on inquiries received every six months. Reports on employee protection, if granted, are submitted to the audit committee each quarter.

In 2022, inquiries and consultations regarding ethics were received from employees through various channels, both openly and anonymously. The inquiries concerned a range of subjects, such as potential conflicts of interest, issues related to receiving gifts, and norms of behavior at the bank. Internal audit also released 24 reports and letters on exceptional events involving a suspected breach of moral values by employees. Internal audit applied a lessons-learned process to some of these events. In most of the cases, disciplinary sanctions were taken against employees, according to the measures available to the bank – primarily termination of employment, removal from a management position, suspension of promotion, suspension of a bonus, reprimand letters, clarification conversations, etc. The bank also reported three incidents of embezzlement or suspected embezzlement to the Bank of Israel, pursuant to Proper Conduct of Banking Business Directive 351.

Preventing bribery and corruption

As a banking organization at the heart of Israel's business and economic community and operating in the international business arena, Bank Hapoalim is committed to an active role in the international fight against corruption. We believe that corruption and bribery are destructive, and we absolutely reject these practices. We are dedicated to the implementation of the bank's policy in this area, at the level of the board of directors, the board of management, and every employee; this includes adjusting work processes to prevent such occurrences. Activities and processes for the prevention of corruption and bribery have been in place at the bank for many years, in various contexts, including anti-corruption practices in connection with customer accounts (see details in the section "Compliance and prevention of money laundering and financing of terrorism," below) and employee conduct.

The bank's procedure for the prevention of bribery and corruption establishes rules prohibiting the giving of favors, gifts of value, and benefits to civil servants,⁶⁵ and prohibiting employees from accepting gifts of value from customers and business partners. The procedure establishes reporting duties and channels for employees for any case of suspected giving or receiving of a bribe or corruption. Facilitating payments are also prohibited, including transfers of money to civil servants, foreign or local government workers, political parties, or intermediaries for the purpose of accelerating or ensuring a routine government action.

The corruption and bribery prevention policy of the bank is applied at the level of the group, as well as to suppliers and third-party subcontractors that provide services to the bank. Implementation of the policies and procedures and the application of controls are under the responsibility of each division of the bank, supervised and led by the chief compliance officer of the bank.

Risk assessment and oversight of the effectiveness of content and procedures are applied by the compliance officer and reported to the board of management and board of directors. In addition, pursuant to Proper Conduct of Banking Business Directive 351, in the event of reasonable concern or a significant incident of embezzlement, the bank must submit an immediate report to the board of directors, internal audit, and the Supervisor of Banks, unrelatedly to reports to other agencies, including law-enforcement agencies.

The bank has a system of content, processes, controls, and procedures designed to prevent corruption and bribery (for details regarding the lines of defense, see the section "Compliance and prevention of money laundering and financing of terrorism," below). The bank has also added detailed sections to the code of ethics reflecting its position on the prohibition of corruption and bribery and on receiving or giving gifts or favors, with the aim of making a clear and unequivocal statement to all of the bank's internal and external stakeholders regarding its policy in this area (see the Code of Ethics on the bank's website).

In late 2021, a supervisor of the prevention of bribery and corruption was appointed in the Chief Compliance Officer Unit at the bank to lead an enforcement plan in this area.

Whistleblower mechanism

In accordance with the Protection of Employees Law of 1997, the bank has a whistleblower protection mechanism to allow employees to report incidents of corruption. The mechanism is based on the ethics inquiry and reporting channels described in the section "Code of values and ethics," above, and includes the same protections and instructions, as well as reports to the board of management and board of directors.

In addition to the option of contacting the ombudsman, as part of its supervision and control mechanisms, the bank provides a whistleblower system for the general public, including its customers and suppliers. Irregular activity by the bank or its employees and cases of suspected misconduct, embezzlement, or breach of moral values at the bank can be reported through this system. Inquiries can be sent to a hotline that accepts both open and anonymous messages via email, telephone, or letter. Information regarding the mechanism, reporting channels, and examples of cases that can be reported is available on the bank's website.

65. In accordance with the definition of civil servants in Israeli law and in the Foreign Corrupt Practices Act in the United States.

Compliance and prevention of money laundering and financing of terrorism

The areas of responsibility of the chief compliance officer of Bank Hapoalim are derived from Proper Conduct of Banking Business Directive 308, "Compliance and the Compliance Function at a Banking Corporation" ("Directive 308"). Accordingly, the Chief Compliance Officer Area comprises the following professional functions:

- ◆ The Money Laundering Prohibition Department, which handles all of the components of the prohibition of money laundering and prevention of terrorism financing, including the declared money policy applied to foreign residents.
- ◆ The Securities Enforcement and Compliance Unit, which is responsible for enforcement of the Securities Law, 1968; the Joint Trust Investments Law, 1994; and the Law for Regularization of the Occupation of Investment Advising, Investment Marketing, and Investment Portfolio Management, 1995 (hereinafter: the "Securities Laws"), and ensuring adherence to the various compliance directives, including with respect to the bank's fairness towards its customers.
- ◆ The International Taxation Compliance Department, which is responsible for implementation of the provisions of the law and of the FATCA and CRS regulations, including examination, identification, and classification of customers, and for submitting annual FATCA and CRS reports to the tax authorities.
- ◆ The International Compliance Unit, which is responsible for ensuring compliance and the prohibition of money laundering at the bank's offices outside Israel, control over correspondent banking, and cross-border issues.
- ◆ The Protection of Privacy and Competition Law Enforcement Unit, which handles a range of matters related to the protection of privacy at the bank and compliance with laws concerning competition and the prohibition of discrimination. The unit is also responsible for various areas related

to the prevention of bribery, corruption, and conflicts of interest.

- ◆ The Coordination and Monitoring Department, which has responsibilities including liaison with the compliance units of the bank, processing reports of the chief compliance officer, managing technological systems in the area of compliance, and overseeing training in this area.
- ◆ "Thinking Compliance" Expert Center - Responds to the business units on issues of international taxation, the prohibition of money laundering, and compliance systems.

The Chief Compliance Officer Area operates in accordance with a group compliance policy approved by the board of directors and updated annually. The compliance policy sets forth rules regarding the full range of matters in the areas of the prohibition of money laundering and financing of terrorism, compliance and enforcement in securities, conflicts of interest, compliance in international taxation, the fairness of the bank towards its customers, advising customers, protection of privacy (excluding information-technology aspects), and taxation aspects relevant to products or services for customers. The policy emphasizes corporate control and the interaction with subsidiaries and branches outside Israel, based on the directives of laws that pertain to the activity of the bank, such as Proper Conduct of Banking Business Directive 308; the Prohibition of Money Laundering Law, 2000; the Counter-Terrorism Law, 2016; Proper Conduct of Banking Business Directive 411; Proper Conduct of Banking Business Directive 306; the Securities Laws; amendments to the Income Tax Ordinance; and relevant Income Tax Regulations. The compliance policy also addresses competition law, the prevention of discrimination, and the prevention of conflicts of interest, bribery, and corruption.

In order to comply with the directives of the

law and with the group-level compliance policy, the Chief Compliance Officer Area conducts activities including identification of main exposures and risk areas; risk assessment; procedural, qualitative, and quantitative controls applied to compliance with directives that regulate the relationship between the bank and its customers, and to the prohibition of money laundering and financing of terrorism; operation of a structured system of controls applied to compliance with the Securities Laws; development of training systems; knowledge management and infrastructure surveys; analysis of new products and services; system development; and more.

The activity of the Compliance Area of the bank and the effectiveness of compliance risk management are supervised through:

- ◆ The board of directors' committee on risk management and control and the audit committee.
- ◆ The board of directors and management of the bank, who receive quarterly and annual reports regarding the current principal exposures and risk concentration areas in the group; progress on the work plan; and activities executed, including controls, mapping of knowledge gaps, organizational learning, technological and other projects in this field, reports submitted to the Israel Money Laundering Prohibition Authority, reports of exceptional events, and violations.

The compliance officer also has a channel for direct reporting to senior management and the board of directors if necessary, as part of the ways of securing the status of the compliance function at the bank.

Monitoring and control processes

The control system at the bank group consists of three lines of defense, some of which encompass more than one component of control, as detailed below:



Photo: Rinat Atlan, HaGalim branch.

