

# ESG REPORT

## 2020 ACTIVITIES AT BANK HAPOALIM

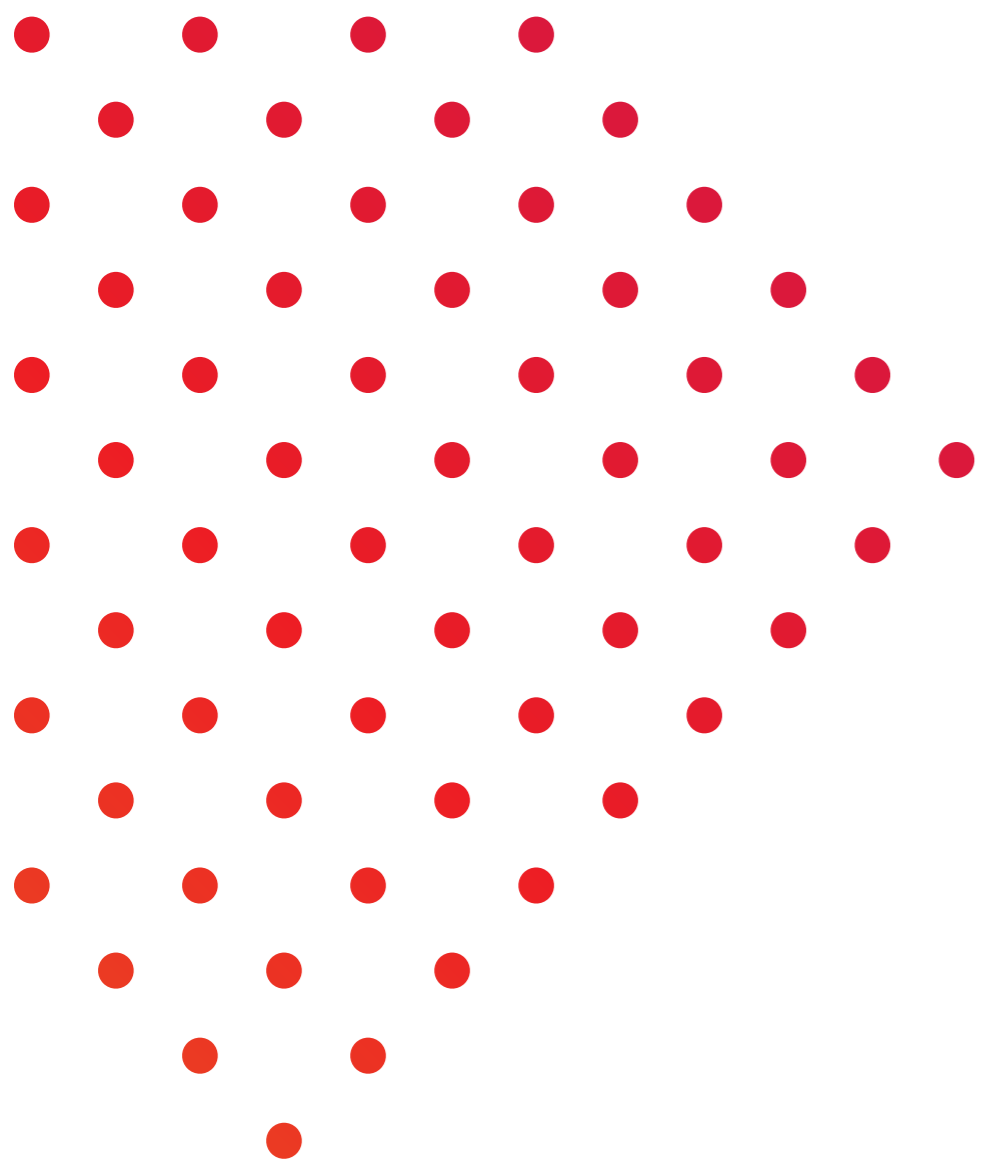


This report presents the data and achievements of the activities we led during a particularly complex year, which expressed our commitment to act with corporate responsibility.

In celebration of 100 years of activity, this report features selected photos from our archives that offer a glimpse of the bank's history, interwoven with the history of the State of Israel.

On the title page of the report: A stamp issued by the Israel Post Philatelic Service to mark the 100th anniversary of Bank Hapoalim.

Stamp designer: Miri Nistor



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## Letter from the Chairman of the Board and CEO

2020 was unequivocally the Year of the Coronavirus; it posed economic, social, and health-care challenges we had not previously confronted, for all of us. Yet 2020 will also endure in our memory as a year in which the commitment of the bank to act responsibly and to be there for its customers and employees, and for the society and community of Israel, took on greater significance than ever.

When the coronavirus outbreak began, we made preparations in order to maintain business continuity and robustness, while protecting the health of our employees and customers. Throughout this period, we ensured that branches were open for our customers, with appointments scheduled in advance; we expanded the range of transactions available via digital channels, increased staffing of our call centers, allowed deferral of loan and mortgage payments, and developed financial products and services adapted to the needs of this time. In recognition of the financial ramifications of the crisis for small businesses, we offered reliefs and special benefits to support them during this period. To make it easier for our senior-citizen customers to receive banking services while maintaining social distancing, we strengthened our mobile branches and call center to serve them, and continued to provide our Poalim Digital Independence instruction and guidance services via Zoom, so that thousands of senior citizens received knowledge and tools for the use of the digital channels.

During this period, as part of our long-standing commitment to the community, we also led a series of processes to assist in the national effort to combat the virus, through extensive support for hospitals, medical staff at the forefront of the struggle, and population groups hurt by the effects of the crisis. Concurrently, we continued to provide broad support for social projects throughout Israel, focusing on promoting employment and assisting job seekers, in light of the significant increase in their numbers.

In keeping with our leadership and encouragement of innovation, in the Israeli economy in general and in the banking industry in particular, during the crisis we remained committed to the development of groundbreaking financial products and services and to the creation of infrastructures supporting our customers' continued growth. Within these efforts, we made the Bit application accessible to small businesses and launched our digital wallet service. We were also the first in the Israeli banking system to form partnerships with banks in the United Arab Emirates, and we led the first delegation of Israeli businesspeople to visit the UAE.

We are committed to coping with the crucial challenge of climate change. We continue to work to reduce the environmental impacts and carbon footprint of the bank, while leading the banking system in financing for projects helping to promote green environments and renewable energies. Financing granted by the bank for green projects doubled in 2020.

We see human capital as a key component of the bank's ability to continue to flourish. Bank Hapoalim works continually to nurture and develop its human capital. The bank employs thousands of employees nationwide, including from population groups under-represented in the job market. The volunteering spirit of the bank's employees, who take part in a wide range of community activities, reflects the unique human tapestry of our team. Our commitment to our employees was all the more emphatically demonstrated this year. During the crisis, we did not place any of our employees on unpaid leave, and we quickly expanded our capabilities for remote work.

In view of the evolving realities of the business environment, especially over the last year, we must continually reexamine ourselves and change accordingly. Based on this approach, we have formulated a new vision for the bank, expressing our commitment to growth through innovative, fair banking. We also established cultural values to guide our actions. We believe that this new organizational culture will serve as a growth driver for us, spurring us to achieve strong results and maximize value for all of our stakeholders. Our extensive activities on the various axes of corporate responsibility have gained recognition, again this year, from both local and international ESG rating organizations. We are in the lead in ESG ratings for the banking system in Israel, and aligned with the top tier of banks in the world in this area.

This is just a brief outline of the economic, social, and environmental activity of the bank in 2020, which is described in greater depth in the report presented here. This report reflects our work during an exceptionally complex year; further, it marks one hundred years of activity of the bank. We are proud to see the contribution of the bank over the years to the economy, to society, and to the environment, and we are honored to lead an organization whose history is intertwined with the history of the State of Israel. We would like to take this opportunity to thank each and every one of the bank's employees, our customers, and all of the partners in our work and in our mission. Together, we will continue to work to create a robust and sustainable foundation for the years ahead and for generations to come.

**Ruben Krupik**  
Chairman of the Board  
of Directors

**Dov Kotler**  
President and CEO



# Corporate Responsibility at Bank Hapoalim

This report, the fourteenth published by Bank Hapoalim, reflects extensive social and environmental activity during a unique and complex year, expressing the continuous responsibility and commitment of the bank towards all of its stakeholders. At the onset of the coronavirus crisis, all of the units of the bank mobilized to provide an adapted response to the needs of this period for customers, employees, suppliers, society, and the community, while maintaining continual dialogue, which enabled us to examine and adjust our activities for them as needs arose.

Within our commitment to provide meaningful assistance during this period, the Social Banking Center prepared to offer support in the areas of health care, employment, and well-being to the population groups hurt most severely by the crisis, including families experiencing financial distress, elderly people, and Holocaust survivors. In view of the grave damage to employment during the year, the center also expanded its activity promoting projects in the area of employment and assistance for job seekers. Concurrently, the Financial Growth Center acted to supply the general public with financial knowledge, guidelines, and tools for coping with the crisis and its consequences, with an emphasis on astute financial conduct, entrepreneurship, digital marketing, transition to e-commerce, and more. We are pleased to see that the impact of the bank's activities is evident, and has gained recognition. A survey we conducted through an external firm indicated that Bank Hapoalim was the entity most identified with social action, of all business organizations in Israel.

In 2020, we continued to embed the ESG perspective in the bank's core business, by raising financing percentages for projects promoting a green environment, encouraging our customers to switch to solar

power, expanding the reach of advisory services for our customers on responsible investments, and continuing to develop social deposits and ESG-based deposits. We are proud to find these endeavors also reflected in the ratings of Bank Hapoalim on international ESG indices, which have continued to improve each year. This year we also joined the Bloomberg Gender Equality Index (GEI). We are the only Israeli bank in this index, which reflects the bank's commitment to equal opportunities and fairness in the work environment.

This report is appearing during the 100th year of Bank Hapoalim, a cornerstone of the economy and society of Israel for many decades. The broad economic and social activity of the bank over the century since its foundation is an inspiration for its employees to continue to exert a positive impact on the society, environment, and economy of Israel.

We invite you to share suggestions and new ideas with us, to help us enhance our social and environmental impact through the creation of shared value for the bank, the community, and the environment. If you have any suggestions in this area, please contact Sharon Alaluf, Head of Corporate Responsibility at Bank Hapoalim, at [sharon.alaluf@poalim.co.il](mailto:sharon.alaluf@poalim.co.il).

This report reflects the activity of all of the employees of the bank, who act each day to promote the shared values of the bank and of society; we would like to take this opportunity to thank everyone who helped to create the report.



**Naama Halevy-Peer**  
Head of Social Banking Center



**Sharon Alaluf**  
Head of Corporate Responsibility

# Vision, mission and values

## Our vision:

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

## Our mission:

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

## Our promise to our customers:

We are with you in every decision.

## Our cultural values

- ◆ **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.
- ◆ **Making it happen**  
We take the initiative and move processes forward quickly, to deliver relevant solutions in real time.
- ◆ **Working together, for you**  
We join forces and mobilize for the success of our partners, to enable our customers to benefit from the full range of our capabilities.
- ◆ **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 and responsibility**  
We treat everyone with fairness and compassion; we act with integrity, justifying the trust placed in us by the public.



Right: Head-office buildings in Tel Aviv. Left: the bank's first branch, on Montefiore street in Tel Aviv.

# 100 years of Bank Hapoalim

At the initiative of Berl Katznelson and Arthur Ruppin, with the support of David Ben-Gurion, Bank Hapoalim was founded in 1921 by the Zionist Organization and the Histadrut labor federation. Until the early 1950s, Bank Hapoalim was an institution without branches. When Lending Funds began to merge with the bank, they became its branches. Gradually, branches of the bank were established across Israel, in cities, rural communities, and development towns. Bank Hapoalim has played a crucial role in the development and growth of the Israeli economy, throughout the years of the state's existence.

Bank Hapoalim is the largest and leading financial institution in Israel. Through the bank's broad nationwide branch network and its innovative online and digital services, we are able to provide advanced, accessible banking solutions to millions of customers in Israel.

The bank operates in the various areas of banking, as well as related activities in the capital market, through three key divisions:

- ◆ The Corporate Banking Division provides services to most of our business customers; corporate clients are served by industry-specific banking experts in each sector, while business centers are available across Israel for middle-market clients.
- ◆ The Retail Banking Division provides services to households, private-banking customers, and small businesses, through

the branch network, advising centers, and mobile branches, as well as a range of direct channels: widely deployed self-service stations, an innovative and advanced website and mobile app, the Poalim by Telephone call center, and social media.

- ◆ The Financial Markets and International Banking Division oversees most of the bank's activities in the capital market, in Israel and overseas, including services for securities trading, securities custody, and trading in currencies and derivatives; research and advisory services; and services for financial-asset managers.

In addition to its banking business, the bank group has related capital-market activities: investment portfolio management, through the subsidiary Peilim, and investment banking, through the subsidiary Poalim Capital Markets.



**7,757**  
employees

from every part of Israeli society and from every region of Israel.

**189**  
accessible  
branches

nationwide

**11**  
business  
centers

centers for middle-market business clients nationwide.

**5**  
advising  
centers

for financial investments, pension advising, and retirement planning.



**10**  
high-tech  
units

at selected branches across Israel offer expanded services to start-up companies and mature technology firms.

**1,301**  
self-service  
devices

with the broadest geographical reach in the Israeli banking system; most accept cash and check deposits and offer additional advanced operations.

**3**  
mobile  
branches

offering services at 200 locations in Israel, of which 40 in assisted-living facilities.

**77**  
Mishkan  
representative  
offices

provide customers with guidance and assistance in the process of buying a home.



**1<sup>st</sup>**  
place


Bank Hapoalim was named Best Bank in Israel by the prestigious journal Global Finance.

**TOP 10** 

Bank Hapoalim was ranked 9th in the BDI survey of the best 100 companies to work for.

# ESG at Bank Hapoalim – principal data for 2020

## Environment



**NIS 10.6 billion**  
in financing for projects promoting a green environment (renewable energies, green building, water desalination, waste recycling).

**NIS 284 million**  
in solar credit – credit specifically for the installation of solar panels by private and business customers.

**58% reduction**  
in the carbon footprint of the bank over the last decade (6% reduction in 2020).

## Social

**20 Thousand people**  
attended lectures of the Financial Growth Center in 2020; the lectures have also been viewed more than 1.5 million times online.

**30 Thousand senior-citizen customers**  
received knowledge, tools, and skills to master digital competence.

**4,000 Employees**  
of the bank volunteer in the community.

**50.5 million**  
in social investments by the bank in 2020.

**Advising customers on responsible investment**  
ESG ratings by global companies are included in the advisory process.



**NIS 42.5 billion**  
cumulative total of loans and mortgages suspended by the bank, to allow customers to successfully navigate the coronavirus crisis.

**4.6 million**  
downloads of Bit (by customers of all banks) – the leading payment application in Israel.

**11.7% of employees**  
belong to population groups under-represented in the job market.

**NIS 5.7 billion**  
in credit to support small and mid-sized businesses during the coronavirus crisis, through the state-backed loan fund.

**93% of procurement**  
from domestic suppliers in every part of Israel.

## Governance

**54%**  
of the management tier at the bank consists of women.

**Cyber defense and information security system**  
in line with top-tier global standards.

**5 Organizational values**  
establishing five new cultural values and instilling the Agile approach.

**GRI**  
Corporate responsibility reports published since 2008, according to GRI standards, at the highest level of transparency.

**UN Global Compact**  
membership since 2010.

## ESG goals for 2030:

We are committed to upholding responsible banking standards; taking environmental, social, and ethical values into consideration in our business decisions; and continuing to promote sustainable financing and responsible investment.

### Key goals for 2030 - we strive to:

Increase financing and investments in projects promoting a green environment to NIS 20 billion, while managing environmental and climate risks in our business activities.

Raise the percentage of bank employees from under represented population groups to 15%.

Reduce the carbon footprint of the bank by an additional 60%.

Increase the representation of women in senior management at the bank to 50% (by 2025).



# Continual dialogue with our stakeholders<sup>1</sup>

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<sup>2</sup>.

The following are selected examples of key groups of stakeholders and the nature of the dialogue conducted with them in 2020 (further details regarding the dialogue channels and outcomes are presented throughout this report).

Stakeholder <sup>3</sup>	Selected dialogue and listening channels in 2020 <sup>4</sup>
<b>Customers and the general public</b>	<ul style="list-style-type: none"> <li>◆ The Customer Insight Center reflects the voice of the customer to the management of the bank, on a regular basis, as it emerges from customer-bank interactions in aggregate.</li> <li>◆ Meetings with customers at the User Lab in the Innovation Division. The lab tests bank products prior to launch and throughout the life of the product, in order to ensure that the products optimally meet customer needs.</li> <li>◆ Direct interaction with customers in the bank's extensive network of branches.</li> <li>◆ Active dialogue channels maintained on five social networks: Facebook, LinkedIn, WhatsApp, Twitter, and Instagram.</li> <li>◆ Digital empowerment workshops for senior citizens.</li> <li>◆ Workshops for customers and the general public by the Financial Growth Center.</li> </ul>
<b>Employees</b>	<ul style="list-style-type: none"> <li>◆ Evaluation and development sessions held with all employees of the bank.</li> <li>◆ The Cultural Change Index survey, which measures employees' sense of connectedness and satisfaction.</li> <li>◆ The organizational portal and the Portal To Go application.</li> <li>◆ Digital dialogue channels added during the period of social distancing: use of the Zoom platform to maintain regular dialogue within units and divisions; text messaging for routine updates from management and real-time updates from the business continuity team.</li> <li>◆ Open Dialogue meetings of employees with members of the board of management were held via Zoom; monthly roundtable meetings were held with the CEO of the bank.</li> <li>◆ An organization-wide virtual live meeting was held with the CEO of the bank; all employees were invited.</li> <li>◆ Visits to branches by members of the board of management throughout the year.</li> </ul>
<b>Suppliers</b>	<ul style="list-style-type: none"> <li>◆ Visits to suppliers of the bank, to gain closer familiarity with their work and examine opportunities for broader collaboration with them.</li> <li>◆ Communication of the bank's CSR values to the general population of suppliers of the bank through periodic letters and the code of ethics for suppliers.</li> </ul>

1. 102-42 | 2. 102-43 | 3. 102-40 | 4. 102-44

Stakeholder	Selected dialogue and listening channels in 2020
<b>Regulators, government agencies, and local authorities</b>	<ul style="list-style-type: none"> <li>◆ 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.</li> <li>◆ 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.</li> <li>◆ Promotion of accessibility, in cooperation with the Equal Rights for Persons with Disabilities Commission at the Ministry of Justice.</li> </ul>
<b>Community and environmental organizations</b>	<ul style="list-style-type: none"> <li>◆ Maala – Shared discussion and mutual assistance in facing professional problems and challenges in the area of corporate responsibility.</li> <li>◆ Dialogue and collaboration with a wide range of non-profits and social organizations working to promote various causes.</li> <li>◆ Collaborations with companies in the areas of recycling, energy efficiency, solar energy, and maintaining clean beaches.</li> <li>◆ Knowledge sharing and collaboration with approximately fifty non-profits and social organizations working in the area of diverse human capital and employment of population groups under-represented in the labor market, in order to promote diverse employment at the bank.</li> </ul>
<b>Academia</b>	<ul style="list-style-type: none"> <li>◆ Dialogue with management and professors at universities and colleges, including the Technion, Tel Aviv University, the College of Management, and the Interdisciplinary Center.</li> </ul>
<b>Business organizations</b>	<ul style="list-style-type: none"> <li>◆ Professional dialogue with Israel's leading business organizations and CSR managers.</li> <li>◆ Lectures on CSR at relevant venues (courses, academic institutions, conferences, etc.).</li> <li>◆ Membership in the Socioeconomic Forum and leadership of the employment cause with top business organizations in Israel.</li> </ul>

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 Looking Ahead 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.

## About the report and material reported topics<sup>5</sup>

This sustainability and corporate responsibility report refers to the calendar year 2020. This report has been prepared in accordance with the GRI Standards: Comprehensive Option.

We have reported on our impacts and activities in the areas of sustainability and corporate responsibility since 2008. In accordance with the GRI guidelines, 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 areas of CSR and sustainability, within and outside the bank.

Most of the material topics presented in this report were selected as a result of the continuous ongoing dialogue conducted by the bank with a wide range of stakeholders. We also included topics identified as material for local and international analysis and rating organizations. The material topics in this report are the same topics presented in our last report, for 2019, with a new topic<sup>6</sup> added that became highly relevant to both the bank and its stakeholders in 2020: "Maintaining business continuity in routine and emergency conditions."