- ◆ **First line of defense (business units, including headquarters and unit compliance officers)** - Controls applied within the units. These controls are applied on two levels:
 - ◆ Controls by the business functions - applied to processes related to the activity of existing customers. Controls are also applied to internal processes at the bank.
 - ◆ Controls by compliance officers and enforcement trustees at the business units - applied to the first line of defense.
- ◆ **Second line of defense** - Controls applied by the chief compliance officer, the Risk Management Division, the Finance Division, the head of information security, and Legal Counsel.

- ◆ **Third line of defense** - Controls applied by Internal Audit, which audits compliance issues and the second line.

Training in the area of compliance

Understanding the importance of fair business conduct and the need to identify irregular customer activity is crucial in the context of compliance risk; accordingly, various measures are taken to instill this awareness, including instructional content and tools integrated into training and work processes of managers and bankers. Training is conducted both online and in person, in individual and group settings, as necessary.

The following resources are available to employees who wish to consult or report on relevant matters:

- ◆ The network of branch/regional/area/divisional compliance officers.
- ◆ The Subjective Reporting System (Madas).
- ◆ The compliance site on the banking portal.
- ◆ The "Thinking Compliance" Expert Center, for support on the subjects of the prohibition of money laundering, CRS, FATCA, and the use of compliance systems. The center can be contacted through an online system or by telephone.
- ◆ Communication with the professional units by email or telephone.
- ◆ A system for anonymous queries.

Prohibition of money laundering and financing of terrorism

The bank sees the management of money laundering and terrorism financing prevention risk as vital to the international fight against terrorism and organized crime, and to the goal of protecting the stability and credibility of the bank. The bank therefore has a policy on the prevention of money laundering and terrorism financing, aligned with the provisions of the law, which sets forth binding standards for the Bank Hapoalim Group. The key policies and standards implemented by the various functions can be viewed on the bank's website.

The policies and procedures of the bank for the prevention of money laundering and terrorism financing include ordered means and measures, such as the Know Your Customer procedures, which consist of:

- ◆ Identification requirements, prior to opening a customer account or altering an existing account, for familiarization with the customer's identity, occupation, and source of



Photo: Carmit Nutman, Human Resources Division.

assets and capital, as well as the purpose and circumstances of the opening of the account. For business clients, including corporations, the examination also encompasses ownership structure, control, and affinity relationships.

- ◆ Verification based on various means, such as face-to-face identification, declarations, questionnaires, documents, data, reports, and publicly available information, as well as verification with relevant external parties. Expanded due-diligence testing is conducted as necessary, according to customer profiles.
- ◆ Monitoring, tracking, controls, and routine updates of information regarding existing accounts, to ascertain that transactions performed are consistent with the information available to the bank regarding the customer, including the customer's profile and sources of capital.

In accounts opened or administered for a PEP (politically exposed person) in Israel or in a foreign country, ordered procedures apply to the required due diligence and controls for routine monitoring of the customer's activity. Opening an account for a foreign PEP requires approval by senior management; in the event that risk exposure is identified, the approval of the chief compliance officer is required, as well as monitoring of the activity in reference to the Israeli designated terrorism list, the OFAC list, and the lists of the European Union and United Nations.

In accordance with the law, documentation of documents, transactions, and information pertaining to the prevention of money laundering and terrorism financing is retained in the records of the bank for at least seven years. Training on the prohibition of money laundering and terrorism financing is provided to bank employees both in person and through tutorials and knowledge pages on the portal, along with lessons-learned procedures. The bank's monitoring processes for the prevention of money laundering and terrorism financing are examined professionally from time to time by content experts, as decided by the chief compliance officer, in addition to periodic audits and inspections by the Supervisor of Banks.

Within our strict compliance with the law, Bank Hapoalim is committed to accepting only declared funds in its customers' accounts, whether they are residents of Israel or of other countries. The bank is required to avoid situations in which money received into a customer account has not been declared to the tax authorities in Israel, or to the tax authority in the customer's country of residence, with special caution exercised with respect to offshore countries.

Information security and cyber defense

We accord high importance to information security and cybersecurity, and we invest extensive resources, both technological and human, to maintain customers' privacy and the confidentiality of banking information and of customers' assets, through the use of some of the most advanced cybersecurity methods and information-security products in the world.

The coronavirus outbreak in 2020, and the bank's transition to working remotely with its customers, raised the risk that this situation would be exploited for cybercrime purposes. Cyberattacks increased around the world, particularly extortion, impersonation, and theft of money; we saw the sophistication of such attacks grow, and incidents of large-scale leakage of personal and private information were widely reported in the media. Given this complex situation, the cyber defense units of the bank mobilized to support change in the conduct of the bank and its customers, and prepared to quickly deliver the safest possible solutions to allow continuity of business activities.

Cyber defense at the bank is managed according to the requirements of the Bank of Israel, with an emphasis on Proper Conduct of Banking Business Directive 361, "Cyber Defense Management"; Proper Conduct of Banking Business Directive 357, "Information Technology Management"; Proper Conduct of Banking Business Directive 362, "Cloud Computing"; Proper Conduct of Banking Business Directive 363, "Supply Chain Management"; and Proper Conduct of Banking Business Directive 367, "E-Banking." The bank is also certified under the information-security standards ISO 27001 and 27032 for all of its IT infrastructures; compliance with the standards is validated annually by a licensed external reviewer.

In accordance with the provisions of the law, information security and cybersecurity are discussed by the technology, innovation, and information security committee and the risk management committee of

the board of directors. The committees supervise the implementation and management of these matters at the bank, and conduct semiannual reviews of compliance with the annual work plan. The overall information-technology strategy and policy of the bank are also discussed periodically. Details regarding the members of the committee and their professional experience in this field are available in the annual report and on the website of the bank. The board of directors of the bank also receives reports of material events and findings from security surveys and periodic penetration tests. In 2022, there were no cyberattacks involving exposure or leakage of sensitive information, including the information of employees or customers, and no fines or sanctions were imposed on the bank in this area.

The information security and cybersecurity policies of the bank are applied to most parts of the group, while a few subsidiaries operate independent information security and cybersecurity systems, due to the nature of their activities, in the spirit of the policy of the bank, with the required adjustments. Alongside the internal control systems, the information-security and cybersecurity policies and systems also undergo reviews by external parties – external consulting firms perform occasional process quality reviews to examine the implementation of the policies and measures, and the Cybersecurity Unit at the Bank of Israel conducts ongoing oversight.

The cyber defense units of the bank, which are managed by the chief information security officer (CISO) and report to the

head of information technology, oversee the cybersecurity activities of the bank, and are responsible for areas including the following:

- ◆ Managing the bank's cybersecurity systems.
- ◆ Advising the board of management of the bank on cybersecurity issues.
- ◆ Assisting the bank's management in establishing and enforcing cybersecurity policy.
- ◆ Developing a comprehensive, detailed plan for coping with cyber risk at the bank, and monitoring and tracking implementation of the plan.
- ◆ Promoting awareness of cybersecurity threats, and conducting training on ways of addressing the threats.
- ◆ Overseeing and monitoring cyber security incident management.

The cyber defense strategy of the bank focuses on in-depth protection of banking activity, based on several principles:

- ◆ **Proactive defense** - Developing capabilities for real-time response to cope with advanced threats and attacks, operating advanced intelligence services, applying organizational resilience tests, and implementing advanced technologies.
- ◆ **In-depth defense** - Embedding multiple layers of defensive technologies and cybersecurity controls. The controls refer to human-resource aspects, organizational infrastructure, policies, procedures, technologies, business aspects, and more.
- ◆ **Encryption** - The bank maintains encryption between its internal and external systems, as well as within

the network of the bank, in line with regulatory requirements, prevailing standards, and risk assessments.

- ◆ **Readiness for events** - Alongside its efforts to prevent information-security incidents, the bank prepares to cope with possible events. Contingency plans for stress events and significant cyber incidents are challenged accordingly. The plans are updated routinely based on the risk map, lessons-learned processes, and regulatory directives. This activity is performed on an ongoing basis, as a focus area, including drills of various scenarios by relevant parties, application of an alert system to detect attacks, and the creation of **tools to cope with such events**.
- ◆ **Resilience and recovery** - Investment in plans to preserve business continuity and recover from logical failure events and cyberattacks.
- ◆ **Instruction and training** - The bank routinely conducts cybersecurity training and instruction for relevant parties, with training programs updated regularly. Activities to promote awareness of cybersecurity threats are held for employees of the bank, subsidiaries, and boards of directors in the group. In addition, efforts have been made to promote awareness among customers and suppliers of the bank by holding lectures, posting information on the bank's website, publishing articles, and collaborating with the Israel National Cyber Directorate during Cybersecurity Awareness Week. Participation in lectures to promote awareness of cybersecurity threats is mandatory for certain categories of employees, such as users with high-level permissions, high-sensitivity units, employees with serial failures in phishing drills, etc.
- ◆ **Supply-chain audits** - From time to time, as necessary, the bank performs information-security audits of its suppliers, based on its requirements in the areas of confidentiality and



Photo: Dalit Caspi-Shchahner, Information Technology Division.

information security. The audits include inspections of infrastructure technologies, resilience tests, risk surveys, oversight of organizational processes and compliance with working procedures, physical security review, and penetration tests.