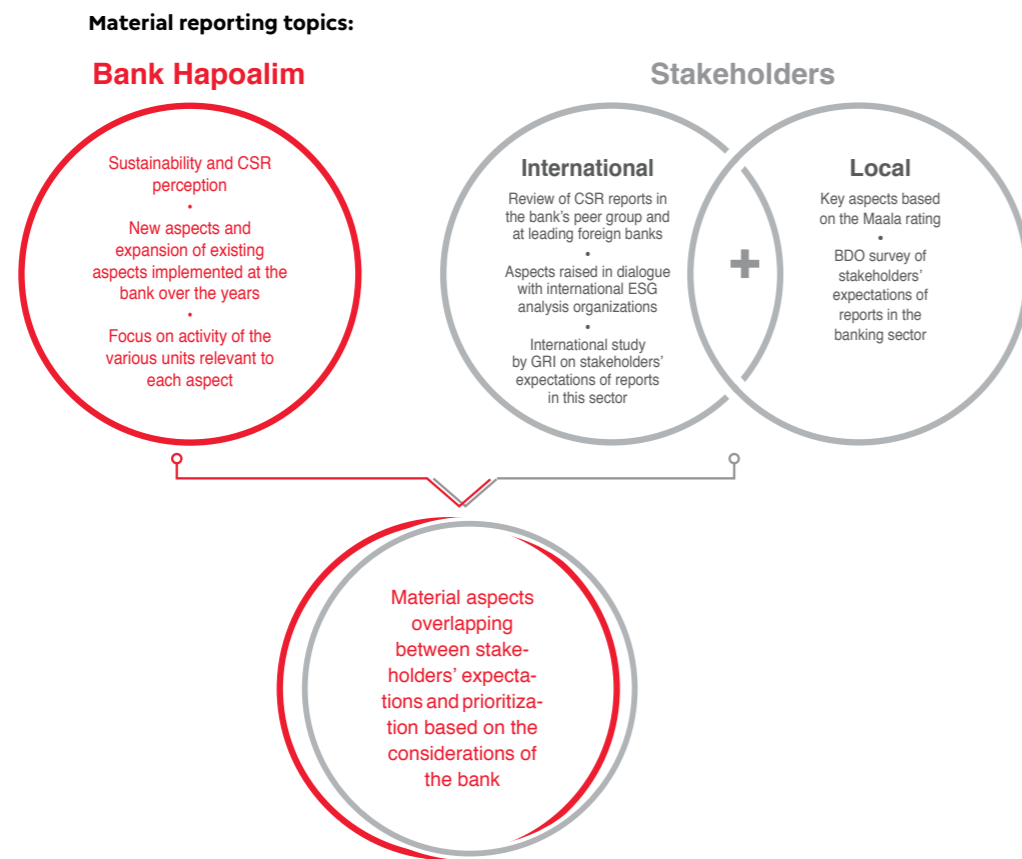
5. 102-46

6. 102-49



### List of material topics for sustainability reporting at Bank Hapoalim<sup>7</sup>

The material topics in this report represent the topics important to the stakeholders of the bank. As each group of stakeholders perceives each of the material topics somewhat differently, and naturally accords greater importance to topics by which it is affected, a decision was made to refrain from presenting a hierarchical division of topics in the report. Instead, the list of the topics found to be material for both the bank and its stakeholders is presented without ordering by importance.



A table showing the connections between the topics material to the bank, presented here, and the topics defined in the GRI standards appears on p. 138.

- ◆ **Promotion of astute financial behavior for customers** – Providing information, products and tools, and individually adapted service and advice. Financial education and literacy for various customer segments.
- ◆ **Innovation** – Leading and encouraging innovation in the Israeli economy in general, and in the banking system in particular. In an evolving and complex digital world, the bank is continually reinventing itself, while maximizing meaningful value for its customers.
- ◆ **Serving a diverse clientele and promoting financial inclusion** – Accessibility and service targeted to specific customer segments, including small and mid-sized businesses, senior citizens, the Arab community, and the ultra-orthodox community; establishing a service concept; implementation and measurement of excellence in service; and presentation of the various service channels (branches, website, mobile, etc.).
- ◆ **Information security and privacy** – Management of information security at the bank and instilling principles for the protection of customers' privacy.
- ◆ **Accessibility** – Actions to promote physical accessibility and empower people with disabilities, aimed at their inclusion in society and in the workforce.
- ◆ **Responsible supply-chain management** – Embedding social

responsibility and sustainability considerations in purchasing processes.

- ◆ **Expansion of spheres of influence** – Direct and indirect influence on the economy and society of Israel and on various stakeholders, with the presentation of the bank's activity in the public sphere.
- ◆ **Maintaining business continuity in routine and emergency conditions** – Preparation and readiness for emergencies, allowing continuous, available service to be maintained for customers, while protecting the health and safety of employees and customers and taking all necessary cautionary measures.
- ◆ **Investment in the community** – Promotion of the policies of Poalim for the Community and Poalim Volunteers for management of the bank's social action and engagement, its donation policy, and employee volunteering.
- ◆ **Promotion of appropriate work environments** – Development and promotion of human capital at the bank; instilling fair policies on remuneration and benefits, well-being, and caring for employees, in various aspects of the work environment and of their lives; intra-organizational communication channels; and partnership with employees in organizational and professional processes at the bank.
- ◆ **Promotion of diversity, equal opportunities, and transparency** – Promotion of gender and sector equality, prevention of discrimination, and promotion of diverse employment.

- ◆ **Training and personal development** – Investment in employee development and training; preparation for the future world of work.
- ◆ **Reduction of environmental impacts** – Management of the protection of the environment at the bank; responsible consumption of resources (energy and paper); reduction of environmental impacts and carbon footprint.
- ◆ **Development of products and services to promote sustainability and protect the environment** – Investment in infrastructures, products, and services with environmental value.
- ◆ **Examination of environmental risks in financing** – Management of environmental risks when granting financing for projects.
- ◆ **Corporate governance and ethics** – Presentation of the structure and activity of the board of directors; instilling ethics at the bank.
- ◆ **Prevention of corruption** – The bank's commitment to the prevention of corruption and money laundering; presentation of the activity of the bank's compliance unit.

### Customers

1. Promotion of astute financial behavior for customers
2. Serving a diverse clientele and promoting financial inclusion
3. Innovation
4. Information security and privacy
5. Accessibility

### Supply Chain

6. Responsible supply-chain management

### Community

7. Expansion of spheres of influence
8. Investment in the community

### Employees

9. Promotion of appropriate work environments
10. Promotion of diversity, equal opportunities, and transparency
11. Training and personal development

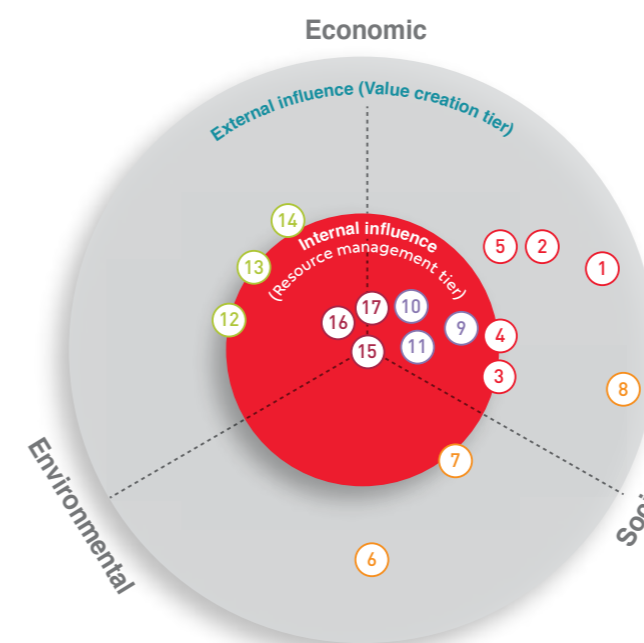
### Environment

12. Reduction of environmental impacts
13. Development of products and services to promote sustainability and protect the environment
14. Examination of environmental risks in financing

### Corporate Governance

15. Corporate governance and ethics
16. Prevention of corruption
17. Maintaining business continuity in routine and emergency conditions

### Material topics map



## Bank Hapoalim and 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 192 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 renewable-energy and infrastructure projects, investing in the community, and promoting financial education, among other means.





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.

### Goals chosen as focus areas by the bank

Alongside the promotion of the some of the SDGs in the course of our routine activities, we have chosen to focus on 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. These criteria were rated based on both present and potential activities.

#### We chose to focus on six SDGs:

SDG	Relevance to the activity of the bank	Examples of activities (detailed in the report)
 <p><b>8 DECENT WORK AND ECONOMIC GROWTH</b></p> <p>Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all</p>	<p>As a leading financial entity, the bank makes financial services accessible, while providing advanced knowledge and tools for astute financial behavior to its customers. The bank is also a major employer in the Israeli economy, and contributes indirectly to employment in wider spheres (through financing, suppliers, support for the community, etc.).</p>	<ul style="list-style-type: none"> <li>◆ Ensuring the accessibility of banking services for the entire population of Israel, with an emphasis on population segments characterized by a lack of access to full banking services.</li> <li>◆ Guidance and provision of financial tools for small businesses through dedicated credit funds, loans, benefits, and financing solutions for small and mid-sized businesses adapted to the period of the coronavirus crisis. Tools supporting astute financial behavior and growth guidance tools, including dedicated workshops and courses (in person and online) for small businesses by the Financial Growth Center.</li> <li>◆ Launch of a range of employment initiatives for people who lost jobs due to the coronavirus crisis, aimed at helping them return to work. Initiatives promoting suitable employment for people from population groups under-represented in the job market, including people with disabilities.</li> <li>◆ For several years, the bank has operated the Erech Laderech 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. In 2020, this program operated in a unique form adapted to support non-profits during the coronavirus period.</li> <li>◆ Approximately 93% of the bank's purchasing is "blue and white" (made in Israel).</li> </ul>
 <p><b>10 REDUCED INEQUALITIES</b></p> <p>Reduce inequality within and among countries</p>	<p>The bank works to adapt financial tools and services for diverse audiences, including senior citizens, the Arab community, the ultra-orthodox community, people with disabilities, and more. The bank also promotes diverse employment among its employees and throughout its supply chain.</p>	<ul style="list-style-type: none"> <li>◆ Promotion of employment of workers from population groups characterized by underemployment through a wide range of initiatives and projects.</li> <li>◆ Making banking services accessible, and initiating programs and solutions for financial inclusion.</li> <li>◆ Extensive educational and communications activity for various customer segments and population groups, aimed at promoting astute financial behavior for the bank's employees and customers, and for the general public in Israel.</li> <li>◆ Various activities to promote social mobility and employment in peripheral regions, as a key element of social banking activity.</li> <li>◆ Collaboration with the WeSource initiative to promote the inclusion of diverse suppliers at leading companies in Israel.</li> </ul>

SDG	Relevance to the activity of the bank	Examples of activities (detailed in the report)
 <p><b>4 QUALITY EDUCATION</b></p> <p>Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all</p>	<p>Within its community engagement, the bank invests resources in a range of educational initiatives, and in monetary and cash-equivalent donations to educational and cultural institutions. The bank also conducts extensive educational activity on the subject of astute financial behavior.</p>	<ul style="list-style-type: none"> <li>◆ Hundreds of scholarships are granted to students at academic institutions throughout Israel; the bank's Poalim Success fund grants scholarships to students in peripheral regions.</li> <li>◆ Hundreds of workshops and extensive digital content on astute financial behavior are offered free of charge to the general public every year through the Financial Growth Center.</li> <li>◆ Donations of computers and related equipment to families in need. This equipment was uniquely essential in 2020, due to the need for remote learning.</li> <li>◆ Read and Succeed activities aimed at boosting reading and writing skills among children and adolescents. The activities were adapted for the coronavirus period in 2020, and the bank helped set up a digital library for children's books in Arabic</li> </ul>
 <p><b>9 INDUSTRY, INNOVATION AND INFRASTRUCTURE</b></p> <p>Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation</p>	<p>The bank grants credit for investment in infrastructures, development, and construction in Israel. This investment is crucial to economic growth and to the improvement of services accessible to the population in the areas of welfare, education, and health care.</p>	<ul style="list-style-type: none"> <li>◆ Financing for various infrastructure projects in Israel, and for projects promoting protection of the environment.</li> <li>◆ Development of innovative financial products, led by the Innovation Division at the bank, such as the Bit payment app; the Open app, for opening accounts at any place and time; and the launch of the digital wallet, for transactions with businesses using a mobile phone.</li> <li>◆ Managing environmental risks in financing and credit in order to ensure sustainable infrastructure development.</li> </ul>
 <p><b>7 AFFORDABLE AND CLEAN ENERGY</b></p> <p>Ensure access to affordable, reliable, sustainable and modern energy for all</p>	<p>The bank's involvement in leading financing solutions for its customers for projects in the areas of renewable energy and energy efficiency is highly important to the feasibility of such projects.</p>	<ul style="list-style-type: none"> <li>◆ Over NIS 2.6 billion invested in financing of various renewable-energy projects, including solar energy, wind energy, and pumped storage.</li> <li>◆ The bank won a tender to operate a state-backed fund granting loans for energy efficiency at businesses.</li> </ul>
 <p><b>6 CLEAN WATER AND SANITATION</b></p> <p>Ensure availability and sustainable management of water and sanitation for all</p>	<p>Access to water and sanitation is an essential challenge for sustainable development today. The bank is a leader in financing of water desalination and waste treatment facilities in Israel.</p>	<ul style="list-style-type: none"> <li>◆ Financing of 80% of water desalination plants in Israel.</li> <li>◆ Financing of operators of waste treatment facilities, mainly producing water used in agriculture. This significantly reduces the quantity of wastewater flowing into the ocean, and contributes to the reduction of marine pollution.</li> </ul>

**Additional goals promoted by the bank in its routine activities for stakeholders:**

SDG	Examples of activities (detailed in the report)
 <p>Achieve gender equality and empower all women and girls</p>	<ul style="list-style-type: none"> <li>◆ The bank establishes baseline salaries and benefits according to the employee's position and rank, regardless of gender.</li> <li>◆ 54% of the bank's management tier are women.</li> <li>◆ The bank runs unique training programs, in collaboration with non-profit organizations dedicated to women, aimed at providing participants with the financial skills and knowledge they need to start or promote their own businesses, as well as various programs for occupational retraining and personal development (examples include the program A Business of Your Own; a personal development and occupational retraining program in collaboration with the non-profit organizations Imagine and Lotus, for Arab and Druze women; the Link 19 and Lev 12 employment centers; and a mentoring program for women in collaboration with the non-profit organization Jasmine).</li> <li>◆ The bank has set the goal of increasing the representation of women in its management tier, and aspires to 50% representation of women in senior management by 2025.</li> </ul>
 <p>Make cities and human settlements inclusive, safe, resilient and sustainable</p>	<ul style="list-style-type: none"> <li>◆ Mortgages granted for residential real-estate construction, including unique mortgage products tailored to the Arab community.</li> <li>◆ Targeted loans for private and business customers for the purchase of solar-energy systems to produce electricity from renewable energy sources.</li> <li>◆ Assistance for women who have suffered abuse in exercising their full rights in banking, through the Available Banking Compact.</li> </ul>
 <p>Ensure sustainable consumption and production patterns</p>	<ul style="list-style-type: none"> <li>◆ A green purchasing policy, under which environment-friendly purchasing alternatives for products and services are examined.</li> <li>◆ Mapping the various types of waste generated by the bank's activity, and examining the environmentally safest ways of treating the waste.</li> <li>◆ Responsible waste collection and removal, including collection of electronic waste and construction waste, recycling of bottles and cans, and responsible collection of pharmaceuticals.</li> </ul>

As part of our commitment to this issue, we also support the Sustainability Compass, an Israeli social project modeled on the global SDG Compass project. The goal of the Sustainability Compass is to adapt the seventeen SDGs to Israeli society in general, and to the Israeli business sector in particular.

**Adoption of responsible initiatives and transparent reporting**

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

**Maala**

Bank Hapoalim joined Maala\* in 2006 as a member of the organization's business leadership. In the Maala ratings for 2020, the bank earned the top ranking of all companies in Israel and of all banks for the third consecutive year, placing in the Platinum Plus category. The bank also appears on Maala's stock-market index, which consists of all of the public companies rated by Maala and traded on the TASE.

**UN Global Compact**

During 2010, Bank Hapoalim joined this UN 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.

\*Maala is an umbrella organization for 120 of the leading companies in Israel, dedicated to the promotion of corporate responsibility issues and the development of responsible management standards in Israel.


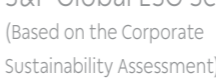



## Our international ESG ratings

Capital-market analysts, both internationally and in Israel, include ESG (environmental, social, and governance) components in their evaluations of the performance of business firms and organizations. Investors around the world have shown growing interest in ESG aspects over recent years, using this information to make investment decisions. Bank Hapoalim maintains ongoing dialogue with local and international analysis firms that examine ESG metrics, and responsiveness to analysts' questions. The bank accords high importance to this dialogue, for two main reasons:

1. Dialogue with international analysts who are in routine contact with corporations all over the world offers the bank valuable insights regarding leading trends in the global corporate responsibility field and material issues for the banking sector;
2. An examination of the bank's scores on the various rating scales allows ongoing mapping of gaps in corporate responsibility issues and promotes constant improvement of performance on the various parameters.

The bank examines its performance, as reflected in reviews of analysis organizations and key international indices in which it is included, according to the standards established for the global financial sector and its position relative to other banks, in Israel and worldwide.

**ESG ratings of Bank Hapoalim in international analyses and indices:**

Analysis firm	score	Rating <sup>8</sup>
 <p>Bloomberg Gender-Equality Index</p>	70.5	The bank's score is ~3% higher than the average in the financial sector and ~7% higher than the average score in the overall index. In addition, the bank is one of the companies rated within the Bloomberg ESG Disclosure Score, and is highly rated.
 <p>S&amp;P Global ESG Score (Based on the Corporate Sustainability Assessment)</p>	59	77th percentile in global banking sector.
 <p>Sustainalytics</p>	<p>Risk score <b>19.8</b> (Low risk level)</p> <p>Management score <b>56.7</b> (Strong management)</p>	86th percentile in global banking sector.
 <p>MSCI ESG RATINGS</p>	AA <sup>9</sup>	Second rating tier
 <p>Vigeo Eiris</p>	48	The bank is ranked first of 30 banks in the regional ratings (Middle East-Africa), and 592th of 4,907 companies in the global ratings.

8. Ratings are as of May 2021, 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.  
9. The use by Bank Hapoalim of any MSCI ESG research LLC or its affiliates ("MSCI") DATA, and the use of MSCI logos trademarks, service marks or index names herein, do not constitute a sponsorship, endorsement, recommendations, or information providers, and are provided 'as is' and without warranty. MSCI names and logos are trademarks or service marks of MSCI.



# SOCIAL

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In May 2021, close to the date of publication of this report, we were in the midst of a wave of violence that is taking a bloody toll and threatening to damage the foundations of coexistence in Israel. As one of the leading entities in the business sector, which employs workers from all walks of Israeli society, we saw it as part of our responsibility to call for an end to the tide of violence and hostility. We turned to leading companies in the Israeli economy, and together we initiated a media campaign centered on Jews and Arabs working side by side at the bank and at other companies in Israel. The campaign calls for an end to violence, incitement, and racism and a return to the values of mutual respect, tolerance, and acceptance of others.

From right: **Romi Dayan** and **Liza Sodah**, Bank Hapoalim employees, who took part in this campaign



# Responsible Action to Benefit Customers

## Being there for our customers in every decision and milestone

Bank Hapoalim is committed to providing meaningful value to its customers, through a combination of personal, human service and technological innovation. It is our ambition to be the first place our customers turn for any aspect of financial decision-making.

Our goal of standing by our customers in every decision takes on even greater significance during times of crisis. In 2020, as the coronavirus outbreak began, we realized that we were facing a crisis that would require us to take every measure necessary to maintain business continuity and resilience, while protecting the health of our employees and customers. Throughout this period, we made it our priority to maintain professional responsiveness and ready availability for our customers; develop products and services adapted to the needs of this time; expand the service delivered through our direct channels; and offer business clients targeted loans and special benefits to support them during the crisis (for details on this subject, see the subsection "Small and mid-sized businesses").

**Recognizing that the coronavirus crisis had created a new matrix of customer expectations and needs, we took action to supply a high-quality and timely response, on the level of both service and products:**

- ◆ **Expansion of services available through direct channels** – We increased the range of transactions available via telephone and the digital channels. We also shortened response times at our banking service centers, and developed infrastructure to allow bankers to work from home and continue to provide a continuous, rapid, professional response to customers during periods of lockdown and social distancing.
- ◆ **Expansion of the activity of the mobile branch** – In ordinary times, the bank's mobile branch travels to

elderly population centers to make banking services accessible to them. During the period of March to June 2020, Bank Hapoalim was the only bank in Israel to expand this service, from one to three mobile branches, in collaboration with the Bank of Israel and the Home Front Command. The mobile branches provided banking services to populations at risk (customers of all banks) in residential care facilities and at other sites. Since the beginning of the coronavirus crisis, the mobile branches have delivered service at more than 200 locations across Israel, including forty assisted-living facilities, residential care homes, and day centers for the elderly.

- ◆ **Scheduled appointments with bankers** – In early 2020, the bank introduced scheduled appointments with bankers. This service became essential during the crisis, as appointments scheduled in advance made it possible to avoid crowded conditions and fully comply with the regulations. From March to December, over 80% of meetings at branches were scheduled in advance (compared with 20% at the beginning of 2020).
- ◆ **Dedicated call center** – We established a call center dedicated to customers who need an adapted human response, such as elderly people, people with disabilities (registered and reported in the bank's systems), and people with low technological orientation. Call-center service for senior citizens was expanded to encompass customers aged 65 or older, in view of the coronavirus crisis.
- ◆ **Increased staffing for written communications** – The quantity of inquiries received via e-mail and other means of written communication grew significantly during the coronavirus crisis. In response, we increased staffing

NIS  
**42.5**  
billion

cumulative total of loans and mortgages which the bank allowed customers to suspend in 2020, to help them successfully navigate the coronavirus crisis.

to respond in these channels, in order to provide rapid and optimal service.

- ◆ **Option to defer loan and mortgage payments** – In accordance with a trajectory developed with the Bank of Israel, we allowed customers to defer payments on loans and mortgages. We also developed a rapid procedure allowing customers to defer loan and mortgage payments for up to six months through the digital channels, without having to visit a branch.
- ◆ **Shorter in-person procedures for mortgage takers** – To reduce the need to visit a branch when taking out a housing loan, to the extent possible, we offered customers consultation via telephone with branch mortgage advisors, and allowed them to come to a branch just once, to sign the mortgage documents. Customers interested in a mortgage can also apply for the loan and receive in-principle approval through the bank's website.



# 3

## mobile branches

offered services at 200 locations in Israel, of which 40 in assisted-living facilities.

### ◆ The Thinking Ahead package –

We offered the Thinking Ahead package in response to private and business customers who lost their jobs, were on unpaid leave, or suffered damage to their income due to the crisis. The package includes a one-on-one meeting with a banker, loans for various purposes at attractive terms, the option to release and use existing deposits without penalties or fees, and the option to defer loan and mortgage payments. We also offered interested customers discounts on professional training courses and occupational guidance services free of charge.

### ◆ Development of credit products adapted for this period –

To help our broad range of customers navigate the crisis, we developed loans with

preferred terms for various purposes, based on the unique needs that emerged during the coronavirus period, including a designated loan for professional development and financing of occupational studies.

## Helping our clients reach 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 Recovery 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 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. At the outbreak of the coronavirus pandemic, as part of the measures we took to help our customers come through the economic crisis, we ensured that customers were treated with flexibility, sensitivity, and

maximum considerateness in all matters related to collection proceedings, including longer timeframes for customers to meet payments to the bank.

At the outbreak of the coronavirus pandemic, as part of the measures we took to help our customers come through the economic crisis, we ensured that customers were treated with flexibility, sensitivity, and maximum considerateness in all matters related to collection proceedings, including longer timeframes for customers to meet payments to the bank.

## Personalized service and advising

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 the areas of credit, mortgages, and investments.

## Financial investment advising

Hundreds of advisors at branches and advising centers of the bank nationwide provide private and business customers who have signed advising agreements<sup>10</sup> with tailored investment advice, based on familiarity with their needs, preferences, and goals. The advisors use an advanced investment advising system called Advisor, which provides decision-support tools and extensive information to help build the investment portfolio best suited to the customer. We have also developed the Smart Advice service, available through the bank's website and capital-market application, which allows customers who have signed an advising agreement to receive individualized investment recommendations to their mobile device or through the website. **Smart Advice won the 2020 Product of the Year Award – Consumers' Choice, in the Investments category.**



## Responsible investments

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 negative 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. As awareness of this type of investment has grown globally, it is also rising among institutional investors in Israel. Bank Hapoalim has chosen to promote this approach to its customers, both by reflecting the ESG scores of global companies in its advisory systems and by developing targeted financial products. **We are the first in the banking system in Israel to offer interested customers investment recommendations on global equities and bonds of companies with high ESG ratings in investment advising sessions.** We also launched unique, exclusive savings plans with a positive social and environmental impact:

- ◆ **Deposit with social benefit** – At the outbreak of the coronavirus crisis, we launched a deposit allowing customers to save and earn interest while having a positive impact, through donations by the bank that match the interest accrued on the deposit. Thanks to deposits in this plan, the bank donated NIS 200,000 through the Round Up Foundation to non-profit organizations working for the well-being of the population segments most vulnerable to the consequences of the coronavirus crisis, including elderly people, families in need, and Holocaust survivors.
- ◆ **Green Deposit** – A product developed by the bank in collaboration with the non-profit environmental organization Zalul, allowing customers to save while promoting a green environment. The bank donates an amount equal to the interest accrued on the deposit to Zalul, for a joint venture with the Israel Association of Community Centers aimed at reducing the use of plastic in preschools in peripheral regions.
- ◆ **ESG Structured Deposit** – A deposit tracking the performance of ten

global equities with high ESG ratings, with a contingent bonus derived from their performance over a predefined period. The bank introduced three ESG structured deposits in 2020.

In addition to encouraging responsible investment among its customers, the bank includes ESG considerations in its own proprietary investment portfolio, invests in ETFs tracking global equities with high ESG ratings, and performs impact investments in companies promoting social and environmental values through its subsidiary, Poalim Capital Markets.

## LOOKING AHEAD

- Expansion of information on ESG ratings in the responsible investment advising process to encompass Israeli companies on the TA-125 index.
- Launch of additional ESG deposits.



10. Subject to the provisions of the Law for Regularization of the Occupation of Investment Advising, Investment Marketing, and Investment Portfolio Management, 1995.





### Pension advising services

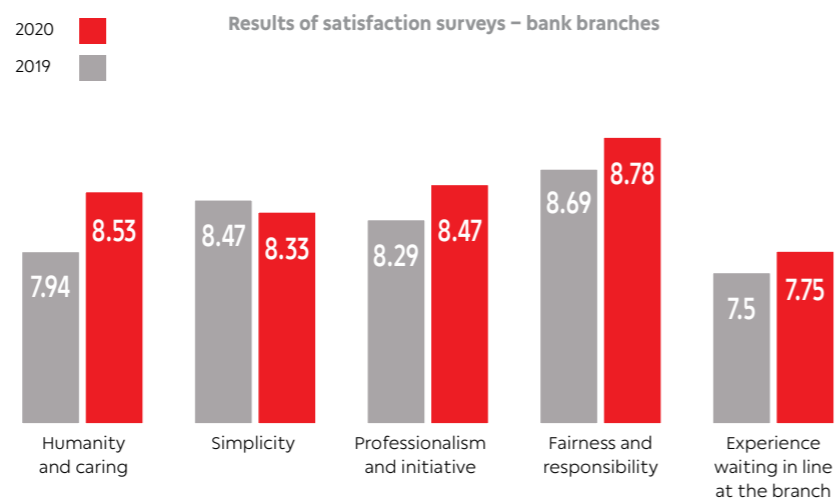
Bank Hapoalim has developed a package of professional pension advising services designed to offer guidance to customers at crossroads they encounter while working, ahead of retirement, and post-retirement:

- ◆ **Pension advising and retirement planning centers** – The bank has pension advising centers at its branches and advising centers across Israel. Pension advisors provide professional, objective advising, during which customers receive information retrieved from the pension clearing house, comprehensive exploration of their pension needs, and presentation of alternatives for the adaptation of their pension portfolio to their specific needs. The bank also offers advisory services for retirement planning, which include the examination of possible tax solutions, aimed at finding the optimal combination of a monthly allowance and a lump sum for the retiree to receive, based on each customer's needs.
- ◆ **Presentation of pension portfolios on the bank's website** – Customers who receive pension advising services from the bank can use this feature to track their pension portfolios and any changes made to them, and to receive up-to-date monthly information about pension savings products, insurance coverage, the amounts deposited in their plans, and retirement forecasts.
- ◆ **Poalim Advisor for pensions** – Advisors at the bank can access an advanced pension-advising system that supports the process of advising customers. The system enables advisors to examine the structure of the pension portfolio and match recommendations to the customer's specific needs.

To deliver holistic advising services to our customers, in 2020 we opened five advanced advising centers offering financial investment and pension advising services under one roof. Ten additional centers are planned to open in 2021, bringing the total number of professional advising centers available to customers nationwide to fifteen.

### Improving the customer experience and delivering optimal service

We endeavor to provide our customers with the best possible service experience, and we strive to continually improve our service. Towards that end, we measure the service experience, on a continuous and daily basis, through methods including surveys via telephone and text message. We also conduct listening processes, via the Customer Insight Center, attending to messages received through our telephone call centers, Ombudsman Unit, written communications, and social media. The findings of the surveys and the derived insights are regularly analyzed and translated into policies, processes, and suitable value offers, with the aim of enhancing the customer experience and delivering the best possible service.



## Promoting the growth of small and mid-sized businesses

The small and mid-sized business segment – the key pillar and driving force of the Israeli economy – is particularly vulnerable to the effects of the coronavirus crisis. The lockdowns paralyzed broad swaths of the economy, and many business owners found themselves struggling to cope with routine expenses as their revenues were slashed. Drawing on our commitment to stand by our customers at essential junctures, we took action at the outset of the crisis to quickly develop financial solutions and tools adapted to the challenges of this period and to the needs of customers who are self-employed or owners of small and mid-sized businesses. We also initiated collaborations with leading Israeli and international companies to develop a set of tools for businesses, designed to help our customers continue to promote their businesses within the restrictions imposed by the pandemic. In addition, we led a media campaign to raise public awareness of the importance of patronizing local businesses during the crisis.

# 1,700 businesses

Through the #buy\_local campaign, we were able to deliver benefits, support, and marketing exposure to over 1,700 businesses, helping them cope with the challenges posed by the crisis.

### Encouraging buying local

We launched the #buy\_local campaign, in which the public was invited to patronize small businesses near and dear to them that were hurt by the coronavirus crisis. The goal was to stimulate the economy, and small businesses first and foremost. Along with the media campaign, we led supporting processes, such as reaching out to over a hundred influencers and celebrities who went to work at small businesses nationwide and called on the public to come and buy locally; recruiting theater and television actors to record themselves at their favorite businesses and invite the public to return to them; providing exposure and advertising to businesses through publicity on various platforms; and more.



## Assistance in the transition to the digital space

E-commerce offers important growth opportunities for businesses that primarily operate in brick-and-mortar locations, and has become all the more relevant during the coronavirus crisis. To successfully navigate this period, many businesses had to expand their digital activities or transition to digital formats. Recognizing that this is a complex challenge requiring familiarity with various digital tools and content areas, we provided assistance to business owners in carrying out the necessary adjustments for as rapid and smooth a transition as possible to e-commerce. Business owners were offered non-banking benefits such as a range of services and tools to help develop new business growth drivers: e-commerce site creation services through Wix; promotion of the business via Google; deliveries from the business to customers via Gett Delivery; professional courses and services for the business on the Fiverr platform; promotion, advertising, and exposure of the business to the public on the Easy application; individual business mentoring and coaching; and more.

## Increased availability of contact

The dedicated call center for business customers, which opened in 2019, became particularly essential during the period of the pandemic, due to the need to maintain social distancing. Staffing of the call center with bankers was significantly increased, to provide responses to customers seeking information and requesting inquiries. Regulatory reliefs provided by the Bank of Israel during the period of the crisis permitted us to provide additional services through the call center and via e-mail, including signing of documents,

submission of applications to defer payments and loan applications, and more. We also gave customers the option of scheduling an appointment at a branch through the call center. As of the end of 2020, 50% of meetings of small-business owners at branches were scheduled in advance.

## Financing solutions

At the outbreak of the coronavirus crisis, we offered our customers a range of financial solutions adapted to their needs, aimed at helping them cope with the challenges of this period as successfully as possible:

- ◆ **State-backed loans** – We rapidly set up a team of experienced bankers to respond to applications for state-backed loans. We processed 24,000 applications in 2020, most of which were submitted in April and May 2020; credit in the amount of NIS 5.65 billion was granted from the fund.
- ◆ **Loans for businesses hurt by the crisis** – Loans of up to NIS 400,000 for periods of up to five years, with deferrals of up to one year on principal payments.
- ◆ **Loans for self-employed customers** – At the beginning of the crisis, the bank worked with the organization Lahav to create a loan fund dedicated to self-employed people, at a volume of NIS 0.5 billion. Loans of up to NIS 10,000 were granted through a rapid digital process, for periods of up to sixty months, with a six-month deferral of principal payments.
- ◆ **Instant Credit and multi-channel loans** – Credit offered through a rapid, simple procedure accessible to customers on the bank's website and application. This solution is designed to allow businesses to continue to operate regularly, even during periods of intense uncertainty.
- ◆ **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 on the environment).

During lockdowns, when restaurants provided deliveries only, we formed a collaboration with the Wolt delivery network to benefit restaurant owners (customers of all banks), encompassing benefits such as subsidies of the operating fee for deliveries, which we lowered from 27% to 22% of the price of the order. We also granted a benefit of NIS 30 to our private customers on orders through Wolt. These measures were aimed at encouraging orders from restaurants, to support this industry during an exceptionally challenging time.



NIS  
**31.4**  
billion

The total balance of credit granted to the small-business sector as of the end of 2020

## Comprehensive professional guidance and adapted tools and services

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

- ◆ **Expert bankers** – A broad network of expert bankers at specialized departments within our branches offers professional guidance to business clients.
- ◆ **Poalim Business application** – An application designed to help business owners manage their accounts.

- ◆ **Business management knowledge and tools from the Financial Growth Center** – In 2020, in view of the coronavirus crisis, the Financial Growth Center offered a wealth of content for businesses, including dozens of courses and digital guides on managing a business during this period. In recognition of the heightened importance of digital presence for businesses during the pandemic, special emphasis was placed on imparting knowledge and practical tools for business owners to enter the world of e-commerce, including opening an online store, digital marketing, and community management on social media.
- ◆ **Poalim Small Business Success Mentors** – Twenty small businesses representing a variety of areas of activity and economic sectors were

selected from among the bank's customers to participate in a process aimed at supporting their growth and financial robustness. The businesses received individual professional mentoring and guidance from senior executives and branch managers of the bank, over a period of six months.

## 2020 plans – planning vs. execution

2020 plans	Status
Additional processes to provide expert guidance to small businesses taking their first steps in the digital space.	✓ Completed

## Developing business infrastructures for our customers

When the normalization agreements between the State of Israel and the United Arab Emirates were signed, we moved quickly to develop the business infrastructures that will enable our customers to take advantage of the diplomatic breakthrough to achieve economic growth and gain from the business opportunities it presents. We led a series of initiatives and processes to maximize value for our customers, including the following:

- ◆ **Memorandum of understanding for cooperation with leading banks in Dubai and Bahrain** – The bank's agreements with the three leading banks in the UAE: ADCB, FAB, and ENBD, and with the leading bank in Bahrain, NBB, represent a groundbreaking achievement, allowing Israeli customers to operate directly in the UAE, and later in other countries.

- ◆ **Memorandums of understanding signed for cooperation with the leading financial trade zones in the UAE** – Bank Hapoalim was the first to sign agreements with the leading financial trade zones in the UAE, the Abu Dhabi Global Market (ADGM) and the Dubai International Financial Center (DIFC). Under these agreements, the bank will promote broad collaboration with the trade zones; lead an extensive range of fintech and innovation projects and initiatives with each, helping to stimulate international business and financial trade between Israel and the UAE; and support fintech companies and entrepreneurs seeking to expand their activity and reach in Israel and the UAE.

- ◆ **Official business conference between Israel and the UAE** – 400 top businesspeople of the Israeli and UAE high-tech and finance industries participated in Beyond Business, an official business conference led by Bank Hapoalim and the Israel Export Institute. Within the conference, hundreds of Israeli entrepreneurs, businesspeople, and owners of companies toured health-care, agriculture, and food industry centers, as well as finance and innovation centers in Dubai. The conference contributed to accelerating collaboration in these areas and strengthening business ties between entrepreneurs, start-up companies, and businesses.





## The retail branch network

The bank's retail branch network is the most extensive in the Israeli banking system, comprising 189 branches nationwide, of which 40% are in socially and/or geographically peripheral regions.

As part of our aspiration to operational excellence and efficiency, we are continuing to examine the deployment of the branch network and merge branches as necessary, while maintaining an optimally wide geographical reach. 26 branches were merged in 2020, with comprehensive assistance and support provided to customers. At the merged branches, work processes were adapted to customer characteristics, mail was sent with the relevant information, and digital literacy 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.

- ◆ **Advising centers** – We opened five advanced centers offering financial and pension investment advising, to provide our customers with holistic advisory services. **Ten additional centers are planned to open in 2021, bringing the total number of advising centers nationwide to fifteen.**
- ◆ **High-tech units** – The bank has ten 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 79 Mishkan offices assist and guide our customers through the important process of buying a home. In 2020, we expanded and improved the mortgage network of the bank to adapt to evolving market needs and to the demand and changes in the real-estate industry.

## Service offering for corporate banking customers

The Corporate Banking Division operates centers exclusively serving mid-sized and large businesses. Of the eleven business centers, four specialize in growing middle-market clients, and one is dedicated to service and financing for growing high-tech companies.

The business centers offer a professional and personal service experience in all areas of banking, with an emphasis on professional solutions matched to customers' needs. The service offering at these centers was developed based on comprehensive study of customers' needs and expectations, and delivers service adapted to each type of client in the mid-sized and large business segment.

## The multi-channel banking center

Poalim by Telephone is a multi-channel center offering comprehensive banking services in a convenient, available form. The center allows our customers to receive information and perform a range of account transactions, receive technical support for the bank's website and mobile applications, schedule appointments at branches, receive in-principle mortgage approvals in certain cases, and receive information about existing mortgages. A voice response system is available 24 hours a day for information and various transactions. The voice response service is also offered in Arabic and Russian, and allows all customers, including people with disabilities and the elderly, to receive professional service without visiting a branch. The contact center also responds to customers' written communications, including messages received through the bank's Facebook page, in Hebrew and Arabic, and e-mail sent by customers through the bank's website. In 2020, due to the coronavirus pandemic, many contact center employees worked from home, while the centers maintained availability and the service experience for our customers was unimpaired.

### New features and improvements at the call center in 2020:

- ◆ A dedicated line for scheduling appointments, with support in Arabic and Russian.
- ◆ Personalized information for customers via interactive voice response (IVR) and expanded voice alerts.
- ◆ Rapid voice response, in compliance with the law mandating human response to a customer within six minutes.
- ◆ Issuance of passwords and user codes to customers through IVR.
- ◆ Service provided with identification via OTP (one-time password).
- ◆ Changes in the Instant Credit process; options for customers to apply for loan payment deferrals and larger credit facilities.
- ◆ Opening of a contact center specifically for Mishkan customers, authorized to grant in-principle mortgage approvals.
- ◆ Opening of a dedicated call center for the Bit application.
- ◆ Expansion of the range of ages served by the call line for senior citizens to **65 and older**.

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



**29 million calls** were received at the call centers, a 100% increase compared with 2019.

### 2020 plans – planning vs. execution

2020 plans	Status
Service via chatbot.	In progress
Opening a call center specifically for Mishkan customers, authorized to grant in-principle mortgage approvals.	✓ Completed

## LOOKING AHEAD

- Expansion of support for additional digital products, including issuance of a password for Poalim by Telephone call centers through the app.
- Increase of the number of transactions available for independent execution through IVR, including support for the process of opening a bank account and more.

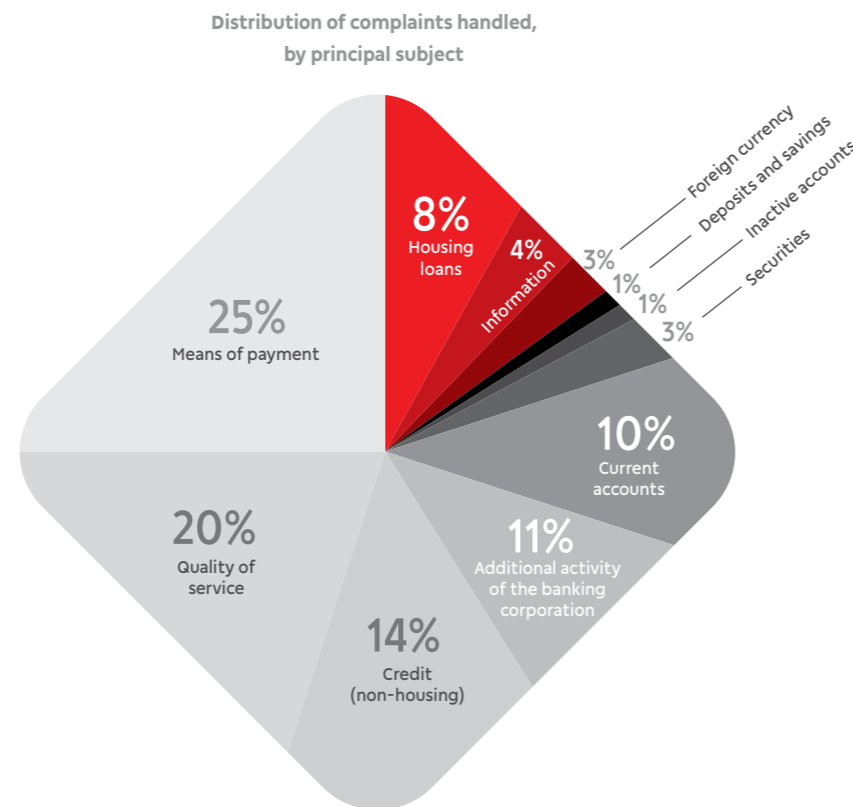
## Poalim self-service

Self-service stations nationwide allow customers to carry out a broad range of transactions, 24 hours a day. Customers are increasingly using the self-service channels to perform transactions previously conducted through bankers. **The bank has 1,301 ATMs and self-service stations, more than any other bank in Israel.** ATMs offer cash withdrawals, balance inquiries, cash and check deposits, payments into certain deposits, and more. The ATMs are accessible to people with disabilities, and offer service in four languages: Hebrew, Arabic, English, and Russian, across the self-service station network.

## Responding to public inquiries

The bank considers customer satisfaction to be of the utmost importance, and places a devoted team of bankers at customers' disposal at the Ombudsman Department to respond to any complaints or requests they may have. The Ombudsman Department responds to inquiries received through the bank's website, by mail, by fax, and by telephone. Inquiries received at the Poalim by Telephone call center, on the bank's Facebook page, or at a branch that are not fully resolved are also referred to the Ombudsman Department for further care. We invest extensive effort in providing an accurate and appropriate response to complaints within the established timeframe, while applying lessons learned and continually improving processes. Every case is examined in depth and addressed according to the values of fairness and responsibility, protection of privacy, reliability, and transparency.

**Inquiries with wider implications beyond the specific customer, such as recurring incidents at various units, or gaps in procedures or in organization-wide processes, are presented to the business functions at the bank for learning and improvement of the relevant procedures and processes.**



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 Bank of Israel, which took effect on April 1, 2015. The directive formalizes the obligation of a banking corporation to address customers' inquiries in a fair, reliable, and efficient manner, and is designed to provide uniform rules for addressing and reporting inquiries throughout the banking system. The directive establishes detailed rules with regard to the existence of the unit, the ombudsman at its head, the ombudsman's authority, the procedure for processing customer complaints (including timeframes), and detailed reporting to the board of directors, management, the public, and the Banking

Supervision Department.