- ◆ **Continual examination** - Information-security testing of the bank's systems is conducted routinely, including through independent external consultants, according to regulatory requirements. The compliance of the bank with the cyber defense policy and with the directives of the Bank of Israel is also assessed periodically. Security surveys and evaluations of the bank's resistance to risks are performed periodically, including information-security surveys. Systems designated as high-risk by the bank are reviewed prior to the implementation of major changes and before beginning to use new systems, at a frequency of at least once every eighteen months. The surveys are a means of ensuring that the bank's systems are protected against penetration, unauthorized access, and damage. Material findings are reported to the board of management, the board of directors, and/or the relevant committees. We also act continually to adapt protective systems to the accelerated changes and developments in the digital space.
- ◆ **Corporate governance** - Cybersecurity risk management methodology is formulated by the board of directors and board of management of the bank, to establish methods of cybersecurity risk management from an integrative organization-wide perspective; the subsidiaries and international offices of the bank are provided with guidance regarding the appropriate implementation of the bank's cybersecurity policies.

- ◆ **Human capital** - Suitable personnel are hired to put the bank's cybersecurity initiatives and decisions into practice and maintain a high level of professional expertise, through various means. Cybersecurity metrics are also included in performance evaluations of senior executives with responsibilities in this area. Employees, including external workers, are required to comply with the bank's rules and procedures in the area of information security; breaches are handled according to the compliance and disciplinary procedures at the bank.

The information security operations center (SOC) at the bank is responsible for managing the response to all cybersecurity events and fraud attempts in real time. The SOC, which is staffed 24/7 by analysts and researchers, uses automated tools and applies dedicated work processes to identify and cope with cybersecurity and fraud events, including procedures for reporting and escalation. Training in this area is provided on a regular basis. The bank routinely examines the effectiveness of its plans to address threats and its ability to respond to such threats. Business continuity plans at the bank also address coping with cyber incidents and establish scenarios, procedures, and responsibilities. Enterprise-

wide procedures and contingency plans in this area are updated and examined at least annually; the key points of the plan are submitted to management and the board of directors for approval.

Information-systems projects at the bank are accompanied from their inception and throughout development and maintenance by an information-security team, which ensures the security of development processes and strict compliance with rules and procedures, including those pertaining to protection of the privacy of information and restriction of access to information. Three lines of defense serve to ensure effective cyber risk management at the bank:

- ◆ **First line of defense** - The Information Technology Division and the Information Security and Cyber Defense Unit.
- ◆ **Second line of defense** - The Risk Management Division and the Cyber Risk Management Unit.
- ◆ **Third line of defense** - A dedicated organizational unit within Internal Audit, with the relevant professional qualifications and experience to examine the correctness and efficacy of cyber risk management processes and the relevant controls, according to the goals set by the bank.

In 2022, we focused on raising awareness of cybersecurity risks, secure conduct, and information leakage risks. The following measures were applied in this area:

- ◆ Lectures to raise awareness of cybersecurity risks were held for bank employees, subsidiaries, customers, and boards of directors in the group.
- ◆ Tutorials were developed on organizational cybersecurity, prevention of physical leaks, and impersonation, as well as tutorials on specific issues.
- ◆ Quarterly phishing drills were held for all employees, and additional targeted drills were conducted.
- ◆ Signs were posted on the premises of the bank, and emails and newsletters on cybersecurity issues and prevention of information leakage were distributed.
- ◆ A quarterly magazine was published with a review of risks and developments in cybersecurity. The magazine is available to employees on the organizational portal and can be distributed to external stakeholders.

2022 plans - status

2022 plans	Status
Fortify and deepen operational defenses.	✓ Completed
Support business and technological innovation at the bank, while protecting the bank and its customers from intensifying threats.	✓ Completed
Strengthen programs for raising awareness of cybersecurity threats among employees, customers, and suppliers.	✓ Completed

Future Plans

- Adapt operational defense to developing threats.
- Increase the use of automation in information security.
- Examine innovative information-security products.

Protecting customers' privacy

The protection of privacy at Bank Hapoalim is established and managed in accordance with the Protection of Privacy Law, 1981, the Protection of Privacy Regulations, and other relevant laws, and is subject to supervision by the Privacy Protection Authority. Bank Hapoalim operates within a comprehensive, innovative privacy policy, written and approved according to the significant developments in this area in recent years. The privacy policy of the bank applies to the group as a whole; relevant subsidiaries commit to the policy with the necessary adjustments for their activities. This policy also applies to suppliers, service providers, and other stakeholders, and may vary according to the type of service, including various online services.

The privacy policy of the bank addresses the ways in which information is collected from users and visitors of the bank's online channels, consent for the use of information, protection of personal information, protection of banking secrecy, and more. In addition to the approval of the policy by the board of management and board of directors, it is discussed by the audit committee and the corporate governance committee. The board of directors of the bank is responsible for supervising the implementation of the policy at the bank, including annual examination of the policy; supervision of exposure levels, with discussion of the principal risks; and supervision of the bank's treatment of breaches and suspected breaches of the privacy protection laws.

The protection of privacy at the bank is managed by extensive professional staff, including privacy protection supervisors at the divisions and privacy protection supervisors at areas and units with higher-sensitivity activity in this respect. The chief compliance officer serves as the control and enforcement function for the implementation of the policy at the bank. Information-technology aspects, including information security and cybersecurity, are

under the responsibility of the Information Technology Division (see the section "Information security and cybersecurity"). We continually work to optimize the protection of customers' privacy to the extent possible, and include privacy protection considerations in the process of developing new products at the bank. A professional team from one of the leading law firms in Israel, specializing in privacy issues, advises the bank on all matters related to the protection of privacy, including the privacy policy of the bank.

Implementation

The privacy protection functions of the bank are responsible for maintaining and monitoring the implementation of the protection of privacy procedures, identifying and remedying gaps, and providing instruction and training to all relevant parties. Training is conducted based on an annual plan, in person as well as online using tutorials, for employees and bankers in relevant roles (including external workers). Information and procedures on the protection of privacy are posted on the bank's portal.

20 training sessions were held in 2022, in which hundreds of relevant bank employees participated

Control processes

In 2022, we carried out a broad operation to map processes that use customers' personal information and examine the legal foundation for the use of the information (consent-based or legally permitted). A comprehensive formal risk assessment in the area of the protection of privacy is also performed annually, to map privacy risks and examine their impact on user data.

Customer consent

In general, our data collection conforms with privacy protection laws and is undertaken with the consent of the subjects of the information, as required. Customers who use the online services of the bank are informed directly of the type and nature of personal information collected, the channels through which it is collected, the purposes for which it is used, and the manner in which it is processed. In 2021, the bank implemented a new consent management system, to improve customers' control over the transfer of information to third parties for the purpose of customization of offers in the digital channels. As part of consent management, the bank ensures that the communication with the customer is accompanied by a message informing them whether they are submitting the information under a legal obligation, or according to their wish and freely given consent. The use of e-banking services is based on opt-in customer consent; the option to cancel the service by opting out is provided. Materials regarding information security and recommendations for safe use of the online channels are available to customers on the bank's website, in Hebrew.

Information is only transferred to third parties under a legal requirement, such as a judicial order, or based on customer consent. In the event of information transfers that are unusual in reference to an ordinary business procedure to which the customer has consented, the customer must sign a banking secrecy waiver. Customers can refrain from signing the form if they do not wish the information to be transferred. All information transfers to third parties are performed for the purpose of the provision of banking services. No information transfers are performed for non-banking purposes, such as selling information to a third party engaged in collecting and selling information to various interested parties.



Photo: Sahar Shbeta and Orly Dahan, Herzeliya business center.