In 2020, in view of the coronavirus crisis, in response to reliefs and new guidelines issued by the Bank of Israel and a substantial increase in the number of inquiries, we updated work processes to significantly shorten turnaround, with stronger responsiveness and an emphasis on customers experiencing financial difficulties and customers from disadvantaged population segments.

In 2020, the Ombudsman Department processed 15,453 inquiries (complaints and requests), versus 8,706 in 2019 (a 77.5% increase). This included 10,760 complaints, a 57.3% increase compared with the number of complaints in 2019<sup>11</sup>.

Percentage of justified complaints: in 2020, 1,979 complaints, constituting approximately 18% of the total, were categorized as justified, compared with 1,058 complaints (15%) in 2019.

## Social networks

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

- ◆ Providing a rapid, accessible, available, advanced service experience.
- ◆ Adding value by posting relevant, varied, enriching content.
- ◆ Listening to internal and external conversations regarding the bank and formulating business insights.

The bank created 350 posts on its Facebook page in 2020, on the subjects of digital empowerment and innovation, financial growth, new products and services, community activities, and more. Social-media content was also adapted to the unique needs and characteristics of the coronavirus crisis, including tips on conduct for businesses and astute financial behavior, value offers for people who lost their jobs or were placed on unpaid leave, encouragement to buy local ("Blue and White"), and ideas and suggestions for physical exercise and leisure activities during the long lockdown days.

Our Facebook page serves as a platform for service and dialogue with customers and the general public, and enables us to listen and constantly improve for them. Hundreds of messages are received every day, including via Messenger, and processed by a dedicated team that responds and provides professional service within hours. Salient and recurring topics raised on social media are passed on to professional functions at the bank and to the Customer Insight Center, with the aim of improving processes and the quality of service. In 2020, during the coronavirus crisis, messages received via Facebook increased by approximately 500%. The messages mainly concerned the use of the bank's digital tools and the option to defer loan and mortgage payments.

### Facebook page of the bank in Arabic

Bank Hapoalim is the first and only Israeli bank to introduce an Arabic-language Facebook page. The content on the page parallels the Hebrew page, with adaptations to the activity and information most relevant to Arab society. Service on the page, which has drawn high satisfaction from users, is provided by Arabic-speaking bankers.

## 150 social media followers

**As of the end of 2020, the bank has 150,000 social-media followers.**

11. Due to a change in internal work processes pertaining to the categorization of complaints, principles for classification of a complaint as justified were updated and broadened.

# Financial inclusion

**Financial inclusion** refers to the accessibility to private individuals and business owners of financial products and services responsive and adapted to their needs, and 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.

A study by the World Bank<sup>12</sup> indicates that countries with broad financial inclusion have lower rates of social and gender inequality, and that access to digital financial services constitutes a higher level of financial inclusion, which should be aspired to as a goal. With the aim of providing meaningful value to its customers and making financial services and products accessible to all customers, the bank mapped the unique needs of various communities and sectors, in order to deliver an adapted response to each and help them grow and thrive, while making knowledge on astute financial behavior accessible to the entire population of Israel.

## Financial Growth Center



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 the general public nationwide free of charge. The work of the Financial Growth Center is conducted through advanced digital learning tools on a dedicated website, offering lectures by top speakers, interactive learning through family games, lesson plans for elementary and middle-school students, and more.

The materials at the center were developed with the academic oversight of Professor Zvi Eckstein, formerly deputy governor of the Bank of Israel, based on research and surveys of public attitudes towards economic issues, aligned with significant financial crossroads such as the growth of a family, taking a mortgage, career changes, pension planning, and more. The center's activities are based on collaboration with a range of professionals, within and outside the bank.

In view of the economic crisis of 2020, we prepared to expand the responsiveness of the center to the public by providing financial knowledge, tips, and tools for coping with the crisis and its effects, with an emphasis on astute financial behavior, entrepreneurship, digital marketing, transition to e-commerce, and more. In addition to the development of content and knowledge suited to the needs of this period, we organized rapidly to switch from in-person lectures to lectures and workshops conducted through digital platforms.

### Special activities of the Financial Growth Center in 2020

#### Tools and knowledge for small businesses and self-employed people coping with the crisis:

- ◆ We created an online repository of tips, videos, and articles on astute financial behavior during the crisis and the emergence from the crisis. This content is focused on marketing and sales promotion through digital channels, setting up a system for deliveries, use of digital assets, the importance of maintaining hygiene at businesses, tips for marketing on social media, and more.
- ◆ We offered digital courses for independent learning on the subjects of opening an online store, marketing on social media, steps for the creation of a successful business, and more. We also introduced comprehensive courses conducted via Zoom on marketing of businesses through digital channels. Participants received practical, applicable tools for the promotion of their businesses online during the pandemic, as well as instruction in marketing communications, building a landing page, and more. **Over 5,000 people participated in the courses.**



12. <https://www.worldbank.org/en/topic/financialinclusion/overview>



**Tools and knowledge for private customers and households:**

- ◆ We developed an online range of courses and videos on astute financial behavior during and after the crisis, including financial behavior with children.
- ◆ We offered various digital courses for independent learning, on subjects such as families resuming growth, budget management for beginners, capital-market trading, and more.
- ◆ We offered a series of lectures on astute financial behavior during the coronavirus crisis, accompanied by a chat for consultation with experts from the Paamonim Foundation and the Reshet television network.

**Financial education for children:**

- ◆ We developed a range of games on the subject of astute financial behavior, Enriching Parents classes, adapted videos, escape-room activities, and more. The games were designed to provide enriching content for children and parents during the lockdowns.
- ◆ We also held an online day camp, "Young Managers of Tomorrow," during the lockdown of March-April 2020. Participants learned about astute financial behavior from top experts at the bank. A total of **2,320 children participated in the camp.**



**Empowerment of women for financial independence:**

- ◆ We held a lecture for women aimed at promoting financial independence by providing pragmatic, applicable knowledge and tools for a more secure financial future.

**Tools and knowledge adapted for Arab society:**

- ◆ The Financial Growth Center website, including various content such as videos, guides, and articles, has been made accessible in Arabic. Various lectures were also held in Arabic in 2020, attended by thousands of people.

**2020 plans – planning vs. execution**

2020 plans	Status
Creation of partnerships with academia to expand the impact of financial education in Israel.	✓ <b>Completed</b> an ongoing process also continuing in 2021
Expansion of the range of digital content and activities offered, to expand spheres of influence.	✓ <b>Completed</b>

**LOOKING AHEAD**

- Instruction on astute financial behavior for various population groups in need of guidance and direction on financial subjects. The process will involve targeted training of university students, volunteers, and instructors (using a "train the trainer" system) who work with diverse communities to provide routine support.
- Continued development of content and tools for financial behavior adapted to Arab society.

**40**  
**thousand people**

Since the foundation of the center<sup>13</sup>, over 40,000 people have participated in approximately 800 lectures and digital courses, of which 20,000 in 2020. 70% of the lectures were on subjects related to the financial management of households, while ~30% concerned subjects relevant to small businesses.

**over 1.5**  
**million people**

have viewed digital content on the Financial Growth Center website, in Hebrew and Arabic.

**~400**  
**digital learning content items**

are available to the general public on the Financial Growth Center website, including articles, videos, tutorials, digital courses, and more, on subjects such as household expense management, financial education for children, pensions, the capital market, mortgages, business management for the self-employed, and more.

**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. The Poalim Digital Independence project, launched in 2018, was expanded in 2019-2020 to reach thousands of senior citizens. This effort, led by the Social Banking Center, involves 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.



**8000** **senior citizens participated in forty courses in 2020**

**Comprehensive support and education for senior-citizen customers**

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

- ◆ **Senior citizen digital literacy instruction courses** - Courses offered free of charge for senior citizens, consisting of six to ten sessions (according to the customer's level of knowledge), on safe browsing and digital banking. The courses are taught by professional instructors

in small study groups of up to twenty participants, in order to allow individual hands-on experience in a learning-promoting environment, while also creating a supportive community and a wider network of relationships. At the outbreak of the coronavirus crisis, we converted courses taught in person to instruction via Zoom, with individual guidance for participants on the use of this platform. Many users stated that following the course they felt safer in independently carrying out a range of banking activities digitally, and that the experience they gained in the use of Zoom during the course also served them to connect with family. Further, they grew

more aware that digital platforms made the bank available to them 24 hours a day, seven days a week.

- ◆ **Digital Cafe** - Instructional sessions on online banking for senior-citizen customers, held at bank branches in the afternoon, in an informal atmosphere. Participants were introduced to the bank's digital platforms and given instruction manuals, passwords and user names, and information and tools to help them practice basic account management. **From the beginning of 2020 to the outbreak of the coronavirus crisis, 21 sessions were held at branches, with 840 senior citizens participating. After March, the Digital Cafe was converted to an online format.**

<sup>13</sup>. Figures refer to the activity of the Financial Growth Center since it opened in 2018



◆ **Manual on the use of digital tools –**

We produced a manual for our senior-citizen customers on the use of the bank’s digital tools. The manual was distributed to customers and in newspapers.

◆ **ATM instruction manuals –**

We produced printed manuals for customers who find reading and writing difficult, describing the use of an ATM in visual form, through screenshots in Hebrew, Arabic, and Russian.

◆ **Content for practice and hands-on experience from home –**

We launched a content site under the heading “Poalim Digital Independence,” which allows users to register for courses and offers a range of tools for practice at home:

◆ A practice environment for experiencing simulations of the use of an ATM, without performing transactions that may place users’ money at risk.

◆ A digital course consisting of 25 short instructional videos in several languages (Hebrew, Arabic, and Amharic), in which senior citizens demonstrate various bank-account transactions step by step, in simple and clear language.

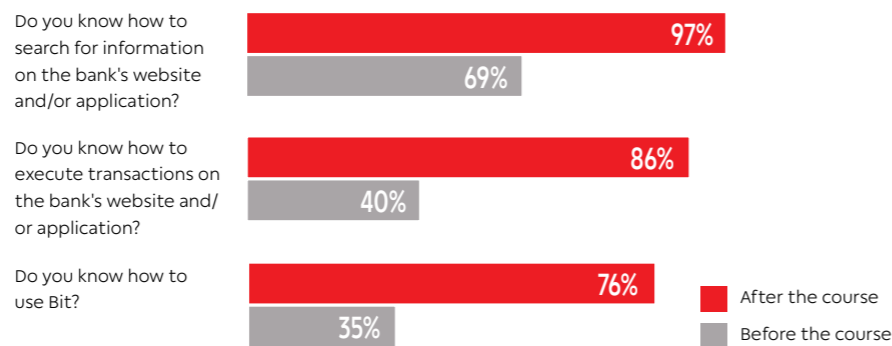
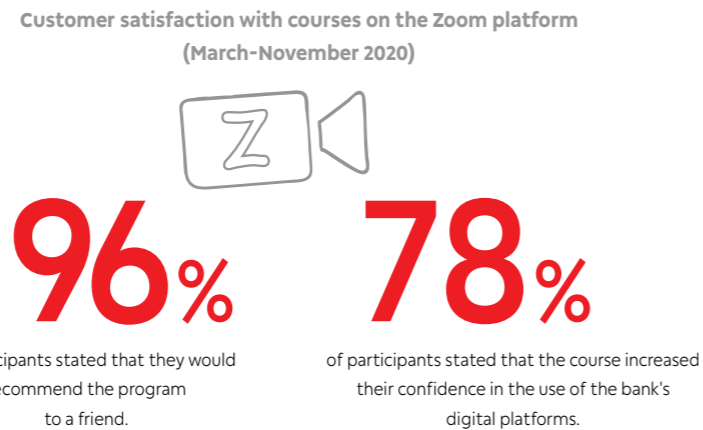
◆ Instructional manuals in simple, user-friendly language, with illustrations and images from the bank’s website, application, and ATMs. The manuals were distributed at branches and during various educational activities.

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

◆ 96% of participants expressed satisfaction with the activity and stated that they would recommend the program to a friend.

◆ 78% said that the course increased their confidence in the use of the bank’s digital platforms.

◆ 86% of the participants stated that they knew how to carry out transactions on the bank’s website and application, versus 40% at the beginning of the course.



**Service adapted for senior citizens**

◆ **Dedicated rapid call center –** We introduced a call line exclusively for customers above the age of 65, which provides a rapid human response by a banker within approximately ten seconds. This is an extended implementation of the Senior Citizens Law, which mandates the provision of public services without queues for customers above the age of 80.

◆ **Mobile branch –** The mobile branch of the bank visits forty towns across Israel to deliver banking services to remote communities, or to people who have difficulty reaching the bank’s branches, and to supply mobile-banking services to the general population during emergencies. The mobile branch visits residential care facilities and day centers for the elderly each month. At the outbreak of the coronavirus crisis, this service was expanded to three mobile branches and additional service points were added, according to the need for banking services at residential care facilities and day centers for the elderly across Israel, in collaboration with the Bank of Israel and the IDF Home Front Command.

To help senior citizens cope with the challenges involved in receiving banking services, we formulated a voluntary compact, in cooperation with the Ministry of Social Equality, the Banking Supervision Department, the Association of Banks, and the banking system, for the accessibility of banking services to senior citizens during the coronavirus pandemic.

**2020 plans – planning vs. execution**

2020 plans	Status
Expansion of the Poalim Digital Independence initiative.	✓ Completed
Expansion of mobile branch services.	✓ Completed

**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, which when realized will contribute to higher work productivity and better quality of life for the population of Israel as a whole. We work to promote growth in Arab society in various areas of life, taking into consideration the barriers and challenges this community faces, with the aim of supporting its many positive developments. We have developed unique value offers and made all of our services accessible in Arabic; in addition, we have a broadly deployed network of 22 branches in Arab towns and twelve branches in mixed towns. We also conduct targeted activities to support the financial development of students, women, small-business owners, and more. In 2020, our activity in the Arab community was aimed at responses to the economic challenges brought on by the coronavirus crisis, as well as to other specific needs that emerged during the year.

**We launched a new Arabic-language website in 2020, and produced practical guides and instructional videos in Arabic for senior citizens on the bank’s digital services. We also provided instruction to 2,700 senior citizens who participated in a course on digital banking led by the Social Banking Center.**

**Mortgages – guidance in buying a home**

A research report on the mortgage<sup>14</sup> market by the Bank of Israel indicated that the Arab sector accounted for only 2% of this market. Following this finding, we began an in-depth study of the causes and factors of this situation, and identified concerns in Arab society over a long-term mortgage on a family home, arising from a lack of awareness of the available options for financing. These concerns may lead to the selection of short-term financing options that impede repayment and can lead to financial and social difficulties.

**The drive to promote and improve accessibility of mortgages in Arab society, which began in 2019, expanded in 2020:**

- ◆ We conducted a survey to understand the unique needs of Arab society in the area of mortgages.
- ◆ We held a conference for winners of Israel Land Authority land auctions.
- ◆ We held a national conference for professionals in the field of housing and mortgages.
- ◆ We launched an extensive special campaign to raise awareness of mortgages, led by a business coach well known in the Arab community.
- ◆ We continued to operate a dedicated mortgage unit at the Nazareth branch of the bank, consisting of employees from the Arab community, primarily serving residents of northern Israel.
- ◆ We improved and expanded the terms of a unique product offering a solution for cases in which a home is purchased or built on land with multiple owners, requiring less collateral. Examples include larger loan sizes, longer periods, and more.

14. For the full study, see the Bank of Israel website, at <https://www.boi.org.il/he/NewsAndPublications/PressReleases/Pages/21-1117.aspx>.



## Activities to benefit Arab students

- ◆ **Scholarships** – To encourage higher education, we maintain long-term collaborations with several non-profit organizations in the Arab community. In 2020, in collaboration with the non-profit Amanina, we provided fifty scholarships to students who volunteered in the community in return. The students completed a course on family budget management and digital banking, and volunteered as mentors on astute financial behavior for Arab families. In a similar collaboration with the Nazareth Foundation, students received scholarships and volunteered to guide high-school students in the eleventh grade on astute financial behavior.

- ◆ **Joint program with Bokra** – The collaboration with Bokra, a well-known and popular Arabic website, which has been ongoing for several years, switched to a Zoom format this year due to the pandemic restrictions. To gain an understanding of the needs of Arab students and provide suitable responses for them, the host of the program and a representative of the bank interviewed students from eight college campuses across Israel to discuss the financial challenges they face, particularly during this complex year.

## Promoting economic growth and employment in the Arab community

We conduct regular activities in the Arab community aimed at promoting growth and economic development, with an emphasis on women. Events and activities within this goal in 2020 included:

- ◆ A tour of Arab communities by the chairman and members of the board of directors (before the coronavirus outbreak), including meetings with key businesspeople and community leaders, to hear about unique challenges and promote solutions together.
- ◆ A conference for women on family budget management, in collaboration with the Financial Growth Center.
- ◆ Sponsorship and participation in the Women and Business Convention and in a conference encouraging employment of women.
- ◆ Interviews in honor of Women's Day with leading Arab women managers at the bank, published in Arabic-language media.
- ◆ A six-month course attended by fifty non-profit organizations, sponsored by the bank, as part of the Erech Laderech initiative in the Arab community. The course provided non-profits with tools for fundraising and business initiatives, aimed at helping them diversify their revenue sources and create an independent revenue-generating arm.
- ◆ A program sponsored by the bank, attended by seventy students and members of academia, for hiring of Arab degree holders at leading high-tech companies.

### Employment Excellence

As part of its activity promoting employment and leadership in Arab society, the bank sponsored this program for outstanding Arab students, in collaboration with the non-profit organization Kav Mashve. Within the program, ten student clubs were established, with the aim of supporting optimal inclusion and absorption of Arab young people in the job market and forming meaningful connections between them and leading businesspeople. The clubs established include the Biotech Club (Technion), the Civil Engineering Club (Technion), the Economists Club (Tel Aviv University), the Accountancy Club (Hebrew University), the Law Club (Haifa, Tel Aviv, and Hebrew Universities), the Human Resources Club (various campuses), the Engineering Club (Ort Braude), and the Computer Sciences Club (Haifa University).

## Activity to support the growth of small and mid-sized businesses

In response to the challenges and needs of small businesses during the coronavirus crisis, we launched a radio program sponsored by the bank, called "Help Your City." Over twenty days of broadcasts, we visited a different Arab town each day and heard from the heads of the local councils about their activities for the benefit of the town's small businesses. The program also hosted financial experts from the bank, as well as external consultants, who offered advice on adjustments recommended for businesses to navigate the crisis.

## Activity for the community

- ◆ The Read and Succeed program was held in the Arab sector for the tenth consecutive year. In 2020, the traditional large book fairs were replaced by activities in the virtual sphere. In collaboration with a publisher, we created a free digital library of fifty children's books, to encourage reading and help pleasantly pass the long hours children spent at home. **The books were read by a total of 48,000 children.** The bank also held the Young Author competition, for the fifth consecutive year, aimed at boosting children's creative-writing skills. Hundreds of children and adolescents from every part of Israel submitted their original stories to the competition, and representatives of the bank presented the contest winners with gifts and certificates of appreciation.
- ◆ We launched the course "Managers of Tomorrow," in Arabic, via Zoom, in collaboration with the Financial Growth Center. In the three-day course, bank employees conveyed content on astute financial behavior to seventh and eighth-grade students. **400 children participated in the course.**
- ◆ With the non-profit organization Unistream and the social organizations Mona and Desert Stars, we ran projects for the development and empowerment of entrepreneurship and leadership among adolescents and students.
- ◆ During the coronavirus crisis, we joined with local community organizations to help reduce the shortage of home computers, and donated hundreds of computers to students and families in need.
- ◆ Within the partnership of the bank with the Arab community, we hold holiday celebrations each year with local communities. In 2020, in view of social-distancing restrictions and the many societal needs that emerged as a result of the coronavirus crisis, we distributed 150 food packages to people in need, in collaboration with the non-profit organization Amanina, and donated to three hospitals in Nazareth.



## 2020 plans – planning vs. execution

2020 plans	Status
Continued proactive activity in the area of housing finance solutions, promotion of small businesses, and encouragement of higher education for the Arab community.	✓ Completed



## Supporting 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 bank respects ultra-orthodox lifestyles, and has adapted branches serving predominantly Haredi customers to this segment, in terms of the appearance of the branch, the videos played on screens, and the marketing materials displayed.

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

Due to the restrictions during the pandemic, the workshops targeted to the ultra-orthodox community on astute financial behavior, which we offer annually, switched to an online format. Many in the ultra-orthodox community do not have access to computers or to the Zoom platform, which led to a substantial decrease in volume in the workshops targeted to them. The Wise Living project, aimed at fostering deeper awareness of the importance of astute financial behavior in ultra-orthodox society, was held for the sixth year. Within the project, tools and knowledge on astute financial behavior are published in the newspaper Hamodia each week. In addition, ultra-orthodox families participated in weekly financial advising sessions (via Zoom) with expert consultants who monitored and guided them on their finances.

In early 2020, we initiated a collaboration with Bizmax Jerusalem and Achim Center in Bnei Brak, which offer cooperative work spaces serving ultra-orthodox entrepreneurs. The bank provided workshops on financial subjects and value offers adapted to the needs of small businesses; however, the project was halted due to the coronavirus outbreak, and we aim to restart it in 2021.