We are committed to the protection of banking secrecy, and we are not permitted to disclose information to third parties regarding customers' accounts, business, conduct, or any other matter related to the bank-customer relationship. Information is submitted to government authorities in accordance with the law or under a judicial order. Our duty to maintain banking secrecy is not limited to the period of the legal contract or relationship between the bank and the customer; it also applies to the period following the closure of a customer's account, or following a customer's death, for an unlimited duration. The bank has a zero-tolerance policy for breaches of the requirements of the bank in the area of privacy. Breaches of the directives of the bank lead to comprehensive investigation of the facts of the incident, a lessons-learned process, disciplinary proceedings if necessary, and the imposition of significant penalties on employees, according to the circumstances.

Retention of information

Pursuant to the Privacy Protection Regulations (Information Security), records of business and technological actions are retained in the databases of the bank. We maintain a large number of physical, administrative, and technological controls (such as encryption, limited authorizations, monitoring tools, protective tools, and more) in order to protect the various aspects of information, including its confidentiality, completeness, and availability. Accordingly, access to information concerning the customers of the bank on the bank's computers is permitted exclusively to trained bank employees, solely for the purposes of their work. The period of time for which customer information is retained varies according to the business process and the information

collected. Information retention also meets customer expectations regarding information retrieval services provided by the bank. Each year, hundreds of requests for historical information retained on the bank's systems are submitted to the bank. Pursuant to Section 14 of the 1981 Protection of Privacy Law, the bank permits requests for perusal, amendment, or deletion of the information to be submitted, in writing, with details of the request.

In accordance with the guidelines of the Privacy Protection Authority, in cases of leakage of personal information, the bank immediately informs the Privacy Protection Authority, while reporting to management and the board of directors as necessary, and acts according to its instructions to inform the subjects

of the information, to the extent that they may be harmed by the leak. In 2022, seven recorded customer complaints concerning breaches of privacy and banking secrecy were found to be justified. These incidents were studied, and the requisite conclusions and lessons were derived; in appropriate cases, the relevant customers were compensated.

Future Plans

- We plan to continue to implement the protection of privacy at the bank in 2023, with special emphasis on supplier mapping and examination in this area.

Committed to compassion, equality, and non-discrimination

Bank Hapoalim is a major financial institution in Israel, with a direct impact as an employer and as a service provider on more than 2.5 million people, and an indirect impact on a wide circle of stakeholders. This extensive influence obligates us to act responsibly towards the community and society in and beyond Israel, and to protect the human rights of all of the stakeholders of the bank, including employees, customers, members of the community, suppliers, and supply-chain workers.

We believe in the equality of all people and in their fundamental rights, as reflected in the Universal Declaration of Human Rights of the United Nations, and in the principles set forth in the Declaration on Fundamental Principles and Rights at Work of the International Labor Organization. Based on this philosophy, the bank has signed the UN Global Compact on the protection of human rights and labor rights, protection of the environment, and fighting corruption.

The protection of human rights is an integral part of the value system underpinning the business and social activities of the bank, including the provision of services and products, which proclaims that every person should be treated with decency and respect, regardless of race, religion, ethnicity, gender, sexual orientation, physical or other disability, place of residence, or any other factor that is not financial in essence.

Commitment to our customers

As a professional financial institution, our conduct is guided by practical considerations and detached from any political perspective. We are committed to providing service to all of our customers, regardless of race, religion, ethnicity, country of origin, sexual orientation, views, political affiliation, age, marital status, or place of residence. We serve a diverse customer base through a broad nationwide branch network, emphasizing the creation of value adapted to the needs of specific sectors, such as the Arab population, the ultra-orthodox (Haredi) population, senior citizens, and people with disabilities. During the process of development of financial products and service channels, potential impacts on society and the environment are assessed, and considerations



Photo: Inbal Aviv-Tal, Human Resources Division.

pertaining to the protection of human rights and accessibility to the various segments of the population are taken into account.

We work to protect our customers' privacy through strict adherence to formalized procedures and by following the clear policy established in this area, in line with the Protection of Privacy Law. The bank's policy reflects its commitment to ensuring the availability, confidentiality, completeness, and reliability of customer information. We accord high importance to information security and cyber defense, and we invest extensive resources, both technological and human, to maintain customers' privacy and the confidentiality of banking information in all channels, through the use of some of the most advanced cyber defense methods and information-security products in the world.

Commitment to our employees

We are guided by the universal norms and principles of the assurance of human rights in employment, as described in the UN Global Compact (UNGC) and in the declarations of the International Labor Organization (ILO), including, among other matters, with respect to the freedom of association and the freedom to conduct collective negotiations. As part of our commitment to our employees, we care for their health and well-being, and we provide an appropriate and responsible work environment free of discrimination, harassment, or mistreatment. The bank has a zero-tolerance policy for sexual harassment; based on this approach, a senior executive has been appointed to instill the sexual-harassment prevention policy among all employees and managers.

The employees of the bank are committed to the principles set forth in the bank's code of ethics and to action guided by the values of fairness, compassion, and responsibility. We are committed to the employment and promotion of our employees based on their professional qualifications, without discrimination or exclusion due to gender, ethnicity, religion, culture, sexual orientation, views, or any other non-pertinent factor. We do not employ children or minors in contradiction of the provisions of the law, and we do not practice forced employment of any kind. We compensate our employees appropriately and we respect their right to association and collective representation. The protection of rights in the area of employment is monitored by various means, such as satisfaction surveys, regular tracking and processing of employee inquiries, and continual dialogue with employees.

Commitment to our suppliers

In view of the aspiration to protect the rights of all workers in the supply chain, suppliers of the bank are asked to sign the Commitment to Responsible Conduct, which sets forth binding rules encompassing required behavioral norms in the workplace and the protection of appropriate terms of employment, including aspects of human rights, such as child labor and forced employment. We ensure that the rights of external contractor employees are protected, through the signing of a code of ethics for contractor employees, through the operation of a dedicated hotline for these workers at the Human Resources Area, and through monitoring procedures conducted by an external firm to provide assurance that workers' rights are protected. We also promote suppliers who embed social values in their activity, including employment and support of disadvantaged population groups in Israeli society.

Commitment to the community

We consider ourselves an integral part of the community within which we operate, and therefore committed to social action and activities to aid and empower disadvantaged population groups, aimed at providing equal opportunities and promoting the protection of human rights and human dignity. We lead many projects and collaborations, emphasizing initiatives in socially and geographically peripheral areas. As part of this effort, we support an extensive range of activities by community organizations in Israel promoting the human rights of various population groups and segments in Israel. One reflection of this approach is our efforts to promote accessibility in Israeli society, by developing and improving access to targeted banking products, and through extensive collaborations

with social organizations, with the aim of enabling people with disabilities to exercise their fundamental right to receive full service, independently and with dignity.

Commitment to corporate governance principles and core values

As a part of the banking system in Israel, we conduct ourselves according to the principles of sound corporate governance, as reflected in the legislative and regulatory environment in which we operate, including the banking laws that delineate the boundaries of our business. The bank is subject to continuous supervision by the Bank of Israel and additional local regulators, as well as by international institutions, such as the FATF and others. Alongside our obligation to comply with legal norms, our activity is guided by our core values, which are grounded in our code of ethics. All employees are encouraged to report any incident or suspected case of conduct inconsistent with the code of ethics, including aspects pertaining to the protection of human rights.

To ensure that employees who raise such issues are protected and do not suffer due to their report, a whistleblower procedure is in place to enable employees to report incidents in safety from harm or harassment, including dismissal. All reports are investigated, and appropriate action is taken if necessary. The Ombudsman Center at the bank serves customers and the general public, and is at their disposal on any matter pertaining to interfaces with the bank and the service provided by the bank, including human-rights issues. All cases are rigorously investigated and addressed accordingly. The service compact on customer communications is displayed to customers at the branches of the bank, on the bank's website, and at self-service stations.

ESG metrics - multi-annual development

Environment

Topic	Metric	2018	2019	2020	2021	2022
Environmental credit	Balance of credit (balance sheet and off-balance sheet) for projects promoting protection of the environment (in NIS billions)	8.7	6.4	10.9	13	19.5
Energy consumption	Total electricity consumption (kWh)	86,217,677	83,123,204	79,366,534	74,215,420	71,210,656
	Electricity consumption per m2 (kWh)	274.3	268.1	258.9	252.7	244.5
	Percent annual change in electricity consumption (year-on-year)	-0.02%	-3.6%	-4.5%	-6.5%	-4.0%
	Diesel fuel consumption (L, for transportation and generators)	138,327	12,016	16,102	29,000	72,018
	Gasoline consumption (L, for transportation)	2,160,630	2,369,178	1,851,816	1,915,882	1,802,626
	Total consumption of electricity, diesel, and gasoline in MWh	107,281	104,818	96,391	91,953	88,348
Consumption of materials	Paper consumption (tons)	1,037	920	908	806	653
	Water consumption (cubic m.)	92,480.1	79,489.2	68,488.4	61,954	64,695
Waste treatment	Paper recycling (tons)	746	575	487.5	376.9	248.2
	Cardboard recycling (tons)	18.2	23.6	45.4	59.5	50.4
	Recycling of electronic waste (tons)	101.5	62.7	96.1	47.8	61.3
	Responsible removal of construction waste (kg)	1,866	2,356	1,972	1,992	2,095.2
	Responsible removal of fluorescent bulbs (kg)	1,179	757	1,128	826	1,140
	Total waste (tons)	868.7	664.4	632.1	487	363.2
	Total waste sent for recycling (tons)	865.7	661.3	629	484.2	359.9
	Total waste sent for dismantling and landfilling by licensed disposal contractors (tons)	3	3.1	3.1	2.8	3.2
Carbon footprint	Carbon footprint (tons CO ₂ e)	53,267	47,874	45,003	41,003	38,905
	Scope 1+2 greenhouse-gas emissions	49,538	46,624	44,030	40,065	37,614
	Percent annual change in carbon footprint (year-on-year)	-9%	-10%	-6%	-9%	-5.1%

Social

Area	Metric	2018	2019	2020	2021	2022
Accessibility of banking services to a wide range of customers	Number of branches of the bank (retail)	237	215	189	174	166
	Percentage of accessible branches and buildings	95%	99%	99.5%	100%	100%
	Number of ATMs and self-service devices accessible to people with blindness	752	1,210	1,301	1,218	1,143
	Percentage of branches located in geographically peripheral regions	45%	43%	41%	41%	43%
Investment in the community	Community donations and investments (NIS M)	42	43.9	50.5 ⁶⁶	35.9	38
	Number of employees who volunteer	3,600	3,500	4,000	4,300	4,300
Employment profile	Number of employees of the bank (standalone)	8,290	8,162	7,757	7,788	7,466
	Percentage of employees under collective agreements	89.4%	88.2%	87.2%	85.8%	84.1%
	Percentage of employee absences due to illness (including reported illness and employee declarations; not including illness of a family member)	4.64%	4.53%	5.8%	5.03%	5.87%
Diverse employment at the bank	Women as a percentage of total employees	66%	65.6%	65.5%	65.3%	64.7%
	Women as a percentage of total managers	53.2%	54%	54%	55.4%	56%
	Percentage of Arab employees	6.4%	6.2%	6.3%	6.2%	6.3%
	Percentage of hires from underrepresented population segments	22%	20%	21%	22.4%	24.5%
Training and development of human capital	Percentage of degree holders	68%	69%	71%	71%	72%
	Number of days of study per year	60,360	53,681	28,255	39,467	26,585
	Average annual hours of learning per employee	52.8	51.2	28.6	40.5	26.6
	Investment in professional training for bank employees (in NIS M)	63	65	42	57	65
	Percentage of employees who received annual feedback on performance evaluation	99%	99%	99%	97%	98%
	Percentage of participants in the Organizational and Social Change Index (until 2019, the Organizational Climate Survey)	81%	80.6%	70%	81%	81%

Corporate governance

Area	Metric	2018	2019	2020	2021	2022
Economic performance (NIS M)	Total revenues	13,774	13,208	13,176	14,392	17,920
	Net profit attributed to shareholders	2,595	1,799	2,056	4,914	6,532
	Operating and other expenses	8,960	8,776	7,501	7,803	7,972
	Of which, salaries and related expenses	4,188	4,108	3,836	4,333	4,387
	Tax payments	2,383	1,912	1,716	1,604	2,032
	Dividends paid to shareholders	496	1,000	720	1,478.8	1,464
Direct economic value for stakeholders	Economic value distributed by the bank group to stakeholders: operational expenses, salaries and related expenses, donations and sponsorships, provision for taxes, dividends; in NIS M	11,507	11,501	9,862	12,274	13,022
Board of directors	Number of board members (as of the end of each Fiscal Year)	7	9	9	9	10
	Percentage of external directors (as defined in the Companies Law and in Proper Conduct of Banking Business Directive 301)	57%	55%	55%	66%	60%
	Percentage of women on the board of directors	14%	22%	22%	33%	40%

66. Includes NIS 19 million donated through the Peretz Naftali Fund.

GRI content index⁶⁷

Bank Hapoalim has reported in accordance with the GRI Standards for the period of 1/1/2022-31/12/2022

GRI Standard	Disclosure	Description	Location
GRI-1 Foundation 2021			
GRI 2: General Disclosure 2021	2-1	Organizational details	23-25, 147-148
	2-2	Entities included in the organization's sustainability reporting	12
	2-3	Reporting period, frequency and contact point	12
	2-4	Restatements of information	130-131
	2-5	External assurance	182-187
	2-6	Activities, value chain and other business relationships	147-148
	2-7	Employees	81-85
	2-8	Workers who are not employees	82
	2-9	Governance structure and composition	149-152
	2-10	Nomination and selection of the highest governance body	149-151
	2-11	Chair of the highest governance body	148
	2-12	Role of the highest governance body in overseeing the management of impacts	4-5, 151-152
	2-13	Delegation of responsibility for managing impacts	152
	2-14	Role of the highest governance body in sustainability reporting	4-5, 151-152
	2-15	Conflicts of interest	160
	2-16	Communication of critical concerns	149
	2-17	Collective knowledge of the highest governance body	151
	2-18	Evaluation of the performance of the highest governance body	148, 150-152
	2-19	Remuneration policies	152-153
	2-20	Process to determine remuneration	152-153
	2-21	Annual total compensation ratio	152
	2-22	Statement on sustainable development strategy	4-5
	2-23	Policy commitments	42-43, 168-169
	2-24	Embedding policy commitments	42-43, 168-169
	2-25	Processes to remediate negative impacts	42-43, 45, 126-128, 166-167
	2-26	Mechanisms for seeking advice and raising concerns	40-41, 157-158
	2-27	Compliance with laws and regulations	154, 159-162
	2-28	Membership of associations	18-19
	2-29	Approach to stakeholder engagement	14-15
	2-30	Collective bargaining agreements	82

67. For the Content Index - Essentials Service, GRI Services reviewed that the GRI content index is clearly presented, in a manner consistent with the Standards, and that the references for disclosures 2-1 to 2-5, 3-1 and 3-2 are aligned with the appropriate sections in the body of the report.

GRI Standard	Disclosure	Description	Location
GRI 3: Material Topics 2021			
GRI 3: Material Topics 2021	3-1	Process to determine material topics	12-13
	3-2	List of material topics	12-13
	3-3	Management of material topics	Please see references throughout the index - at the top of each material topic
Management of environmental and climate risks in financing and investments			
GRI 3: Material Topics 2021	3-3	Management of material topics	149-151
GRI 201: Economic Performance 2016	201-1	Direct economic value generated and distributed	171
	201-2	Financial implications and other risks and opportunities due to climate change	30, 119-128
	201-3	Defined benefit plan obligations and other retirement plans	92, 109
	201-4	Financial assistance received from government	The bank did not receive government assistance throughout the reported period
Financial inclusion and accessibility of banking services			
GRI 3: Material Topics 2021	3-3	Management of material topics	67
GRI 203: Indirect Economic Impacts 2016	203-1	Infrastructure investments and services supported	67-73
	203-2	Significant indirect economic impacts	121-125
Responsible supply chains			
GRI 3: Material Topics 2021	3-3	Management of material topics	111-112
GRI 204: Procurement Practices 2016	204-1	Proportion of spending on local suppliers	111
Ethics, fairness, and prevention of corruption, corporate governance and regulatory compliance			
GRI 3: Material Topics 2021	3-3	Management of material topics	159
GRI 205: Anti-corruption 2016	205-1	Operations assessed for risks related to corruption	159-162
	205-2	Communication and training about anti-corruption policies and procedures	162
	205-3	Confirmed incidents of corruption and actions taken	158
Reduction of environmental impacts			
GRI 3: Material Topics 2021	3-3	Management of material topics	119, 129
GRI 301 Materials 2016	301-1	Materials used by weight or volume	140-142
	301-2	Recycled input materials used	140-142
	301-3	Reclaimed products and their packaging materials	140-142