### 2020 plans – planning vs. execution

2020 plans	Status
Collaboration with Bizmax Jerusalem and Achim Center in Bnei Brak – shared work spaces offering comprehensive support to ultra-orthodox entrepreneurs (men only) in Bnei Brak and Jerusalem. The bank will provide lectures on various financial subjects, as well as value offers tailored to small and mid-sized businesses.	Held in the first quarter, but postponed due to the coronavirus outbreak.
Individual financial guidance for families who need to improve their financial situations, through a collaboration with the Belz Hasidic dynasty. Sixty families will work directly with a professional consultant for a year; 250 additional families will receive guidance through an innovative online platform supporting astute financial behavior.	This project was postponed due to the coronavirus outbreak.

### LOOKING AHEAD

- Adaptation of Financial Growth Center website content to the needs, characteristics, and sensitivities of ultra-orthodox society.

## Accessibility for customers with disabilities

About one and a half million people with physical, mental, and/or cognitive disabilities live in Israel, or approximately 18% of the Israeli population<sup>15</sup>. 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 make the bank's buildings and services accessible, we are committed to contributing our share to making 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, as independently as possible, while protecting human dignity. 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.

In 2020, we wrote a comprehensive policy paper on accessibility at Bank Hapoalim. The document organizes all of the relevant information and the responsibility of each



unit of the bank for accessible customer service, in terms of the physical accessibility of buildings as well as the accessibility of our services at bank branches and through the bank's website, application, self-service stations, and call centers. All units of the bank were advised of the policy document, which was also posted on our intra-organizational portal.

### Accessibility of branches and buildings

As of the end of 2020, all of the bank's premises are accessible, with the exception of one branch. The Equal Rights for Persons with Disabilities Commission at the Ministry of Justice has been apprised accordingly. Due to an unforeseen delay in the receipt of construction permits from the municipality, full accessibilization has not yet been completed at one branch. An expanded emergency program has been implemented as an interim solution at this building, with the guidance of the Access Israel Foundation. The emergency program includes establishment of accessible stations in each department, for every type of service, on the accessible ground floor of the branch; accessible restrooms; and accessible entryways and passages.

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



**Every accessible branch has:**

- ◆ Convenient accessible entry.
- ◆ Accessible passages – wide and obstacle-free.
- ◆ Signage in compliance with legal requirements.
- ◆ Accessible furniture.
- ◆ Accessible restrooms.
- ◆ At least one accessible ATM.
- ◆ **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. In 2020, we upgraded the Step Hear systems at all branches of the bank, with devices replaced and adapted for customers who use the Step Hear application.
- ◆ **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.
- ◆ Branches with more than one floor have elevators, wheelchair lifts, or elevating platforms.
- ◆ 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 handles, 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 quarterly monitoring of accessibility status according to parameters established by accessibility managers 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 system 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 application to report a problem or lack of physical accessibility; reports are conveyed directly to the relevant party.

### 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 application 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 visual 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 added a guide on carrying out the most common transactions using screen readers to the bank's website, to assist customers with visual 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.
  - ◆ **Translation into sign language** – 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 at branches** – In 2020, branches could only be visited by advance appointment, in line with COVID-19 regulations. Customers with disabilities were exempted from the regulations and could visit branches freely, without scheduling in advance.
- ◆ **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.
- ◆ **Mail-to-fax service** – Customers with disabilities can send instructions and documents to the bank by attaching a file to an e-mail, as a substitute for the fax service or the call center.
- ◆ **Fee discounts.**
- ◆ **Card-free cash withdrawals via text messages sent to the customer's mobile phone.**



A picture from the post on the bank's Facebook page

**In order to raise awareness of the inclusion of people with disabilities in society, we wrote a post on the bank's Facebook page calling on the public to post pictures demonstrating the words "I love you" in sign language. The post drew hundreds of thousands of views and hundreds of touching replies. For each picture shared by users, the bank donated NIS 200 to the non-profit organization shema, a total of NIS 50,000.**

**Several steps were taken in 2020 to raise customers' awareness of the accessibility features at the bank:**

- ◆ Accessibility features were posted on the bank's website.
- ◆ Accessibility features were presented at conferences of relevant non-profit organizations, such as the Access Israel Foundation.
- ◆ With the assistance of the Center for the Blind, we informed customers with vision disabilities of the instruction manual posted on the bank's website for transactions using screen-reader technology.
- ◆ We participated in the podcast "Technology and Accessibility," part of the Making History series hosted by Dr. Yuval Dror.

**International Day of Persons with Disabilities** – The bank marks this day in recognition of the importance of supplying accessible, adapted service to customers with disabilities and the aspiration to raise awareness of this issue. In 2020, we held a conference on this day with non-profit organizations promoting equitable and diverse employment.

**Banking products to encourage accessibility in Israel**

As part of our commitment to the promotion of accessibility in Israel, we have developed dedicated banking products in the areas of credit and savings, and adapted additional 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, and a targeted loan with preferred terms for making businesses accessible. Through these efforts, we help small businesses comply with legal accessibility requirements,

while gaining the added value of a wider audience.

**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, drawing in 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, training and instruction of employees to provide accessible service are 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 accessibility and adapted tools at the bank; fundamentals of service for people with disabilities; and information about the accessibility of the bank's website. All employees of the bank also participate in training on this subject through tutorials, live instruction, and practice through simulations at the Poalim Campus. The innovative simulation setup improves employees' familiarity with the accessibility means available at the bank, demonstrating the use of accessible

desks, Inductive Loopset devices, and Call Hear devices.

To improve employee training, we produced three instructional videos demonstrating adapted service to be provided to customers with disabilities. Customers with disabilities of vision, hearing, and mobility participated in the videos. The videos were posted on the accessibility page of the bank's portal and included in the accessibility tutorial completed by all of our employees.

**In 2020, we held workshops for employees to become familiar with the world of sign language and learn basic concepts in Israeli sign language.**

**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 for the third time in 2020; surveyors used questionnaires developed at the bank to rate the level of accessible service at the various branches. The key findings are presented to the management of the Retail Banking Division each year, and embedded in cross-division work plans.

**plans – planning vs. execution 2020**

2020 plans	Status
Submission of the Accessibility Report to the Commissioner of Equal Rights for Persons with Disabilities.	✓ Completed
Completion of full accessibility at all premises of the bank.	As of the end of 2020, one remaining branch is still undergoing accessibilization.

**LOOKING AHEAD**

- Completion of full accessibility at all premises of the bank.
- Improvement of service provided in writing to customers with hearing disabilities.

**Economic empowerment of women**

Bank Hapoalim is committed to the economic empowerment of women, through support for women's employment initiatives in the towns of Safed and Ofakim and for the WIZO women's job fair, and through assistance for over 200 women small-business owners aimed at growth of the business, in collaboration with the non-profit organizations A Business of Your Own and Jasmine. In light of the rise in domestic violence cases, the bank made a public statement on this subject and supported the Naamat organization's campaign, under the heading "Not all is well," to raise awareness and help eradicate domestic violence. The bank also donated hundreds of thousands of shekels to crisis centers and shelters for women who have suffered abuse.



**Available Banking Compact**

The banking system has established a compact for appropriate treatment of women who have experienced abuse and are staying in shelters or halfway houses. The compact was formulated by the Banking Supervision Department, in light of the understanding that women in this situation struggle to manage their finances, and that in the absence of solid 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 relief on payments, spreading out payments on debts, and more. The number of requests for this service increased significantly in 2020, compared with 2019. The Ombudsman Unit responded to dozens of requests from women who have suffered abuse, on subjects such as opening an account, spreading debt payments, loans, and more.



# Value-Creating Innovation

## Value-Creating Innovation

Bank Hapoalim sees technological development as an opportunity to proactively create advanced financial products and services for its customers, while stimulating innovation in the Israeli economy in general and in the banking system in particular. Innovation at the bank is led by the Innovation and Strategy Division. The core activity of the division is the creation of an advanced, innovative user experience in the digital banking channels, and initiation of banking value offers based on customers' needs, allowing banking activity to be conducted from anywhere, at any time.

New products we develop are tested in the division's User Lab as early as the planning and development phase, to ensure that they are user-friendly and meet our customers' needs. Usability testing is also performed throughout the lifetime of a product, to ascertain that it still delivers an optimal response. In 2019, we established the Digital Business Client Council, to enable the bank to listen to customers' voices, receive suggestions for improvement, and assess satisfaction with existing products and services.

### Innovation in products and services

#### Bit application

The Bit application provides customers of all banks with an easily available technological solution for everyday payments to other people, transferred securely through a quick and simple user experience. Launched just four years ago, Bit is the most popular payment application in Israel. Bit continues to evolve according to needs that emerge from the market, expanding the range of payment options for customers of a growing number of companies and businesses.

**4.6 million downloads of the Bit application**  
(as of the end of December 2020)

While the application has gained sophistication and its range of services has developed, it retains its fundamental characteristics of simplicity, convenience, and speed. Today, a substantial number of Bit users are over the age of sixty, demonstrating that the user experience is suitable for people of all ages.





In 2020, we continued existing collaborations and created new strategic collaborations with companies and organizations in various fields, including insurance and pensions, retail, transportation, and small businesses:

◆ **Bit for insurance and pensions -**

Within a collaboration with several of the largest, leading insurance companies in Israel, their customers can now receive payments from these companies through Bit, easily, simply, and quickly. A collaboration with Amitim Pension Funds allows members of the eight pension funds under its management to redeem monies into their accounts using Bit. This is the first and only partnership in Israel allowing pension funds to transfer money to members using an Israeli payment application.

◆ **Bit for retail -**

Bit allows customers to pay a range of businesses through their online sales platforms, simply and quickly, without the need to enter their credit-card information. In 2020, companies and businesses in various fields (consumer goods, food, leisure, retail, and service providers) joined this service and added the option to pay for products and services using Bit to their applications or websites, so that customers do not need to enter their credit-card information. This solution has become especially relevant during the coronavirus crisis, as customers prefer to avoid contact during payment to the extent possible.

◆ **Bit for small businesses -**

Through a collaboration between Bit and various aggregators, small-business

owners and self-employed people who are customers of any bank can now receive payment for their products and services via the aggregator service. This option became highly relevant during the pandemic, as it allows remote payment to businesses that do not have a website and is performed without contact (without the use of a credit card or cash).

◆ **Bit for donations to the community and to non-profits -**

Bit endeavors to increase community donations by integrating innovation with social value and giving, making the act of donating simpler and quicker. Together with the Social Banking Center, Bit promotes collaborations with a range of non-profit organizations in which the application serves as a channel for direct donations, allowing customers to easily transfer money to the organizations. In 2020, we continued to use Bit to respond to a range of community needs, which were heightened by the pandemic; the application was a leading platform in nationwide drives to raise donations. For further information, see the Community chapter, page 58.

**Bit has earned recognition in Israel and internationally:**

- ◆ Won the 2020 Consumer Choice Product of the Year award.
- ◆ Won the Effie competition in the digital product category.



◆ **Bit has also gained international recognition:**

- ◆ Placed first in the PayTech Awards competition in London in the categories "Best payment initiative for businesses" and "Best interface," competing with world leading banks and fintech companies.
- ◆ Named Best Banking App in the Challenger Awards competition in New York, where the key parameters to win were creativity, innovative thinking, and maximizing value for customers.

In early 2021, we launched the Bit contactless NFC-based payment service for stores (the Bit Wallet), and the Bitcard – a credit card issued by Israel Credit Cards (ICC) and offered to Bit customers.

The Bit Wallet is quick and simple to use. Customers just tap their smartphone to the sales terminal; there is no need to remember a credit-card code and no contact. The Bit application makes it possible to perform all payments in one place, and provides customers with a display of all of their credit-card expenses, including those made through contactless payment.

The Bitcard (issued by ICC) can be ordered directly from the Bit application and used immediately within the application, in addition to the physical use of the card.



300 million visits to the digital channels

Customers' use of the digital channels at the bank grew significantly in 2020, due to the pandemic. The digital platforms of the bank offer advanced services adapted to business and private customers, with a range of smart tools to support financial decision-making.

**The Bank Hapoalim application**

In 2020, we launched the Bank Hapoalim application. The new application provides easy banking, integrating the most advanced technological capabilities with an individualized user experience, up-to-date appearance and language, an advanced user interface, targeted value offers, and guidance for customers in making informed financial decisions.

It is our ambition for the bank's application to serve as a smart partner for our customers, at their side in every financial decision. During the year we held customer meetings, focus groups, and customer journey studies, aimed at listening to our customers and gaining a full understanding of their expectations for the application. The insights obtained from customers enabled us to revamp the application and further develop components so that it responds more precisely to their needs and allows personalization. The renewed application presents users with the information most relevant to them, in a convenient and clear form, and offers new options for transactions, such as setting up a standing order or an account debit authorization, and more. The emphasis is on pleasant, innovative visual language and a simple and enjoyable customer experience.

**Innovation for private customers**

**The Bank Hapoalim website**

The website, launched in a new configuration on an advanced platform in 2020, provides information and tools to support informed financial decision-making and astute financial behavior. The website presents seven key financial content areas, and a new advanced search engine, making it easier for customers to locate necessary information. In 2020, channels for written communications through the website were expanded, and options were added for orders and inquiries, as well as for sending requests directly to a banker. This feature can eliminate the need for customers to send a fax or physically visit a branch for transactions that cannot be performed directly using the website.

We also launched new banking content sites in 2020, presenting information and tools adapted to the needs of retail-banking customers, business clients, and customers of the Arab sector. These sites won an award in the 2020 IT Excellence awards by the People and Computers portal.

During the coronavirus crisis, we issued a manual on performing key digital-banking transactions, in Hebrew and Arabic, to raise awareness of the range of digital tools available and of how to use them. We also led a series of processes in the digital channels and developed features to enable customers to continue to operate their accounts remotely, using the bank's website. This included an option to defer payments on existing mortgages and loans, and to sign loan documents without visiting a branch after approval of the credit application by a banker.



**Opening a bank account from anywhere, at any time, with the Poalim Open application**

The ability to open a bank account digitally, at any place and time, without the need to contact a banker or call center, was expanded to youth customers in 2020 (ages 16-18). Opening an account is convenient and simple; customers take a facial photograph of themselves (a "selfie") and the information is verified online. The service is based on innovative facial recognition technologies, derived from the defense industries, which meet the strictest standards of information security.

This service was expanded to youth customers following focus groups that gave rise to several important insights: young people aspire to independence in managing their finances, and they want to ensure that their money is kept at a banking organization they can trust. Many young people also begin working at sixteen, and opening an account gives them a sense of security and control over their expenses, as the bank does not permit their accounts to become overdrawn. After opening an account digitally, customers can access services through any of the bank's channels.

**Within our commitment to the community, we initiated a new endeavor in which customers who opened an account using the Poalim Open application were invited to choose a social cause that they care about, and the bank donated NIS 50 in their name. Donations were transferred to the organizations selected by customers through the Round Up Foundation.**

**Innovation for capital-market customers**

Our customers' capital-market activity grew immensely in 2020. Transactions on the capital market grew by 91% compared to 2019, with more than 80% executed through digital channels.

The capital-market trading application allows customers to obtain market updates and continue their activity when they are not at a computer. The application allows users to search, buy, and sell securities easily and quickly, and provides a visual display of the development of the portfolio over the course of the trading day. The application also offers the innovative Smart Advice service, which assists customers with informed investment decisions. Users receive personalized investment recommendations from their investment advisor through alerts sent directly to their mobile phones.



**Smart Advice won the 2020 Product of the Year Award- Consumers' Choice, in the Investments category.**

**Innovation for business customers**

We understand that our business clients need fast, accessible, innovative solutions that enable them to invest most of their time in managing their businesses. This awareness was heightened during the pandemic, as business owners had no choice but to adapt their work processes to maintain business continuity. The digital banking channels, which make it possible to maintain continuous financial activity, 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. In 2020, over 250 improvements and new features were added to the business website. A new website was also launched for the general public, offering a simple and user-friendly search engine covering information about our products and services targeted to business customers.

**Innovation in guarantees**

**Digital guarantees**

Bank Hapoalim is the first bank in Israel to lead the transition to digital guarantees. Guarantees are an area of traditional banking that involves complex bureaucratic procedures. In the ambition to save precious time for customers, beneficiaries, and branch bankers, we developed a digital bank guarantee issuance procedure with electronic signatures, which can be carried out at any place and time without dependence on a banker and without the need to visit a branch to collect the guarantee. This is important news for business customers, who require bank guarantees in various situations (tenders, contracts, agreements, and more), and can now manage large numbers of digital guarantees with ease and convenience. The procedure also provides added value to beneficiaries, who may not be Bank Hapoalim customers, in that they can now receive the guarantee directly via e-mail and easily save it. In 2020, we expanded and improved this service, which was introduced in 2019, making the process fully digital, from the initial application to requests for extension of a guarantee by a beneficiary, all through a simple and convenient contactless procedure on the bank's website, without unnecessary paperwork.





**Beneficiary network with TCS**

Bank Hapoalim, with Microsoft and TCS, has launched Israel's first national digital guarantee network, based on blockchain technology. Bank Hapoalim is the first bank in Israel to apply this new technology. The use of blockchain ensures maximum compartmentalization during information transfers among the parties (issuers and beneficiaries). TCS is building and operating the system, which runs on the Azure cloud platform by Microsoft. The network will allow all issuers of guarantees in the Israeli market to communicate, in fully digital format, with guarantee beneficiaries, from government ministries and public institutions to companies, corporations, small businesses, and private individuals. Beneficiaries will be able to see and manage all guarantees issued to them in fully digital form, without the need for paperwork or human interaction with bank branches.

The new network will benefit all parts of the value chain. For customers, delivering a guarantee to a beneficiary will become far simpler and easier, while beneficiaries will be able to manage all of their digital guarantees in one place. The network will also assist in the analysis of information, provide advanced reports, and offer a simple channel for communication and requests from issuers, without the need to contact each issuer separately.

**Cash Management – an up-to-date overview of all of the accounts of a business**

A key challenge in managing the finances of a mid-sized or large business is monitoring several different bank accounts, including accounts of subsidiaries, which may be located in different countries. In response to this challenge, we embedded the Cash Management service in the bank's

website. This service enables business customers to view all of their asset and liability balances – credit, deposits, guarantees, securities, etc. – in all of their accounts, at banks in Israel and elsewhere, on one screen.

The service helps finance managers see the bigger picture and make informed decisions in real time, while saving costs and time. It also offers a module designated for cash-flow forecast management, which allows users to view future transactions and monitor overall activity on a daily basis.

**2020 plans – planning vs. execution**

plans 2020	Status
Continued leadership of the payment revolution in Israel – Bit for businesses.	✓ Completed
Continued rapid transition of customer activity to advanced digital banking available 24/7: Launch of a new groundbreaking mobile application for private customers, developed based on in-depth understanding of and comprehensive responsiveness to their needs, which will allow millions of customers to manage their banking activity in its entirety with ease, convenience, and simplicity.	✓ Completed
Development of digital solutions to maintain continuous financial activity during the coronavirus crisis, through the launch of financial products and services and expansion of channels for communication with bankers.	✓ Completed

**LOOKING AHEAD**

- Expansion of digital guarantees to encompass real estate; launch of a fully digital procedure for Sale Law guarantees.
- Launch of new digital services to assist customers in financial decision-making.
- Improvement and expansion of means for communication with customers, to respond in the way most convenient for them.
- Development of advanced responses for the capital-market trading needs of various customers.

**Poalim High Tech**

The Poalim High Tech program was established in 2015, with the aim of delivering an adapted and professional response to the needs of the high-tech industry, from the initial stages of a start-up company to advanced stages of growth. The Poalim High Tech network has locations at ten of our branches nationwide, from Nazareth to Be'er Sheva. The network is based on the Platinum model, in which every start-up is assigned its own banker. We offer a broad range of services and products tailored to start-up companies, based on an in-depth understanding of entrepreneurial needs, language, and DNA. Services include individualized guidance during routine operations, connection to the dealing room, credit solutions, tailored deposits, international banking services, direct banking, connections to investors, and more. In 2020, the High-Tech Business Center, specializing in services and financing for growing companies, was established within this network.

Beyond the banking solutions we provide, the Poalim High Tech network continually endeavors to promote the Israeli high-tech industry through a range of collaborations with dozens of industry players, and by initiating events, advising start-ups, leading entrepreneurship competitions, and more. We enhance value for the entrepreneurial committee through the following activities:

- ◆ **Meet-ups and conferences** – 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.
- ◆ **Mentoring and advisory services** – Provided to entrepreneurs free of charge, including advisory meetings and connections to investors.
- ◆ **Guidance for accelerators** – The Poalim High Tech team provides guidance and support to dozens of accelerators. Within this activity the team participates in company screening processes; gives lectures on recruiting investors, financial management, and more; and advises entrepreneurs in various programs.
- ◆ **Investment in venture-capital funds** – The Poalim High Tech team leads a program for investment in venture-capital funds, aimed at expanding the sources of financing available to the industry. Money is invested in dozens of funds that invest in start-ups at various stages in the growth process, and a strong matrix of relationships is maintained with fund managers.



**4,500 start-ups**

The bank has provided guidance for business growth to over 4,500 start-ups and high-tech companies.\*

\* Since the foundation of the High Tech Unit in 2015.

**Accessibility Section at the 8200 Accelerator**

Within the bank's promotion of technological entrepreneurship creating shared economic, environmental, and social value, we have worked for several years with the 8200 Alumni Association, which supports early-stage technology ventures, focusing on solutions for social problems. The Accessibility Section was established within the accelerator in 2019, in collaboration with the Social Banking Center and with financing from Bank Hapoalim, as part of a broad effort by the bank to mobilize the high-tech and entrepreneurship industry in Israel to contribute to society, with an emphasis on accessibility. In the second session of the Accessibility Section, in 2020, 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. These initiatives were chosen from among hundreds of applicants by a team of judges consisting of representatives of Bank Hapoalim, 8200 alumni, leading venture-capital funds, and large Israeli technology firms:

- ◆ **Soul Bird** – Developing a platform for remote diagnosis, to help health-care systems shorten the time to diagnosis of autism in children.
- ◆ **Sign Now** – A digital platform making sign-language interpretation accessible at any place and time through a video call with a sign-language interpreter.
- ◆ **XSible** – Developing an application for mapping accessible places using government information and information supplied by users.