GRI Standard	Disclosure	Description	Location
GRI 3: Material Topics 2021	3-3	Management of material topics	119, 129
GRI 302: Energy 2016	302-1	Energy consumption within the organization	134-138
	302-2	Energy consumption outside of the organization	Due to the nature of the bank's activity, the topic is not relevant
	302-3	Energy intensity	136
	302-4	Reduction of energy consumption	134-138
	302-5	Reductions in energy requirements of products and services	121-125
GRI 3: Material Topics 2021	3-3	Management of material topics	130
GRI 305: Emissions 2016	305-1	Direct (Scope 1) GHG emissions	130
	305-2	Energy indirect (Scope 2) GHG emissions	130
	305-3	Other indirect (Scope 3) GHG emissions	130
	305-4	GHG emissions intensity	131
	305-5	Reduction of GHG emissions	130-133
	305-6	(Emissions of ozone-depleting substances (ODS	134
	305-7	Nitrogen oxides (NOX), sulfur oxides (SOX), and other significant air emissions	Due to the nature of the bank's activity, the topic is not relevant
Employment conditions and an appropriate work environment			
GRI 3: Material Topics 2021	3-3	Management of material topics	81
GRI 401: Employment 2016	401-1	New employee hires and employee turnover	84, 105
	401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	108-109
	401-3	Parental leave	82
GRI 3: Material Topics 2021	3-3	Management of material topics	88-89
GRI 402: Labor Management Relations 2016	402-1	Minimum notice periods regarding operational changes	89
Management of systemic risks			
GRI 3: Material Topics 2021	3-3	Management of material topics	155-156

GRI Standard	Disclosure	Description	Location	
GRI 403: Occupational Health and Safety 2018	403-1	Occupational health and safety management system	156	
	403-2	Hazard identification, risk assessment, and incident investigation	115, 156	
	403-3	Occupational health services	156	
	403-6	Promotion of worker health	115, 156	
	403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	115, 156	
	403-9	Work-related injuries	156	
	403-10	Work-related ill health	171 (Due to the nature of office work, the bank reports all absences due to employee illnesses)	
	Employee development and training			
	GRI 3: Material Topics 2021	3-3	Management of material topics	100-101
	GRI 404: Training and Education 2016	404-1	Average hours of training per year per employee	103
404-2		Programs for upgrading employee skills and transition assistance programs	90-91, 100-103	
404-3		Percentage of employees receiving regular performance and career development reviews	88	
Employee diversity and inclusion				
GRI 3: Material Topics 2021	3-3	Management of material topics	94	
GRI 405: Diversity and Equal Opportunity 2016	405-1	Diversity of governance bodies and employees	95-98	
	405-2	Ratio of basic salary and remuneration of women to men	92	
GRI 3: Material Topics 2021	3-3	Management of material topics	92, 168-169	
GRI 406: Non-discrimination 2016	406-1	Incidents of discrimination and corrective actions taken	92, No justified complaints of discrimination were registered	
Responsible supply chains				
GRI 3: Material Topics 2021	3-3	Management of material topics	109, 169	
GRI 407: Freedom of Association and Collective Bargaining 2016	407-1	Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	115	

GRI Standard	Disclosure	Description	Location
Social and community engagement			
GRI 3: Material Topics 2021	3-3	Management of material topics	67
GRI 413: Local Communities 2016	413-1	Operations with local community engagement, impact assessments, and development programs	47-51, 54-58, 75-79, 67-73
	413-2	Operations with significant actual and potential negative impacts on local communities	126-128
Innovation			
GRI 3: Material Topics 2021	3-3	Management of material topics	34
Local Communities (Sector supplement)	FS13	Access points in low-populated or economically disadvantaged areas by type	34
	FS14	Initiatives to improve access to financial services for disadvantaged people	34, 47-51
Responsible supply chains			
GRI 3: Material Topics 2021	3-3	Management of material topics	115
GRI 414: Supplier Social Assessment 2016	414-1	New suppliers that were screened using social criteria	115
	414-2	Negative social impacts in the supply chain and actions taken	113-115
Fair and responsible service			
GRI 3: Material Topics 2021	3-3	Management of material topics	42
GRI 417: Marketing and Labeling 2016	417-1	Requirements for product and service information and labeling	42-43
	417-2	Incidents of non-compliance concerning product and service information and labeling	No incidents during 2022
	417-3	Incidents of non-compliance concerning marketing communications	No incidents during 2022
Information security and customer privacy			
GRI 3: Material Topics 2021	3-3	Management of material topics	166-167
GRI 418: Customer Privacy 2016	418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	167
Development of financial products that promote a green environment			
GRI 3: Material Topics 2021	3-3	Management of material topics	170
Product Portfolio (Sector Supplement)	FS6	Percentage of the portfolio for business lines by specific region, size, and by sector	170-171
	FS7	Monetary value of products and services designed to deliver a specific social benefit	27
	FS8	Monetary value of products and services designed to deliver a specific environmental benefit	121-125

Material topics in the report and connection with GRI (SRS) indicators

Management of environmental and climate risks in financing and investments	GRI 201-1: Direct economic value generated and distributed, GRI 201-2: Financial implications and other risks and opportunities due to climate change. GRI 305: Emissions.
Development of financial products that promote a green environment	GRI 203-2: Significant indirect economic impacts.
Reduction of environmental impacts	GRI 301: Materials, GRI 302: Energy, GRI 305: Emissions.
Fair and responsible service	GRI 417: Marketing and labeling, GRI 418: Customer privacy.
Financial inclusion and accessibility of banking services	GRI 413: Local Communities, Product profile (Sector supplement).
Employment conditions and appropriate work environments	GRI 401: Employment, GRI 402: Labor/Management relations, GRI 406: Non-Discrimination.
Employee diversity and inclusion	GRI 405: Diversity and Equal Opportunity.
Employee development and training	GRI 404: Training and Education.
Social and community engagement	GRI 413: Local Communities.
Responsible supply chain	GRI 414: Supplier Social Assessments, GRI 204: Procurement Practices.
Ethics, fairness, and prevention of corruption	GRI 205: Anti- corruption, GRI 419: Socioeconomic Compliance.
Information security and customer privacy	GRI 418: Customer Privacy.
Corporate governance and regulatory compliance	GRI 2-9: GRI 2-19 (3. Governance), GRI 419: Socioeconomic Compliance.
Innovation	Product profile (Sector supplement), GRI 203-1: Infrastructure Investments and Services Supported, GRI 203-2: Significant indirect economic impacts.
Management of systemic risks	GRI 403: Occupational health and safety.
Business continuity	GRI 403: Occupational health and safety.

SASB⁶⁸ INDEX

Topic	Index	Code	Reference
Data Security	(1) Number of data breaches, (2) percentage involving personally identifiable information (PII), (3) number of account holders affected	FN-CB-230a.1	2022 ESG Report: ◆ Information security and cybersecurity, p. 163-165. ◆ Protecting customers' privacy, p. 166-169. Report on Risks as at December 31, 2022: ◆ H.3. Information security and cyber risks, p. 117-118.
	Description of approach to identifying and addressing data security risks	FN-CB-230a.2	
Financial Inclusion & Capacity Building ⁶⁹	(1) Number and (2) amount of loans outstanding qualified to programs designed to promote small business and community development	FN-CB-240a.1	2022 ESG Report: ◆ Promoting the growth of small businesses, p. 26-28. ◆ Financial inclusion, p. 47-65.
	(1) Number and (2) amount of past due and nonaccrual loans qualified to programs designed to promote small business and community development	FN-CB-240a.2	
	Number of no-cost retail checking accounts provided to previously unbanked or underbanked customers	FN-CB-240a.3	
	Number of participants in financial literacy initiatives for unbanked, underbanked, or underserved customers	FN-CB-240a.4	
Incorporation of Environmental, Social, and Governance Factors in Credit Analysis	Commercial and industrial credit exposure, by industry	FN-CB-10a.1	2022 ESG Report: ◆ Managing climate and environmental risks in business activities, p. 126-128. Report on Risks as at December 31, 2022: ◆ D.4. Credit risk exposures, p. 49-52. ◆ O. Environmental risk, p. 127-131.
	Description of approach to incorporation of environmental, social, and governance (ESG) factors in credit analysis	FN-CB-410a.2	2022 ESG Report: Financing and investments promoting a green environment, p. 121-125. Managing climate and environmental risks in business activities, p. 126-128. Report on Risks as at December 31, 2022: O. Environmental risk, p. 127-131.

68. Sustainability Accounting Standard Board: COMMERCIAL BANKS Industry Standard, Version 2018-10.

69. For further details, see the Financial Statements, Note 28A, Operating Segments Based on the Management Approach. It is important to note that the CRA metrics are not relevant to the bank.

Topic	Index	Code	Reference
Business Ethics	Total amount of monetary losses as a result of legal proceedings associated with fraud, insider trading, anti-trust, anti-competitive behavior, market manipulation, malpractice, or other related financial industry laws or regulations	FN-CB-510a.1	2022 ESG Report: ◆ Fairness, p. 42-48. 2022 Annual Financial Statements: ◆ Note 25E, Legal proceedings, p. 255-277.
	Description of whistleblower policies and procedures	FN-CB-510a.2	2022 ESG Report: ◆ Code of values and ethics – Our Way, p. 157-158. ◆ Prevention of bribery and corruption, p. 159. Code of Values and Ethics – Our Way: ◆ p. 49.
Systemic Risk Management	Global Systemically Important Bank (G-SIB) score, by category	FN-CB-550a.1	Not relevant ⁷⁰
	Description of approach to incorporation of results of mandatory and voluntary stress tests into capital adequacy planning, long-term corporate strategy, and other business activities	FN-CB-550a.2	Report on Risks as at December 31, 2022: ◆ B.5. Stress scenarios, p. 19. ◆ B.6. Severity of stress scenarios, p. 20-21. ◆ F.1.d. Market risk assessment methodology, p. 91-93. ◆ O. Environmental risk, p. 127-131.
Activity Metrics ⁷¹	(1) Number and (2) value of checking and savings accounts by segment: (a) personal and (b) small business	FN-CB-000.A	2022 Annual Financial Statements: ◆ Note 28A, Operating segments based on the management approach, p. 321-328.
	(1) Number and (2) value of loans by segment: (a) personal, (b) small business, and (c) corporate	FN-CB-000.B	

70. The bank is not part of the G-SIB list, as defined by the FSB. However, as a large bank holding more than 20% of the balance-sheet assets in the banking system in Israel, Bank Hapoalim is required to maintain a minimum common equity Tier 1 capital ratio of 10.23%, not 9.21%; and a minimum total capital ratio of 13.5% not 12.5%. For information regarding the capital adequacy of the bank, see Section C, Capital adequacy and leverage, in the Report of Risks as at December 31, 2022, and Note 24, Capital, Capital Adequacy, Leverage, and Liquidity, to the Annual Financial Statements for 2022.

71. The data are presented in accordance with the reporting in the financial statements, based on the management approach to operating segments. For additional information, see Note 28A, Operating Segments Based on the Management Approach, to the Annual Financial Statements for 2022.

Process Controls for ESG Implementation and Reporting at Bank Hapoalim

By the ESG and Sustainability Division at the accounting firm BDO

The ESG and Sustainability Division at the accounting firm BDO has assisted Bank Hapoalim in control over its sustainability and corporate responsibility reports for sixteen years. BDO focuses on ongoing control over ESG reports, comparative studies, and controls over Bank Hapoalim's compliance with ESG ratings. The BDO consultants' close work with the bank allows a professional opinion to be provided based on an examination of the reporting processes performed by the bank throughout 2022 and during 2023, up to the date of publication of the report. During this period, the bank continued on its trajectory of implementing and integrating ESG aspects in its routine operations. The review examined the progress of the bank on two levels of activity, based on which feedback can be provided:

◆ **Information infrastructures and metrics** – BDO consultants examined the ESG database at the bank, including the process of gathering the relevant information and data, processes of producing information and processing it into metrics, and the performance of the bank relative to established goals and objectives. The controls were applied to the following quantitative data:

- ◆ Employees and diverse employment;
- ◆ Scope of social investments;
- ◆ Employee volunteering;
- ◆ Safety;
- ◆ Green credit;
- ◆ Resource consumption at the bank, including fuel, electricity, paper, water, electronic equipment procurement, waste treatment, etc.;
- ◆ Resource savings - energy, water, waste;
- ◆ Carbon offset credits.

◆ **Embedding the ESG approach in core activity and at the various units** – In this area, the process of embedding the ESG approach in the routine operations of the units of the bank was examined, along with the ways of developing and implementing new processes based on comparative research. Thus, the bank's performance on various metrics was examined, including new initiatives, new banking products, and dialogue processes with stakeholders.

Conclusions of the review

The ESG Report of Bank Hapoalim was prepared in accordance with GRI standards, at the comprehensive (In Accordance) level of reporting, and reflects the continued leadership of Bank Hapoalim in this field. The report also references the SASB reporting indices for the commercial banking sector. In 2022, the bank deepened its ESG activity by establishing an ESG steering committee, raising its target for financing of projects supporting a green environment, measuring emissions in its credit portfolio, supporting carbon sequestration projects, supporting the climate-tech ecosystem, and conducting extensive activities to increase its social impact, with an emphasis on financial inclusion.

Further, tangible steps were taken in the area of climate risk management, such as appointing a designating function at the bank in the area of climate and environmental risks, formulating a heat map, and measuring the exposure of credit to transition risks.

Within the review of the data, nothing came to our attention that would indicate that the data on the topics listed above in the ESG report of Bank Hapoalim for 2022 are not presented fairly, consistently with the principles according to which the bank reports.

We also guided the bank through the review of three processes that require environmental expertise:

1. Measurement of the carbon footprint of operational activity;
2. Scope 3 measurement in the bank's 2021 credit portfolio;
3. Categorization of green credit.

1. Measurement of the carbon footprint of the operational activity of the bank

Work method

The review of the carbon footprint of Bank Hapoalim was performed according to the prevalent international principles, based on the GHG Protocol. The data were adapted to Israel in accordance with the Israel Greenhouse Gas Emission Reporting Mechanism – Operating Rules and Reporting Guidelines, issued by the Samuel Neaman Institute and the Ministry of Environmental Protection in July 2022. Emission coefficients used for these calculations are national figures published by professional entities such as the Public Utility Authority for Electricity; the Central Bureau of Statistics; the Samuel Neaman Institute, which is linked to the Technion; and the Department for Environment, Food and Rural Affairs in the United Kingdom (DEFRA), for Scope 3 emissions. Consumption data were supplied by the bank, under its responsibility. At the time of the preparation of this report, the Ministry of Environmental Protection has not published emission coefficients for 2022; the measurement of the bank's carbon footprint in Scopes 1 and 2 is therefore based on emission coefficients for 2021. Also note that a methodological update of the DEFRA emission coefficients was performed this year that affects Scope 3 for 2022, as detailed below.

Components in the estimate of the carbon footprint of the bank

The bank monitors and calculates greenhouse-gas emissions in the following three scopes:

- ◆ Scope 1 direct emissions - consumption of gasoline and diesel fuel for transportation and generators, and emissions of coolant gases from air-conditioning systems;
- ◆ Scope 2 indirect emissions - consumption of electricity;
- ◆ Scope 3 indirect emissions:
 - ◆ Category 1 (purchased goods and services) - consumption of paper, toners, purchased electronic equipment, and water.
 - ◆ Category 6 (business travel) - employees' flights and hotel stays.

The carbon footprint of Bank Hapoalim

The bank continued the consistent measurement of its carbon footprint in 2022, further to the transition to analysis of its carbon footprint according to the prevalent international standards, and the reports to the Israel Greenhouse Gas Emission Reporting Mechanism beginning in 2010. The total carbon footprint of Bank Hapoalim in 2022 was 38,905 tons of carbon dioxide equivalent (CO₂e). Greenhouse-gas emissions from the bank's routine operations mainly derive from electricity consumption at the head-office buildings, branches, and other facilities of the bank (approximately 85%), and from the activity of the vehicle fleet (approximately 12%).

The decrease in the bank's carbon footprint in 2022 in comparison to 2021 is approximately 2,100 tons CO₂e, or approximately 5.1%. This annual decrease mainly resulted from energy efficiency projects. Fuel consumption for travel decreased by 5.5% in 2022, mainly due to a lower number of total vehicles in the leased fleet and more significant use of hybrid and electric vehicles in the fleet (currently approximately 29% of the vehicle fleet).