Each of the three winning initiatives received professional consultation and a monetary grant from the bank.



# Responsible Action to Benefit Society and the Community

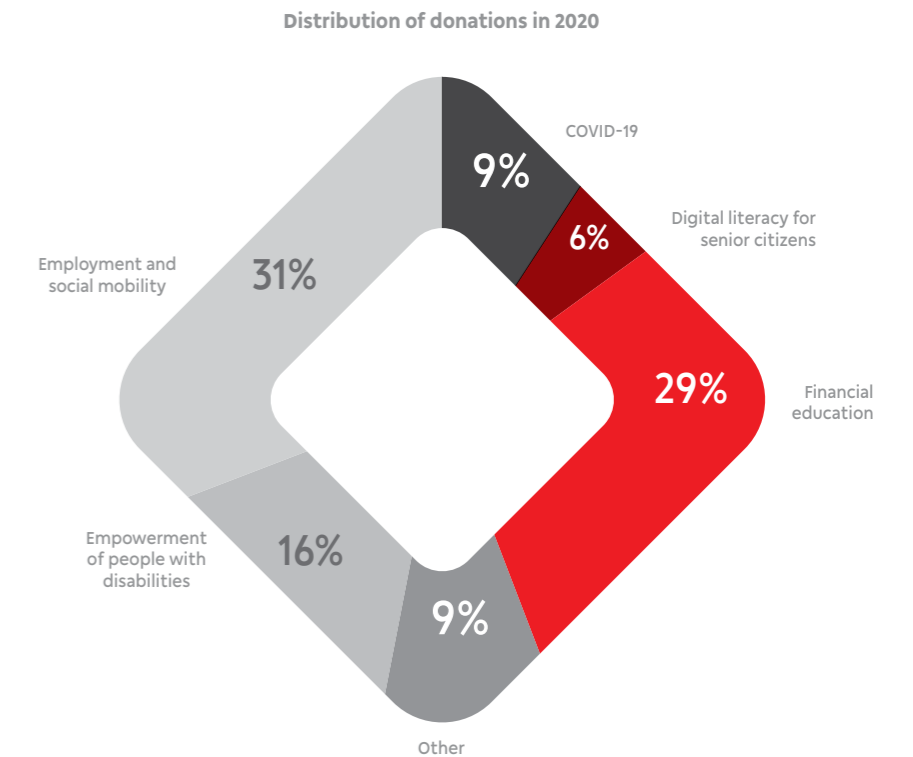
Bank Hapoalim has been committed for years to the promotion of the society and community of Israel, alongside its business activities, and has worked to reduce inequalities and assist disadvantaged segments of society.

Based on this approach, the Poalim in the Community Foundation supports hundreds of initiatives aimed at bolstering employment, education, and financial resilience and reducing inequalities among thousands of adults, children, and adolescents in every part of Israel. This extensive activity is conducted through partnerships with social non-profits and organizations and public and government institutions, and takes the form of community engagement, monetary donations, and money-equivalent contributions.

**NIS**  
**50.5**  
**million**  
in donations by  
Bank Hapoalim in 2020<sup>8</sup>.

Bank Hapoalim was voted the leading organization in social action and contribution to the community, of all business organizations in Israel, in a survey conducted by C.I in November 2020\*.

\* The survey included 3,300 participants.



8. Includes an investment of NIS 19 million from the Peretz Naftali Foundation, NIS 6.5 million in the Financial Growth Center, and NIS 1 million from the Shared Value Foundation.

## Social investment strategy

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

- ◆ Employment and social mobility;
- ◆ Empowerment of people with disabilities;
- ◆ Financial education;
- ◆ Digital literacy for senior citizens.

In every activity, we aim for the beneficiaries of our support to 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 create an impact that changes reality for wide circles of Israeli society.

Our employees and customers are also involved in choosing the social causes promoted by the bank. In 2020, employees chose the social causes most important to them in a survey on the bank's portal. We also gave customers who opened an account using the Open application the opportunity to choose a social cause for donation by the bank (for details, see the Innovation chapter, p. 52).

The coronavirus crisis created a new reality and confronted Israeli society with medical, social, and financial challenges. In the belief that the effects of the crisis will linger in the coming years, we adapted our social investment strategy by redirecting resources to health care, welfare, and employment, working with expert social partners.

## Bit revolutionizes donation fundraising in Israel

In 2020, the bank took part in seven nationwide fundraising campaigns, in which the Bit application served as a key channel for donations. NIS 14.5 million was raised through Bit during the year, for children with disabilities, holiday meals for people in need, resources for Magen David Adom emergency services, and assistance for families and businesses in crisis due to COVID-19.

# Principal social investments in 2020

## Employment and social mobility in peripheral regions:

### Our impact:

- ◆ We provided sponsorship and support for 23 employment initiatives, which helped 11,000 job seekers.
- ◆ 530 students received scholarships for academic education.
- ◆ 150 outstanding academic degree holders of the Ethiopian-origin and Arab sectors gained placements at prime workplaces.
- ◆ 840 entrepreneurs, small businesses, and non-profit organizations were given tools, knowledge, and skills to grow their businesses during the crisis.
- ◆ 4,800 high-school students received tools for the development of initiatives and participated in English and STEM enrichment classes, as preparation for better future entry into the job market.

As part of our focused efforts in the area of employment, we formulated an impact strategy based on four axes, aimed at responding to various population groups, including adolescents, college students, salaried employees, self-employed people, and non-profit organizations:

1. Tools and individual guidance.
2. Mobility in the job market (reskills, upskills).
3. Entrepreneurship and support for the self-employed.
4. Education, academics, and occupational training.

### Examples of selected initiatives:

#### 1. Tools and individual guidance for the general public, free of charge

- ◆ **Taasukav** – A telephone support line, in collaboration with the non-profit organization Be-Atzmi, for people who have lost their jobs. Individual support is provided via telephone, in three main areas: finding work, exhausting rights for people without income, and moral support to encourage personal motivation.
- ◆ **Occupational coaching** – An individual coaching program, in collaboration with the non-profit organization Chasdei Lev, providing thousands of unemployed people with professional knowledge and tools.

Over **9,000** people

received tools and individual guidance, free of charge.



Gila Azanao, Negev 19 employment venture employee

#### 2. Mobility in the job market

We sponsored and supported initiatives promoting professional training and retraining in the labor market, and responding to shortages of workers in occupations in high demand in traditional industry:

- ◆ Placement of ultra-orthodox men and women in jobs at high-tech companies, through collaboration with the Kamatech initiative and the Portland Foundation. This effort led to the hiring of approximately 1,600 men and women from the ultra-orthodox sector in high tech, through various initiatives.
- ◆ 200 academic degree holders from the Arab community received assistance with job placement, in a program created in collaboration with the non-profit organization Kav Mashve, academic institutions, and large employers in Israel.
- ◆ 150 academic degree holders of Ethiopian descent participated in a job-placement program for degree holders run in collaboration with the non-profit organization Olim Beyahad.
- ◆ 65 Arab and Druze women participated in a process of personal development and professional retraining, in collaboration with the non-profit organizations Imagine and Lotus, and subsequently found placements in high tech and education.
- ◆ 40 people suffering from combat-related PTSD received mentoring and professional retraining to enter selected professions, in a joint initiative with Restart.
- ◆ Over 100 people received support in a project with the non-profit organization Lehetiv for the promotion of employment and emergence from poverty in the town of Migdal Ha'emek.
- ◆ 150 businesses owned by women received guidance and support, in collaboration with the non-profit organization A Business of Your Own.

### 3. Entrepreneurship and support for the self-employed

#### ◆ From Employee to Self-Employed –

A program, in collaboration with the non-profit organization Future Enterprises, that offered mentoring and enrichment workshops free of charge to 100 people whose income was impaired by the coronavirus crisis, aimed at setting up a small business as a new source of income.

◆ **Link 19, Lev 12** – We sponsored the establishment of employment centers dedicated to digital marketing and bookkeeping, for the employment of women in the towns of Safed and Ofakim. 31 women are employed through these initiatives.

◆ Mentoring for 80 women business owners, in collaboration with the non-profit organization Jasmine, to promote and grow their businesses.

◆ **The Erech Laderech initiative for training of non-profits** – An initiative for empowerment of the third sector, in collaboration with the non-profit organization Topaz, in which non-profit groups and organizations are provided with business and management tools to promote long-term robustness, leading to reduced dependence on donations. 420 officers of non-profits have participated in the initiative. Due to the coronavirus crisis, a special emergency version of Erech Laderech was introduced, within which we helped more than 250 non-profits navigate the crisis.

### 4. Education, academics, and occupational training

◆ **530 students** received access to higher education through scholarships granted by the bank:

◆ **100 outstanding students** from socially and geographically peripheral regions received

scholarships for undergraduate degrees from the Poalim Success Fund established by the bank. Scholarship recipients volunteered at centers of the non-profit organization Educating for Excellence, mentoring 2,500 children and adolescents.

◆ **430 students** from various population segments received higher-education scholarships sponsored by the bank, through funds and academic institutions including the Nazareth Foundation, the Amanina Foundation, the Lieutenant Colonel Salach Falakh Foundation, Sapir College, and Ben Gurion University. Scholarship recipients participated in an educational program on financial conduct, and used the knowledge and tools they acquired to mentor more than 300 families on astute financial behavior.

◆ **Over 1,000** degree holders in the Arab sector and of Ethiopian descent received job-placement assistance from the bank over the last three years.

◆ **Encouraging entrepreneurship** of high-school students to support their future entry into the job market:

◆ **2,000** adolescents participated in English enrichment studies, in a joint project with the non-profit organization Abraham Initiatives, which is dedicated to Arab-Jewish coexistence.

◆ **1,120** adolescents participated in Unistream entrepreneurial programs, which offered them a rare opportunity to experience founding a start-up company, from the idea phase to business development.

◆ **700** adolescents from the Zoharim and Kedma Youth Villages gained access to educational and therapeutic services and received

tools for inclusion in society and in the job market.

◆ **200** adolescents from the Bedouin community participated in the Desert Stars program, in which they attended workshops on the development of personal capabilities and leadership skills.

◆ **160** adolescent boys and girls of Ethiopian descent participated in the Sparks of Science program.

### Accessibility and empowerment of people with disabilities

About one and a half million people with physical, mental, and/or cognitive disabilities live in Israel, or approximately 18% of the population<sup>17</sup>. Bank Hapoalim considers accessibility for people with disabilities a significant social focus area 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 2020, the bank continued to contribute to the empowerment of hundreds of thousands of people with disabilities – children and adults – through a range of processes initiated in collaboration with selected organizations and non-profits in this field, including Access Israel, Beit Issie Shapiro, Variety, Etgarim, Shalva House, Na Laga'at Center, the Jordan River Village, Krembo Wings, House of Wheels, AKIM, and more. These organizations work to support people with disabilities in all areas of life and help them maximize their individual potential and achieve optimal inclusion in society.

Bank Hapoalim is the only organization in Israel to produce a detailed report on its activity with all stakeholders to promote accessibility in Israel. The report was presented to the Commissioner of Equal Rights for Persons with Disabilities in February 2020.

11,689 hours

of treatment were given children with disabilities as a result of fundraising broadcasts sponsored by the bank.



80,000 wheelchairs

were lent at hospitals within an initiative with the company Wheelshare, which has placed stations at twenty hospitals across Israel that lend out wheelchairs free of charge.

### In 2020, we focused our activities dedicated to people with disabilities in two main areas:

#### Promoting employment of people with disabilities

The employment rate among people with disabilities of working age is approximately 50%, compared with 73% 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. The pandemic significantly exacerbated this situation, as workers with disabilities were placed on unpaid leave at the outbreak of the crisis at a rate 3.8 times higher than the rate in the general population. These figures reflect the need for progress in appropriate employment for people with disabilities.

#### Examples of processes led by the bank in this area:

◆ **Winwork** – A business-social initiative sponsored by Bank Hapoalim, founded by people with disabilities, aimed at helping people develop careers as entrepreneurs and business owners. This project includes a program imparting the skills and competencies needed to start a business, as well as personal and professional guidance, using assistive technologies.

◆ **Championing the cause of employment of people with disabilities at the Economic Social Forum** – To expand the extent and range of options for employment of people with disabilities, we conducted a process with partners in the public, business, and third sectors to define needs, and formed a holistic solution aimed at encouraging employers to offer relevant positions and invite people with disabilities to apply. This subject was discussed at the annual event for CEOs of the Presidium of the Israel Business Sector

with the House of the President, and presented by the chairman of the bank, Mr. Ruben Krupik, during a television panel discussion on Channel 12.

◆ **Social Tech** – Within the efforts of the bank to spur innovation and entrepreneurship dedicated to social objectives, we founded the Accessibility Section at the 8200 Impact Social Accelerator. This innovative program, launched in 2019, provides guidance to start-up companies developing initiatives, services, and solutions for people with disabilities. In the second session of the program, held in 2020, three start-ups were selected to receive monetary grants and professional guidance from the bank (for details, see the Poalim High Tech section, p. 55).

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

◆ The bank sponsored major fundraising broadcasts for the non-profit organizations Variety and Shalva, which work for the well-being of adults and children with disabilities. The bank also developed a button in its Bit application for easy donations to these organizations during the months of the campaign.

◆ Within the drive 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.

17. According to data of the Equal Rights for Persons with Disabilities Commission, Ministry of Justice, 2020. [https://www.gov.il/he/departments/topics/research\\_surveys\\_statistics](https://www.gov.il/he/departments/topics/research_surveys_statistics)



## Digital literacy for senior citizens

Bank Hapoalim has resolved to assist senior citizens in enhancing their digital independence in all areas, thereby improving their quality of life. This effort involves 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, specialized non-profits such as Unistream, Machshava Tova and Appleseeds Academy, and more.



Over **60,000**

### senior citizens

received knowledge, tools and skills to master digital competence over the last two years. (For additional information regarding the activities of the bank promoting digital literacy for senior citizens, see the Customers chapter, p. 37)

## 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.

## Financial Growth Center

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 digital marketing of a business, expansion of the family, taking a mortgage, career changes, pension planning, and more. For more extensive information, see the section "Financial inclusion," p.35.

## Activity for the community during the coronavirus crisis

Beyond the financial consequences of the coronavirus crisis, Israeli society faced medical and social challenges. In view of our commitment to provide meaningful aid to the community when it matters most, we redirected resources to support health care, which was the battlefield in the struggle against the pandemic, and to welfare support, to assist the population segments most vulnerable to the crisis and to its impacts.

### We provided approximately NIS 2.2 million in aid to medical and health-care services:

- ◆ We donated NIS 1.5 million to seventeen hospitals for coronavirus wards; 350 food packages were delivered to medical teams.
- ◆ We organized resource raising for Magen David Adom emergency services by developing a dedicated donation button in the Bit application; the bank also donated NIS 500,000.
- ◆ We donated NIS 100,000 to Yad Sarah for purchases of respiratory equipment.
- ◆ We donated NIS 105,000 for personal protective equipment for United Hatzalah volunteers, who assist elderly people under medical supervision who live alone.

### Our support and assistance for population groups hurt by the coronavirus crisis (elderly people, Holocaust survivors, families in financial distress) included the following:

- ◆ We donated NIS 650,000 to non-profit organizations assisting people in need (including Latet, Pitchon Lev, the Israel Association of Community Centers, Or Shalom, ERAN, the Hom Association for Hungry Children, Aleh, and SAHI).
- ◆ We provided sponsorship in the amount of NIS 150,000 to a national hotline helping to supply elderly people and people with disabilities with food and medication, and we sponsored a hotline providing assistance and emotional support to people experiencing financial distress due to the crisis, in collaboration with expert organizations (Chasdei Lev, Paamonim, and Lehetiv).

## Mahpilim Mehalev (Multiplying from the Heart) and Marchivim Et Halev (Expanding the Heart)

Bank Hapoalim initiated two endeavors to provide immediate financial assistance to families and small businesses in crisis. We recruited social partners (such as the non-profit organization Lev Ohev, the Schusterman Foundation, the Rashi Foundation, and others) to raise donations from the public using the Bit application. This effort made it possible to distribute NIS 8.2 million, through a distribution committee established in cooperation with municipal welfare offices. A hotline was also set up to respond to aid requests, staffed by volunteers from the bank, among others.

## A Bank Hapoalim tradition:

### Opening attractions and museums 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 sixteen years.



In Passover 2021, following a difficult year of social distancing and lockdowns,

Over **150** people

visited dozens of museums and heritage sites that opened to visitors free of charge, at the initiative and with the full sponsorship of the bank.

# Bank Hapoalim 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 help improve 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.

4,000 bank employees volunteer; 380 Volunteer Leaders across all units of the bank serve as liaisons between Poalim Volunteers headquarters and the volunteers at bank units and branches. The Volunteer Leaders encourage, initiate, and share ideas for community activities, and serve as a resource for volunteers to consult on planning of various volunteer activities.

The 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 to 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 three 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 posted accessibly to employees on the organizational portal.

### 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 constantly attentive to hardships that arise in local communities; in events of extensive harm, we create immediate solutions, if necessary. For example, when the city of Nahariya suffered massive flooding, the bank assisted the city in restoring destroyed homes and day centers. During fires in the Jerusalem Mountains, volunteers from the bank provided community support by distributing clothing and school supplies.

## Volunteering platforms

### Retiree volunteering:

Volunteering that requires activity during work hours is referred to retirees of the bank, through a dedicated portal. In 2020, dozens of bank retirees volunteered to support hospital wards, in response to the increased need for volunteers at medical institutions.





**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 Cyber Unit of the bank adopted the Ben Shemen Youth Village and worked to provide serviceable communication networks and computer-equipped classrooms for the students.

**Family volunteering in the Family Mentors program:**

The bank enables employees to volunteer with their families. In 2020, families of bank employees hosted children and adolescents at risk. This volunteer effort is aimed at providing the children with a sense of belonging and a familial experience; the families spend time with them, host them during holidays and school vacations, celebrate their birthdays, and regularly stay in touch and maintain involvement in their lives.

**Activity in local municipalities:**

The Poalim Volunteers proactively contacts municipalities to map community needs and maximize the impact of local activities. Some examples of activities created in response to needs raised in dialogue with municipalities:

- ◆ Kiryat Malachi – Guidance and coaching for adolescent girls from families in distress in a local netball team, in collaboration with the non-profit organization Lev Ohev and volunteer bank employees.
- ◆ Kiryat Ekron – Bank employees collected books for the local library, which were distributed to readers. Games and

craft materials were provided to a day center for the elderly, which was adopted by the employees of the local branch year-round.

- ◆ Ramla – Guidance for women who are unemployed or on unpaid leave on reentering the job market, through an occupational training program at the Navon Campus, with the participation of volunteers who are employees of the Ramla branch of the bank.
- ◆ Netanya – Courses on computers and a first-aid course for youth of Ethiopian descent were taught by bank volunteers.

**Measurement and evaluation**

To maximize the impact of volunteer activities, we apply monitoring and measurement to examine the effectiveness of the impact of the activities carried out by the non-profit organizations and the volunteers, from a broad perspective, over time:

- ◆ **Listening to non-profits and social organizations where bank employees volunteer** – We contact the organizations after each volunteering activity 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 volunteering activities of bank employees help us improve and perform the necessary adaptations and changes to heighten the impact of these activities.

**Appreciation for excellence**

To reflect the importance we accord to commending and appreciating our volunteers, sixty 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 activity to the community, and they receive recognition and appreciation for their volunteer work, expressed in a certificate of excellence and a modest monetary gift. A Volunteer of the Month is also selected, and their activities are posted for the benefit of all employees on the banking portal.

**Matan – Investing in the Community**

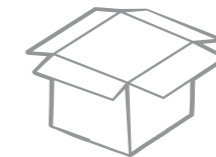
Since 1999, the bank has participated in activity dedicated to the community in collaboration with the non-profit organization Matan. In the Matan Campaign, employees and managers at the bank are given the opportunity to strengthen disadvantaged population groups and help promote a wide range of social causes. In 2020, employees of the bank donated a total of NIS 644,000, primarily for elderly people, Holocaust survivors, and children at risk; the bank added a donation of NIS 500,000 to promote the causes chosen by the employees. **Over the last decade, a cumulative total of approximately NIS 19 million has been donated to Matan in this way.**



Photo: Bank employees commended as outstanding volunteers

**Volunteering in 2020 in numbers**

Over **500 social organizations** have been adopted by units of the bank.



**200 Holocaust survivors** received weekly calls from a regular bank employee volunteer, to dispel loneliness and form friendly relationships, within an activity held in collaboration with the non-profit organization Zikaron BaSalon.

**3,100 food packages**

were packed and delivered on the holidays of Rosh Hashanah and Passover, to families in financial distress, elderly people, and Holocaust survivors, by bank employee volunteers.



**765 children from families** in need received school supplies and backpacks for the new school year, collected and donated by employees and their families.

~ **3,000 books**

for toddlers, children, and adolescents were collected by bank employees ahead of the holiday of Hanukkah and distributed by volunteers to dozens of preschools, schools, and libraries across Israel.

Over **44,000 gift baskets**

were distributed to children and adolescents in residential and day care facilities, elderly people in care homes, and women staying in shelters for survivors of abuse.

Over **100,000 beneficiaries** received assistance and support through various volunteer activities.

# Responsible Action to Enhance Employees' Capabilities and Well-being

## A responsible work culture

Bank Hapoalim sees its employees as the key to its success; it is they who support our customers and help them reach better financial decisions. The bank is consequently committed to the nurturance and development of its employees on the professional and personal levels, to caring for their health and well-being, and to providing them with an appropriate and responsible employment environment. The bank's activities for the benefit of its employees are conducted in continual dialogue with them and in partnership with the employee union.

The bank considers its employees key stakeholders, and bases its relationship with them on mutual respect, commitment, caring, and long-term partnership. 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 norms and principles of the protection of human rights in employment, as described in the United Nations Global Compact (UNGC); the UN International Bill of Rights; the UN International Covenant on Economic, Social, and Cultural Rights; the UN Guiding Principles on Business and Human Rights; and the Conventions of the International Labor Organization (ILO). These principles encompass the freedom of association, the right to conduct collective negotiations, and the prevention of discrimination and inequality.



Employees whose photos appear in this chapter are among the outstanding volunteerism Bank

### Characteristics of the work environment at the bank:

- ◆ Maintaining labor relations
- ◆ Excellence in performance over the long term
- ◆ Continual learning
- ◆ A range of opportunities for personal, managerial, and professional development
- ◆ Equal opportunities and prevention of discrimination
- ◆ Caring for the well-being of employees and their families

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

- ◆ **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.
- ◆ **Making it happen** – We take the initiative and move processes forward quickly, to deliver relevant solutions in real time.
- ◆ **Working together, for you** – Cooperating and joining forces to let customers gain from our full range of capabilities.
- ◆ **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 and responsibility** – We treat everyone with fairness and compassion; we act with integrity, justifying the trust placed in us by the public.

The five cultural 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 from which the organizational culture to which we aspire will be instilled. The measured results also taught us about employees' sense of connectedness, the desired work environment from their perspective, and gaps between existing practices and desirable behaviors, and helped us understand the actions we need to undertake to achieve optimal implementation of the selected cultural values. The insights drawn from the index measurements are the foundation for the creation of a work plan to instill and promote the organizational culture at every division of the bank. 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.

## 71% of employees of the bank hold academic degrees

versus 69% in 2019. In 2020, 314 employees received financing for tuition in undergraduate and graduate degrees, and thirteen employees received financing for language and bookkeeping courses.

# 7,757

total employees of the bank in 2020<sup>18</sup>.

# 45.1

average age of bank employees.

# 17.8 years

average length of service of bank employees.

# 98%

of the employees of the bank are employed full time.



# 87.2%

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 negotiations. A collective agreement applies to the majority of employees of the bank, excluding those employed under personal employment contracts.

# 474

**new employees**

were hired at the bank in 2020.

# 88%

**of employees are employed directly by the bank**

(compared with 92% in 2019), while 12% are employed by external agencies<sup>19</sup> (compared with 8% in 2019).

# 344

**employees took parental leaves**

of which 341 women and three men, while 264 women and two men returned to work at the bank after parental leaves. Most employees returning from parental leave resume their previous positions, or begin a new position at their request.

# 911 employees

left the bank, of which 559 retired.

Education level of employees of the bank<sup>20</sup>

Age	Bachelor's degree	Master's degree	Doctoral degree	No academic degree	Total	Percentage of degree holders in each age group
18-21				75	75	0%
22-30	258	48		419	725	42%
31-40	939	599		311	1,849	83%
41-50	1,127	1,053	5	510	2,695	81%
51-60	680	584	8	687	1,959	65%
61+	124	74		256	454	44%
<b>Total</b>	<b>3,128</b>	<b>2,358</b>	<b>13</b>	<b>2,258</b>	<b>7,757</b>	<b>71%</b>
<b>Percentage</b>	<b>40.4%</b>	<b>30.3%</b>	<b>0.2%</b>	<b>29.1%</b>		<b>100%</b>

Segmentation of employees by age and gender

Age	Women	Men	Total	Percentage
Up to 30	610	190	800	10%
31-50	3,018	1,526	4,544	59%
Over 51	1,451	962	2,413	31%
<b>Total</b>	<b>5,079</b>	<b>2,678</b>	<b>7,757</b>	<b>100%</b>

New employees hired, by age and gender

Year	2018				2019				2020			
	Women	Men	Total	%	Women	Men	Total	%	Women	Men	Total	Percentage
Up to 30	242	70	312	67%	216	78	294	62%	263	84	347	73.2%
31-50	77	68	145	31%	95	81	176	37%	67	57	124	26.2%
Over 51	3	6	9	2%	2	5	7	1%	2	1	3	0.6%
<b>Total</b>	<b>322</b>	<b>144</b>	<b>466</b>	<b>100%</b>	<b>313</b>	<b>164</b>	<b>477</b>	<b>100%</b>	<b>332</b>	<b>142</b>	<b>474</b>	<b>100%</b>

Departure of employees, by age and gender

Year	2018				2019				2020			
	Women	Men	Total	%	Women	Men	Total	%	Women	Men	Total	Percentage
Up to 30	209	80	289	35%	213	63	276	42%	163	38	201	22%
31-50	89	104	193	23%	89	68	157	24%	91	51	142	16%
Over 51	197	143	340	42%	130	89	219	34%	385	183	568	62%
<b>Total</b>	<b>495</b>	<b>327</b>	<b>822</b>	<b>100%</b>	<b>432</b>	<b>220</b>	<b>652</b>	<b>100%</b>	<b>639</b>	<b>272</b>	<b>911</b>	<b>100%</b>

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

19. In terms of positions. External staffing agency workers are employed at call centers, in IT services, in programming, and more.

20. Excluding employees on parental leave, unpaid leave, and bed rest during pregnancy; external contractor employees; and employees of subsidiaries.





**Employee absences**

Sick days <sup>21</sup>	Vacations <sup>22</sup>	Reserve military duty	Total
130,778	170,044	1,177	301,999

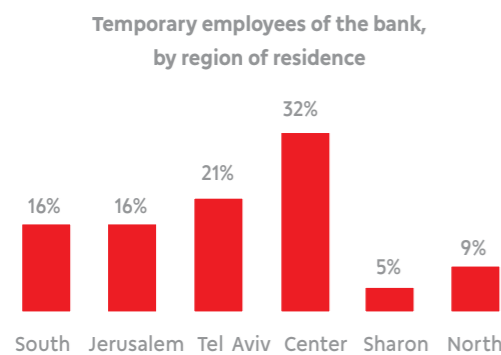
In the reported year, there were no cases of loss of life of bank employees or contractor employees as a result of work accidents.

**Employee absences by gender**

Sick days		Vacations		Reserve military duty		Total	
Women	Men	Women	Men	Women	Men	Women	Men
97,936	32,842	111,449	58,595	10	1,167	209,395	92,604

**Distribution of employees of the bank by type of employment agreement**

	Permanent employees	Temporary employees	Senior employees	Total
Collective contract	74.4%	12.8%		87.2%
Personal contract	0.2%	11.1%	1.5%	12.8%



13. Including reported illness and illness of a family member.  
 14. Excluding unpaid leave and parental leave.

## Promoting a culture of dialogue and openness

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 engagement, dialogue, 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 the actions of the bank.

The organization-wide communication channels which we use routinely became highly valuable during the coronavirus crisis. The use of these channels contributed to maintaining organizational discourse and connectedness, particularly for employees working from home or in quarantine. Our intra-organizational communication channels, which include in-person meetings, the organizational portal, surveys, forums, and more, were expanded and strengthened during the pandemic with the addition of a range of options for virtual conversations at a distance. We maintained continual communication with employees through the organizational portal, the Portal To Go, text messages, and Zoom sessions. Dialogue with employees included real-time updates and instructions on coronavirus issues, direct messages from the management of the bank, content on various subjects relevant to improving the employee experience during this period (nutrition, parenting, exercise, and more), and perspectives on work taking place in the field during the crisis, including through a series of short videos entitled "Working in a new reality." We also gave extensive space to commendation for organizational efforts during this challenging period, and to personal stories of employees from the various divisions.

### Multiple channels for dialogue:

◆ **Organizational portal** –

Our organizational portal serves as a key arena for knowledge management, intra-organizational communication, and conveying messages within the bank. Through the portal, we have achieved improvement in employees' professional skills, increased synergy between the head office and the units on the ground, stronger organizational identity among our employees, and productive dialogue through the range of tools available on the portal.

**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.

◆ **Portal to Go application** –

The application serves as another tool enabling us to enhance employees' connectedness to the organization and as an accessible platform for internal communication and dialogue via mobile phone, at any place and time. The application offers organizational news, access to the corporate directory, options for ordering benefits included in employees' well-being packages, podcasts, videos, information about employment terms and insurance policies, and available positions. During the pandemic, employees' reliance on the application grew; in response, we increased the frequency of updates for our employees and added options to report attendance and submit health declarations through the application.

◆ **Round table meetings** – The round table meetings traditionally held at the bank were converted to Zoom format during the coronavirus period and held on a monthly basis, with the CEO, attended by employees who signed up in advance. The meetings provided an opportunity for participants to ask questions and discuss various issues. Similar meetings were also held with members of the board of management and senior executives. An organization-wide meeting with the CEO was held live for the first time, with all employees of the bank invited.

◆ **Performance evaluation and feedback process for employees and managers** –

In 2020, a new process was implemented at the bank for feedback and performance evaluation, developed in alignment with the new organizational culture. Within the process, the evaluation form has been simplified to reflect the new cultural values of the bank. The evaluation procedure was developed based on a collaborative process encompassing interviews and surveys with hundreds of employees and managers, relayed into significant insights which we implemented. The new performance evaluation and feedback process is based on an employee-centric, customer-centric approach that encourages meaningful, authentic, open dialogue between managers and employees. Some divisions apply the 360 Feedback method, in which feedback is provided not only by direct managers but also by colleagues and work partners, as well as by employees to managers. To launch this effort, 1,200 managers received training about the process, the system, and the skills needed to provide optimal evaluation and feedback reflecting the new organizational culture.

## Working at a distance – feeling close

At the outbreak of the coronavirus crisis, the need arose to maintain social distancing. To preserve business continuity under these circumstances, we quickly prepared the technological infrastructure and the process 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 work 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. As of the end of 2020, infrastructure is available for approximately 5,000 employees to choose one day a week for remote work.

## Developing and nurturing leadership

We believe that the evolving realities of the business environment require us to continually reexamine ourselves and change accordingly. We have therefore chosen to think about the leadership concept at the bank and to update and develop a leadership model suitable for the present time, as a key to growth and change. Based on this awareness, the Human Resources Division of the bank formulated development plans for our managers in general, with an emphasis on senior executives. The plans are aimed at embedding the five cultural values and achieving our targeted organizational, cultural, business change. Key elements of the plans include:

- ◆ **Leader-Ship** - A training and executive development series providing knowledge, tools, and skills for optimal navigation of the organization, with an emphasis on business growth and leadership:
  - ◆ A sequence of meetings for executives every two months, covering highly advanced leadership and management content.
  - ◆ We Meet – A WeWork-style team development center for managers.
  - ◆ A mentoring program for managers embarking on their first management role.
- ◆ **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, or change in operating models.
- ◆ **Field meetings** - The Leadership and Organizational Development Center team holds meetings with 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.
- ◆ **Development of implementation tools** - Development of kits and supporting materials to help managers promote employee connectedness, manage remotely, and instill the chosen cultural 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.

503  
managers

at all levels participated in management and leadership development programs in 2020.

## Poalim Agile

We continually strive to improve the value offer of the bank for customers, in a competitive business environment, within the evolving world of work. In order to be able to develop rapid and adapted responses to our customers, the bank has adopted the Agile approach, which is congruent with our new cultural values. The implementation of the Agile approach is reflected in the organizational structure of the bank, among other areas. Initially,

multidisciplinary teams were created for software development in the IT Division, encompassing all of the required personnel: development, specifications, and testing professionals, and more. During the course of 2019, the Retail Credit Tribe was established. The tribe consists of several multidisciplinary teams working in cooperation among business and technological functions. After a year of activity, the Retail Credit Tribe presented 20% improvement

in productivity, alongside high levels of employee satisfaction and connectedness compared with the average at the bank. In view of the success of the Retail Credit Tribe, the bank plans to form additional tribes for banking products, as well as teams in business areas requiring broad collaboration among several units.

## Promoting equal opportunities

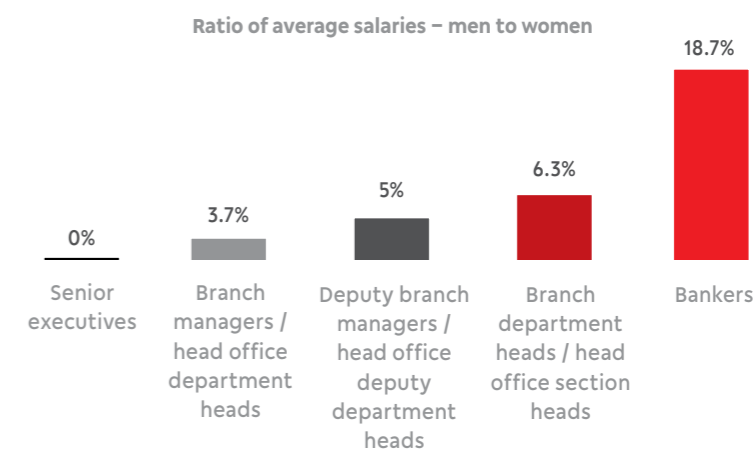
### Non-discrimination

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 (including family responsibilities). No justified complaints of discrimination were filed at the bank in 2020.

### Equality in wages and terms

Bank Hapoalim is fair and transparent with regard to the terms of employment of its employees. In general, the remuneration and benefits of the bank's employees are determined according to a role book, which is available on the organizational portal and contains information regarding the terms of employment and entitlements

granted to employees at each rank and position. The publication of the role book contributes to transparency and allows control over the terms of the wages. **Basic wages and related benefits are determined at the bank according to employees' position and rank, regardless of gender.** The following graph shows the ratio of men's average salary to women's average salary, by rank:



This disparity arises from the wide variety of positions within each of the categories presented above, which leads to variance in the total salaries paid for each position (regardless of gender). The variance is influenced by rank and by managerial status in each position. Salary terms also vary as a result of employee characteristics such as length of service, additions for employees with children, overtime, etc.



## 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.

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. All of the information on the prevention of sexual harassment, including the procedure,

regulations, videos simulating situations, a video regarding the law in this area, an instructional presentation, and a learning hour, are available on a page of the portal dedicated to the issue of sexual harassment. The bank also conducts training sessions for employees and managers, throughout the year.

### Activities to raise awareness in 2020:

- ◆ 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.
- ◆ Update of the language of the regulations posted in public spaces at the offices of the bank.
- ◆ A series of webinars was developed:
  - ◆ Training on the subject of respectful work environments, with animated simulation videos and simple, informal explanations of the issue.
  - ◆ Training for managers.
  - ◆ An instructional video on the Law for the Prevention of Sexual Harassment.

## LOOKING AHEAD

- A process to instill and raise awareness among all employees and managers, including training through webinars, development of a new tutorial, a survey to determine the effectiveness of implementation, and targeted activities for managers.
- Production of postcards with messages regarding the prevention of sexual harassment.

## Promoting workplace diversity and inclusivity

As a values-driven employer, the bank accords high importance to diverse employment and inclusion of employees from diverse population groups, both as part of its social commitment and as a justified business practice. Based on this approach, we promote and encourage hiring and inclusion of employees from every part of Israeli society, including from population groups under-represented in the job market<sup>23</sup>, and we adapt our hiring and onboarding processes for them to any extent necessary. We also maintain routine, regular communication 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 the area of diverse employment, within the Human Resources Division.

# 30%

### Approximately

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



# 54%

managers at the bank are women compared with 35% in the Israeli labor market<sup>24</sup>



# 65.5%

of the employees of the bank are women,\* compared with approximately 59% in the labor market.



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 on aspects of the percentage of women managers, promotion of women, equal pay and non-discrimination, inclusive organizational culture, prevention of sexual harassment, and promotion of women within the organization. 380 leading companies from 44 countries participate in the index. Bank Hapoalim is ranked above average in the financial sector. We aim to continue to be included in this index, while continually improving our performance over the coming years.

### Comparison of numbers of men and women at each rank\*

Rank	Women	Men	Total
Members of management	3	10	13
Senior management	30	46	76
First-tier management	259	286	545
Middle management	907	665	1,572
Employees	3,880	1,671	5,551
Total	5,079	2,678	7,757

\* In the Corporate Banking Division, the Retail Banking Division, and the Financial Markets and International Banking Division, 55.7% of managers are women; in the Technology Division, 44.2% of employees are women.

23. 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.

24. From the gender index, Van Leer Institute, and based on data from the Central Bureau of Statistics for 2019.



**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 the inclusion and retention over the long term of employees with disabilities:**

**Accommodations during screening:**

- ◆ Publication of available positions in channels suited to this population and prioritization of employees with disabilities. This included posting of new jobs at the bank on the application Yoocan, an online platform serving people with disabilities.
- ◆ 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.

**Accommodations during hiring 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 bank also provides ongoing guidance.
- ◆ 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.
- ◆ Increased quota of vacation days and adaptation of paid days of absence to the needs of employees with disabilities.
- ◆ 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.

- ◆ Higher wage threshold for employees with disabilities.
- ◆ Sign-language interpretation for employees with hearing impairments in meetings with multiple participants, including via Zoom.
- ◆ Benefit packages to encourage learning and development for people with disabilities, including targeted scholarships, organizational consulting, and guidance for relevant managers.

**Raising awareness among employees and managers:**

- ◆ Creation of the Diverse Employment page on the portal, which contains content on diverse employment, success stories, information about rights, tips, and contact information.
- ◆ Development of a program to raise awareness in this area, including dissemination of explanatory information within and outside the bank.

**Special initiatives to promote employment of people with disabilities:**

- ◆ **Program for hiring and inclusion of employees with high-functioning autism** – The bank recruited nine 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 deaf and hearing-impaired people for the written communications staff at the Poalim by Telephone call center** – The unique hiring process for these positions was designed and adapted for people with hearing impairments, in collaboration with relevant non-profits and organizations. Adaptations were implemented from the interview stage to accessible testing, and in orientation and training activities during onboarding.

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 services offered include consultation by telephone, in-person meetings, and home visits (conducted via Zoom during the pandemic); privacy and confidentiality are strictly maintained. 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.

**Special initiatives in 2020**

- ◆ 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 built a chapel for the benefit of our Muslim employees.
- ◆ In honor of the Sigd holiday of the community of Israelis of Ethiopian descent, we held an event (via Zoom), for the second consecutive year, for all employees, in which they gained exposure to Ethiopian culture and to the unique story of this community.

**11.7%** of the bank's employees

are from under-represented population groups.

**6.3%**

of the bank's employees are of the Arab sector.

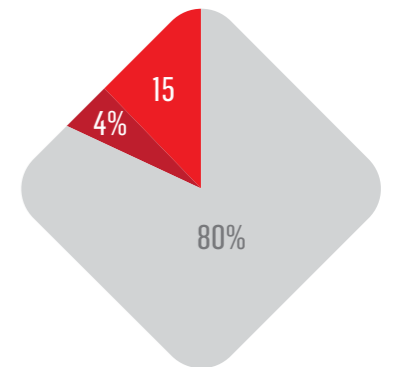
**21%**

of employees hired at the bank in 2020 are from under-represented population groups.

**~2%**

of the bank's employees are of the ultra-orthodox sector.

Segmentation of employees from the Arab sector by rank\*



■ Employees  
■ Middle management  
■ First-tier management

\* 6.3% of employees of the bank are from the Arab sector, of which 19% in management positions. Executives from the Arab sector constitute 4.2% of the total management tier of the bank.

**2020 plans – planning vs. execution**

2020 plans	Status
Expansion of the community of diversity partners.	✓ <b>Completed.</b> Collaborations are in progress with over 100 non-profits and organizations in this area.
Implementation of the diversity program of the Equal Employment Opportunity Commission in the work of the units of the bank	In light of the unique challenges of 2020, this effort has been suspended for the moment.

**LOOKING AHEAD**

**Long-term goals:**

- Increase the representation of women in senior management at the bank to 50% by the end of 2025.
- Raise the percentage of bank employees from under-represented population groups to 15% by the end of 2030.

**2021 plans:**

- Partnership in a leadership initiative for people with disabilities.
- Development of a mentoring and empowerment program for employees of Ethiopian descent.
- Creation of a pool of potential managers of the Arab sector.
- Continued proactive seeking of suitable candidates for available positions at the bank from under-represented population groups.
- Establishment of an internal community for support, sharing, and empowerment for employees who are parents of children with disabilities. Within the community, employees will receive information from various professionals and will have the opportunity to share their experiences.

# Personal development and continual learning

The bank fosters a culture of organization-wide life-long learning (LLL) and invests in maintaining professional competencies and learning routines, in the belief that these are essential conditions for retaining a competitive advantage. Training conducted at the bank promotes banking and managerial professional expertise, adapted to the future needs of the bank; empowers employees; and provides the essential skills of tomorrow in the age of digital banking.

Most professional training processes at the bank are led by the Poalim Campus, which serves as the central arena for change-generating learning, encouraging personal, organizational, and professional growth and leading to improved performance.

The purpose of the training and instruction content is to achieve professional development of employees while enhancing customers' financial capabilities and working towards the creation of a shared language to be used by both bankers and customers. The program of studies, which consists of courses and professional instruction sessions, workshops, coaching days, and targeted content, promotes shared responsibility of employees and managers for learning. The development and training programs are derived, among other sources, from mapping of knowledge gaps among employees and managers in every division and position. The programs focus on improving employees' professional capabilities and business performance. We measure the effectiveness of learning processes through evaluation questionnaires, as well as through sample testing of their contribution to employee performance.