Total Scope 3 emissions increased, due to a methodological change in DEFRA coefficients for Scope 3 measurement in the area of purchased electronic equipment. The methodological change is reflected in an increase of 336 tons CO₂e compared with the previous method.

Main changes in 2022

Significant changes in the composition of emissions:

- ◆ **Power consumption:** Total power consumption decreased by approximately 4% in 2022 compared with 2021.
- ◆ **Fuel consumption:** Consumption of diesel fuel for transportation at the bank increased by approximately 114% in 2022, while consumption of gasoline for transportation decreased by approximately 6%. Further, the use of coolant gases increased by 100 tons CO₂e. Overall Scope 1 emissions decreased by approximately 1%.
- ◆ **Employee flights:** The number of flights rose significantly in 2022 compared with 2021, as the COVID-19 period ended, leading to an increase of 228 tons CO₂e.

2. PCAF measurement of the carbon footprint of the bank's 2021 corporate credit portfolio

For the first time in Israel, Bank Hapoalim has released the carbon footprint of its credit portfolio, with the assistance of BDO consultants, led by chief economist Chen Herzog. The measurement was performed based on data for 2021, according to the PCAF standard – the leading standard for carbon footprint measurement in the credit and investment portfolios of financial organizations⁷². Use of the standard was made possible by applying the BDO model for greenhouse-gas emissions, which provides a weighted inventory of greenhouse-gas emissions in Israel. According to the standard, carbon emissions of companies in the bank's credit portfolio are attributed to the bank, because of the financing it has provided for the emissions, and are part of its Scope 3 financed emissions. Measurement of the financed emissions enables the bank to increase the transparency of its ESG reporting.

The measurement was performed in five main stages: database gathering; key working assumptions; carbon footprint measurement at the level of the borrower company; weighting of the carbon footprint associated with the bank using attribution coefficients; and estimates of emissions intensity at the level of the borrower company and the overall portfolio. The measurement encompassed 100% of the credit portfolio of the bank's corporate banking division in 2021. Individual measurement per company was performed for companies that received more than NIS 100 million in credit, which accounted for approximately 41% of the division's total credit. Collective measurement was applied to companies with credit in amounts lower than NIS 100 million, using sector coefficients, in accordance with the PCAF standard. The data quality score for the overall credit portfolio is 4.6 - The score was determined based on the accuracy of the information used.

Emissions of the corporate credit portfolio, as measured based on the PCAF standard, are **6,014 thousand tons CO₂e**.

Emissions intensity is **34 tons CO₂e per million NIS of credit granted**.

3. Measurement and categorization of green credit at the bank

During the preparation of its 2022 ESG report, Bank Hapoalim asked BDO to review the categorization of companies included in green credit for 2022, based, among other things, on the technical criteria of the Israeli Green Taxonomy, which has been released to the general public. The Israeli Green Taxonomy, which was published as a draft, presents a classification method for examining the contribution of each activity to climate change mitigation. The following types of economic activity were categorized, with reference to the technical criteria provided in the Israeli Green Taxonomy:⁷³

- ◆ Renewable energy;
- ◆ Clean transportation;
- ◆ Green building.

72. The Partnership for Carbon Accounting Financials (PCAF) was founded in 2015 by sixteen financial organizations and launched globally in 2019, and is the originator of the standard used to estimate the carbon footprint. As of January 2023, more than 355 financial organizations with total assets of approximately \$87 trillion have adopted the PCAF standard.

73. Today, the "do no significant harm" (DNSH) criterion in the Israeli Green Taxonomy includes detailed compliance with regulation that is not required in lending to borrower companies. In the credit categorization process, we relied solely on publicly available information; credit of companies found to be noncompliant with environmental regulation was not categorized as green. To the best of our knowledge and based on the resources at our disposal, the companies included in green credit are in compliance with environmental regulation in Israel.

The taxonomy does not consider other environmental goals promoted by the economic activity, beyond climate change mitigation (e.g. climate change adaptation, circular economy, pollution prevention and control, biodiversity protection, preservation of water sources, etc.). Evaluating the contribution of the activity to mitigation requires, among other things, information regarding energy consumption, output quantity, environmental emissions, and more, which is not usually made public.

To resolve this issue and categorize the degree of contribution to environmental goals of activities in the area of waste treatment and in the area of water and wastewater treatment, a methodology has been established (main points of which are described in the table below) for the environmental categorization of credit based on accepted criteria. In addition to environmental criteria, a lateral criterion has also been established for all of the companies examined, referring to compliance with environmental regulation as a prerequisite for inclusion in green credit.

Type of activity ⁷⁴	Condition ⁷⁵
Water supply and sewage	Water loss lower than 5%.
Wastewater treatment facilities	Tertiary treatment + water quality allowing unlimited discharge and/or irrigation.
Waste collection	According to technical criteria of the Israeli Green Taxonomy.
Landfill gas capture for energy production	Green categorization according to the Israeli and European taxonomy.
Energy recovery from waste	The policy of the Ministry of Environmental Protection supports building waste-to-energy plants and sees these facilities as significant contributors to the waste treatment system in Israel; accordingly, this credit was classified as green.
Sorting facilities	Advanced sorting facilities (with capacity to sort 50% of waste for recycling).
Recycling facilities	According to technical criteria of the Israeli Green Taxonomy.
Composting facilities	According to technical criteria of the Israeli Green Taxonomy.
Projects with potential positive environmental impact	Examined individually and categorized separately based on a professional opinion.



Chen Herzog,
Chief Economist and Partner
BDO Consulting
March 2023



74. Green credit categorization is based on the nature of the project, or, alternatively, on the nature of the company to which the credit was granted, according to the information at our disposal.

75. Databases used to categorize the companies are public and updated for 2021-2022.

Quality Assurance Declaration

Bank Hapoalim's 2022 ESG Report

Introduction

Shibolet ESG is a consulting practice operating within the subsidiary Shibolet Consulting Services Ltd. In February 2023, Bank Hapoalim asked the company to perform a quality assurance process for its 2022 ESG report. It is hereby declared that the company receives payment to cover the time invested in this process. Beyond that, neither the company nor Dr. Liad Ortar, who performed the work, have business consulting relationships with Bank Hapoalim; the quality assurance process was independent. During the quality assurance process, a draft of the report was reviewed, comments were submitted, and this quality assurance declaration was drafted.

Work method

Quality assurance for corporate responsibility reports is a process aimed primarily at improving the quality of the output through professional review. In this process, the report is examined for its fulfillment of three key principles:

- 1. Inclusivity** - Addresses a wide range of stakeholders.
- 2. Materiality** - Addresses the material subjects in the activity of the company.
- 3. Responsiveness** - Reports on subjects raised by stakeholders.



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Findings

This is the sixteenth report from Bank Hapoalim. The report adopts the updated reporting standard of the GRI – the Universal Standards, at the In Accordance compliance level. I hereby declare that Bank Hapoalim has complied with the scope of disclosure and reporting expected at this level, upholds the three principles noted above, and meets the AA1000AS V3 Assurance Standard of the AccountAbility organization.

This report also refers to the SASB reporting standards for the banking sector: the Commercial Banks Industry Standard, Version 2018-10. This report addresses the issues included in the aforesaid reporting metrics and provides the required references to the pages of the report in which this information appears.

The ESG report of Bank Hapoalim for 2022 presents attainment of ESG reporting at one of the highest levels in the business world in general, and in the banking industry in particular. There is no doubt that the bank's environmental commitment – as also reflected in last year's report, where it declared the cessation of financing and investment in new oil and coal exploration and production projects and the gradual reduction of holdings in coal and oil companies in its proprietary portfolio – continues to be demonstrated in this report, with the significant and groundbreaking decision to calculate the bank's Scope 3 carbon footprint, covering its credit and investment activities. This was achieved, of course, concurrently with the continued monitoring of the operational carbon footprint in all three scopes. Over 355 financial organizations have adopted the PCAF standard; Bank Hapoalim is the first financial organization in Israel to apply this measurement process.

Bank Hapoalim is also to be commended for embarking on the promotion of initiatives for the reduction of greenhouse-gas emissions and carbon sequestration using natural means. In the future, the bank will be able to use the credit it has acquired to voluntarily reduce its carbon footprint indirectly, thereby realizing its ongoing commitment to sustainability values.

With congratulations to all those who contributed,

Dr. Liad Ortar
Head of Shibolet ESG
March 2023





 **bank hapoalim**

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