**2020 was marked by a change in the approach to learning at the bank, with adaptation to the dynamic and changing world in the context of the pandemic. We placed strong emphasis on the development of digital learning platforms, based on advanced technologies supporting remote learning, which allowed us to make content accessible and create learning opportunities for our employees, even during periods of social distancing. We achieved this by transitioning to hybrid learning, combining frontal instruction with independent study, remote learning sessions (synchronous and asynchronous), online courses, podcasts, videos, and more.**

## Banking training

Training is conducted through a wide range of courses and coaching sessions in the areas of banking and finances, which also cover content related to compliance, regulation, and business skills, adapted to the category of employee and the strategic focus areas of the bank. Bankers' training includes courses taken when they begin working at the bank, courses to maintain professional qualifications, and expanded courses on various banking topics. Focused training programs are tailored precisely to knowledge gaps of specific groups of employees. The various divisions of the bank, including Information Technology, Innovation, Audit, Risk Management, and more, also conduct internal professional training programs. 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.

## Cultivating and developing skills for the new world of work

The world of work is undergoing many changes – technological and otherwise, some of which have been greatly accelerated by the coronavirus pandemic. Recognizing that these changes require employees to develop new skills and capabilities, the Poalim Campus is preparing to train and equip the employees of the bank with knowledge, skills, and tools relevant to the future world of work.

◆ **Coaching days** – Coaching days, developed based on the skills needed for the future world of work, provide tools for effective remote work, within work teams and for employees. The coaching days are designed to emphasize topics such as strengthening communication, trust, and empathy using online interfaces; maintaining work-life balance; administering meetings remotely; time management; self-management; and productivity. Employees and managers are invited to participate in their choice of coaching days, held via Zoom.



The Restart initiative won first place in the annual competition by the Israel Human Resources Foundation, in the category "Excellence in development of human capital."

◆ **MOOCs (massive open online courses)** – Our online university offers employees a wide range of courses from leading universities in Israel and overseas. The courses are taken in a format developed at the bank, combining independent study online with a supporting environment consisting of frontal instruction sessions and professional leadership by a subject expert. This innovative model is aligned with the needs of the employees and the organization; the course selection emphasizes the professions and capabilities of the future. Each year, our employees report high levels of satisfaction with this program and its contribution to their professional and personal development; accordingly, the number of participants is rising steadily each year.

In 2020, nineteen online university courses were offered on a wide range of subjects, such as programming, data analysis, negotiations, spoken Arabic, positive psychology, Excel, Kubernetes, and more. Courses are taught in English, Hebrew, and Arabic. Since the beginning of this program, a total of approximately 1,400 courses have been held, with 360 courses in 2020.

- ◆ **Upgrade** – Abilities that led to outstanding performance in the past may not be sufficient to achieve excellence in the future world of work. The most natural human competencies, which cannot be replaced by new technologies, are back on central stage and in high demand. Research conducted at more than 500 organizations around the world indicates that interpersonal skills are of the utmost importance for the future job market, and that these skills can be improved and enhanced at any career stage. Accordingly, to equip the employees of the bank with the skills of the future, we developed Upgrade – an online platform for independent study of a range of courses on the skills needed in the new world of work. The website will launch in 2021 for the use of all employees of the bank, allowing study at any place and time. The website offers brief, focused courses taught by top lecturers, videos, podcasts, and additional content, which will be continually renewed and refreshed, according to the dynamic developments in the world of work.
- ◆ **Restart** – A joint effort of the Human Resources Division and the Campus in which bank employees are offered professional retraining for roles needed at the bank, such as data analyst and credit analyst. Additional courses will be offered in the future, for Cobol programmers, Agile coaches, and more. Employees retrain for these professions in comprehensive courses, with the aim of subsequently entering these roles at the bank. 400 employees applied to participate in this project; following exhaustive screening, eighty employees were selected for four career tracks.



# 3,448 employees participated in Poalim Campus courses\*

\*including external workers

## Data on training in 2020

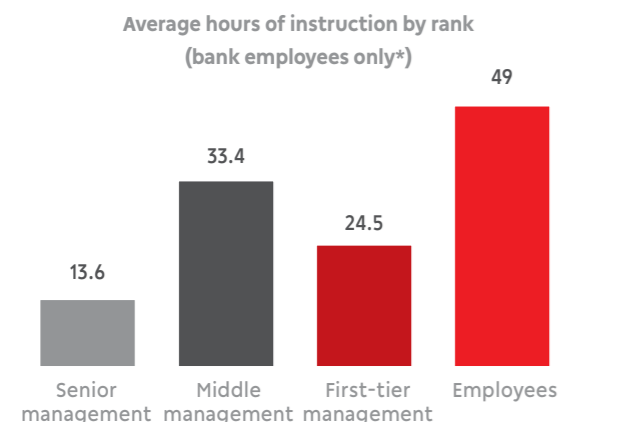
	Number of days of learning*	Average hours of training per employee	Number of Campus course sessions	Percentage of position-specific training programs**	Percentage of training on management / individual skills***	Training by gender: women/men****
Bank employees and external workers	29,563	22	308	88%	12%	68%/32%
Bank employees only	28,255	28.6	264	88%	12%	68%/32%

\*Includes training at the Poalim Campus, online Campus programs, the Campus to You program, learning modules, training at the Central Back Office, training in the Technology Unit, safety training, organizational and managerial development, training in the Innovation Division, and training at the Poalim by Telephone call center.

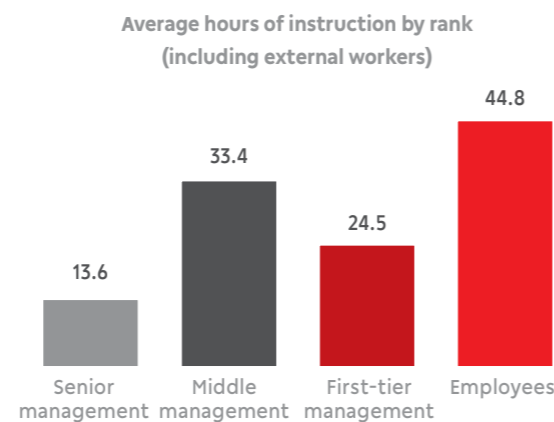
\*\*Includes programs such as banking coaching days, courses on information systems, and professional banking courses.

\*\*\*Includes coaching days, executive development programs, MOOCs, and Afternoon Campus programs.

\*\*\*\*In line with the proportion of women and men at the bank.



\* Training by rank refers to training at the Poalim Campus only.



## plans – planning vs. execution 2020

2020 plans	Status
Development of learning content at the bank based on conclusions of the design thinking process to plan future learning performed in collaboration with employees.	✓ <b>Completed</b>
Completion of digitization of additional courses, and conducting training integrating online study with traditional study.	✓ <b>Completed</b>

## LOOKING AHEAD

- The Afternoon Campus will offer enrichment courses after work hours on subjects related to the mind-body connection, as well as digital courses on the "professions of tomorrow" e-commerce, web design, product management, and more.

## 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. 43,017 queries to MASHAB were received in 2020, from 8,500 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 online and telephone 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; employment permits and visas; and entitlement to mobile phones, cafeteria points, daily expenses, and more.

### ◆ Support center for employees in crisis

-Assisting employees at vital moments such as childbirth, illness, work accidents, and mourning. In addition, aid through care and counseling, information, mediation, and assistance in realizing rights, with functions within the bank or the community, in personal and family problems such as caring for elderly parents, coping with children with special needs, parenting guidance, health issues, bereavement and coping with death, communicating with an occupational physician, work-related crises, preparation for retirement, and more. During the pandemic, the center was also responsible for contact 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.

Processes of guidance and assistance for employees are conducted in cooperation with the well-being staff of the bank. All employees can contact the well-being staff directly for assistance; the service is strictly 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. During the pandemic, employees who experienced financial difficulties were given the option to defer loan payments.

### Special projects in 2020:

- ◆ Human Resources For You meetings and training for managers were held through digital platforms.
- ◆ Simplification and improvement of processes allowing employees to receive, among other matters, overtime confirmation and refunds for travel and daily expenses through rapid self-reports, without approval by a manager.
- ◆ Expanded options for reporting attendance through the Portal to Go mobile application, including reporting presence at the office, work from home, or quarantine, and completion of a health declaration.

### Financial Fitness Center

The Employee Financial Fitness Center, which teaches astute financial behavior, has been active since 2018. The center offers employees workshops, information, and tools to assist in optimal household budget management. In 2020, in view of the coronavirus crisis, workshops and guidance were conducted through digital means.







preferences and needs: leisure activities, healthy lifestyles, enrichment for employees and their families, and more. The bank's well-being policy takes the form of various activities employees can choose, in order to enhance well-being, strengthen their sense of belonging, and solidify the perception of the bank as a leading organization and employer. Various social, cultural, and leisure activities are offered to employees of the bank at attractive subsidized prices, including memberships at cultural centers, theater performances, the Good Movie Club, sports facilities, fitness centers, and swimming pools. Some leisure and culture activities were temporarily suspended due to the coronavirus outbreak, in view of the need to maintain social distancing. However, to help the employees of the bank maintain a healthy lifestyle, even and especially during this challenging time, employees were invited to a series of Zoom sessions on healthy nutrition with a professional coach, and live studio exercise classes through Holmes Place fitness centers. Approximately 2,000 employees and retirees joined the classes.

### Work-life balance

To allow employees a structure 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. In view of the complexities in the area of balance between home and work raised during the pandemic, the bank expanded the boundaries of its workday, so that employees can flexibly manage their daily hours of work between 7 AM and 11 PM. In recognition of the stress and tension engendered by daily life in modern times, the bank holds workshops at its Campus, in person and through digital channels, to impart tools and tips for stress reduction through positive thinking, optimal time management, personal resilience, feeling happiness in a changing world, and more.



### Well-being activities and promotion of healthy lifestyles

#### Promotion of healthy lifestyles among employees

- ◆ **Sports** – The bank manages and coaches 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.

#### An ergonomic work environment

One of the many facets of nurturing and caring for employees is to ensure a healthy, well-adapted work environment; ergonomics is one of the means for achieving this aim. Useful information on ergonomics is accessible to employees of the bank on a dedicated page in the social responsibility zone of the organizational portal, including professional knowledge and rules for working correctly in an office environment, instructions for refreshing exercises during the workday, answers to frequently asked questions, and more. The bank also employs 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.

#### Well-being services

Employees of the bank benefit from an extensive array of social and well-being services in many different areas. These services provide solutions for a broad range of employee

### Avenues for promotion and development

The bank fosters an organizational culture encouraging employee mobility and transitions among units, as opportunities for development, learning, strengthening organizational connectedness, and enhancing employees' sense of meaningful work. This culture is reflected in the Maavarim ("Transitions") system, which helps manage available positions at the bank fairly and transparently and promotes equal opportunities for professional and managerial development.

**285**  
jobs

were posted on the Maavarim system.

**435**  
new appointments

were approved, of which 120 promotions of managers.

### LOOKING AHEAD

- Launch of the New Direction drive, in which interested employees and managers will be invited to apply for a change in position. This effort is aimed at increasing employees' mobility within the organization, beyond positions that become available, through role swaps between employees who apply.

### Recruiting, screening, and onboarding new employees

Recruitment and screening processes of new employees at Bank Hapoalim are conducted in the recognition that the employee experience begins at this stage. In order to enlarge the pool of potential candidates, we run innovative social-media recruitment campaigns and intra-organizational drives to encourage employees to recommend candidates. The onboarding process was adapted

for the period of the pandemic, with onboarding conferences moved to Zoom and new employees studying independently at branches. Professional training at the Campus was also adapted for this period, in compliance with the requirements of the Ministry of Health. Screening tests were adapted to be administered remotely. The bank's screening process involves a range

of advanced digital tools, such as **Avatar** – a test in the form of an interactive video simulating the work environment at a branch; an **in-house test battery** at the IT Division and the call center, as a substitute for sending candidates to screening institutes; **Webcand** – recorded, guided interviews; and **escape rooms**, used to test social dynamics of job candidates.

### plans – planning vs. execution 2020

2020 plans	Status
Opening of a flexible employment track for bankers, aimed at hiring high-quality employees in various fields who need flexible work hours. These bankers will work flexibly, with split days and part-time positions.	✓ <b>Completed</b>

### LOOKING AHEAD

- Development of innovative technologies and processes for employee screening and hiring.



## 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 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. In view of the coronavirus crisis, the employee union organized activities adapted for the period, such as lectures and workshops on various subjects and family entertainment shows via Zoom; the employee union also arranged food

packages and/or aid grants for employees who were sick or in quarantine.

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 87.2% 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.

## Safety

Within the responsibility of the bank towards its employees, and towards everyone who visits its premises, we work to minimize and prevent safety hazards at all of our locations, through frequent monitoring and immediate response to emergencies. We also embed safety considerations in decision-making processes at all levels, in order to minimize negative health effects on our employees, suppliers, customers, and all other relevant parties. Each year, an annual report on employee safety and safety incidents is

submitted to the board of directors and board of management of the bank. In the event of a significant 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.

We hold instructional, training, and educational activities, as part of structured work processes and to raise awareness and heighten responsibility regarding safety. Our employees are expected to maintain up-to-date knowledge through safety tutorials, and attend face-to-face safety training on potential risks led by certified safety instructors. 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.

The bank's safety policy establishes the responsibilities of managers in this area, in accordance with the requirements of the law. Professional safety oversight at the bank is performed by the Security and Safety Department. Pursuant to the requirements of the Organization of Labor Inspection Regulations, the Security and Safety Department prepares, manages, and monitors the implementation of the annual safety plan. Safety risk assessments are performed routinely, in accordance with the law and with the bank's safety procedures. The Safety Committee, chaired by the Head of Logistics, convenes quarterly and receives a current status report on safety management. The bank's Security Center monitors all of its security and safety systems, and alerts all relevant parties to respond as necessary, such as the police, firefighters, emergency medical services, security systems, etc. The center also provides personal assistance to employees and their families in times of need.

In view of the coronavirus crisis, we held simulations of stress scenarios to increase preparedness for future exceptional events and identify possible courses of action. The bank's preparations to cope with the coronavirus included activities throughout 2020 in the areas of training, prevention, and comprehensive sanitization of areas in which cases of COVID-19 were discovered, by an expert company; we maintained continuous contact with the Ministry of Health. We also made every effort to avert recurring contagion, by supplying disinfection supplies and masks, assigning security personnel or greeters to measure temperatures at the entrance to branches and administrative buildings, installing barriers between bankers and customers, marking distances, and restricting the number of employees and customers in the buildings of the bank. When employees reported that they had COVID-19 or had been exposed to a confirmed patient, we conducted comprehensive internal epidemiological investigations to break the chain of transmission as quickly as possible. Banking units were divided into fixed pods, and all trips, social events, and shared meals were suspended. To inform employees of the efforts undertaken to protect their health, while striving to maintain uncompromising capability and business continuity, all of these processes were communicated on the organizational portal.

## 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.

Pension rights of employees who reach retirement age are covered by amounts accrued in pension funds and allowance-based provident funds. A multi-year voluntary early retirement program (for 2020-2022) is in progress at the bank; approximately 900 employees are expected to participate.

As part of the implementation of this plan, the board of management and board of directors of the bank formulated an offer for voluntary retirement, in coordination with the employee union, in cases of alignment between the wishes of the employee and the bank. The offer presents an opportunity to retire with exceptionally good terms, including a special bonus for employees who retire between the ages of 53 and 56. The bank also arranges professional advisory services to assist employees in making the decision best suited to them and their families.

During the coronavirus outbreak, we maintained direct and continuous contact with the retirees of the bank through the employee union, and provided assistance with purchases of medication and food (through employee volunteers), as well as assistance with health-care and financial matters, when necessary (including food packages and/or monetary grants).

# Responsible supply chains

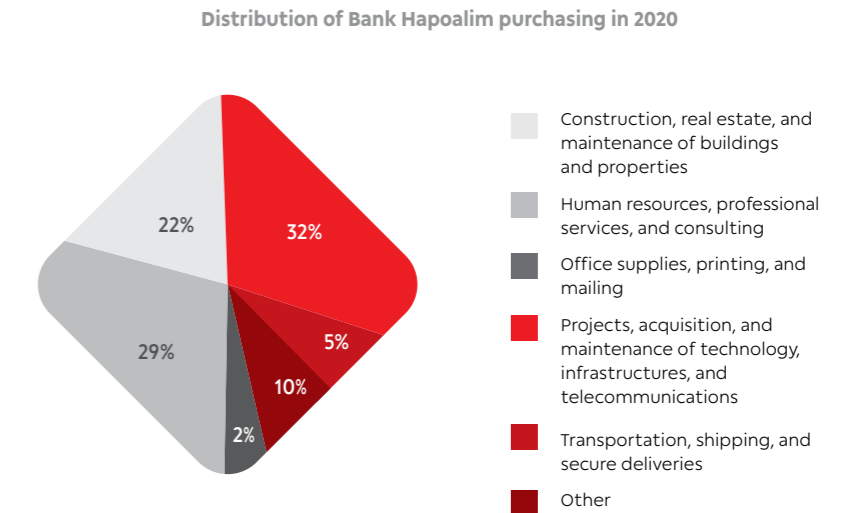
## Profile of the bank's supply chain

The operational activity of Bank Hapoalim, as a banking organization, is 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 executed contractual engagements with approximately 2,500 suppliers from this pool during 2020.

Approximately **93%** of our purchasing

is from suppliers who are located in Israel and employ workers here.

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. Purchasing is a defined, uniform, orderly process, with clear parameters established for examination of the quality of the purchased item,



separation of authority in critical stages of the procurement process (such as specification of demand, selection of supplier, and payment), establishment of authorizations for approvals, and documentation of information and decisions made at each stage of the process, using a purchasing system based on advanced 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 work processes in advance.

During the coronavirus crisis, the operating model in the area of

purchasing was rapidly adapted to the new situation, without compromising the application of controls and proper processes. Corporate purchasing mobilized to take part in the effort to deliver and adapt rapid, immediate solutions for the procurement of special logistical and technological equipment and services required due to the pandemic, both for the bank's internal needs and for the adaptation of customer service. This period was also marked by great sensitivity towards suppliers, reflected in earlier payments to suppliers who needed this accommodation and extensive support for social businesses.

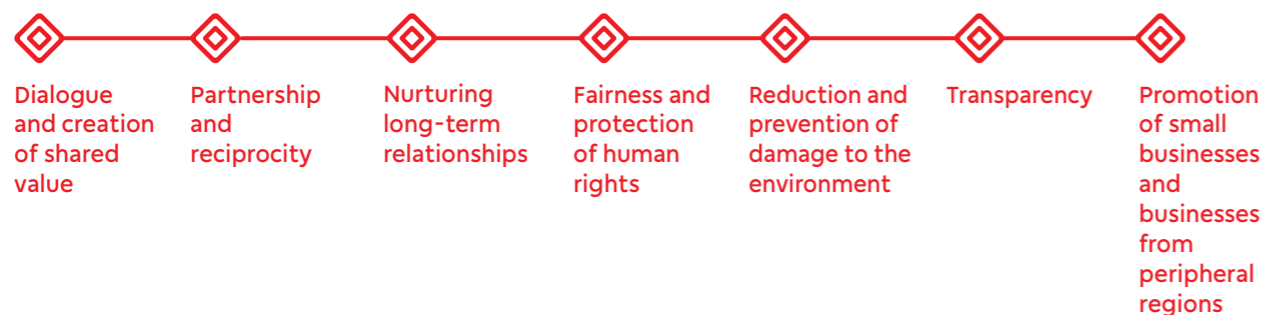
## Responsible purchasing

Within our overall philosophy of corporate responsibility, we have implemented a formalized program to instill sustainability 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.



This policy establishes the following principles and guidelines for the management of supplier relationships:



Policy implementation is adapted to customary practices at the bank in contractual engagements and to the nature of the different suppliers:

**Responsible purchasing policy**

Mandatory	Optional
<p><b>Binding criteria for all suppliers (required norms of responsible conduct)</b></p>	<p>Preference criteria (additional quality items) in the evaluation of proposal for significant contractual engagements</p>
<p><b>Binding criteria adapted to the unique characteristics of each of the different purchasing groups</b></p>	

## Embedding CSR principles in supplier agreements

Corporate purchasing frequently applies monitoring (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 form a part of the quality metrics in request-for-proposal processes, prioritizing suppliers who have embedded sustainability and corporate responsibility principles in their routine operations. Our suppliers sign a corporate responsibility document as part of

their agreement with the bank. The document encompasses commitments to prevent bribery and corruption; comply with legally required terms with regard to wages; protect employees' benefits; provide an appropriate and suitable work environment; prevent harassment and promote equal opportunities; avoid the employment of children, forced employment, or any form of illegal employment; protect the health, security, and safety of employees; and protect the environment, including through the use of environment-friendly materials. 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.

### From the suppliers' statement of commitment to responsible conduct

"The supplier undertakes a commitment to refrain from using materials known to be harmful to the environment and/or to public health, to a reasonable extent. The supplier undertakes a commitment to use only materials with recognized official certification or accreditation, and to discontinue the use of any material objected to by the orderer for reasons of protection of the environment and of public health."

### 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. We have built up a pool consisting 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. In 2020, we acquired equipment for special projects, gift cards, and various gifts from suppliers who employ people with disabilities. Total purchasing from these suppliers reached approximately NIS 3 million.

### Promoting small businesses in the supply chain

Bank Hapoalim recognizes the importance of small businesses to the progress of the Israeli economy, and promotes 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 internal efficiency, cost savings, and more. Purchasing staff members also give talks on responsible purchasing for various stakeholders, such as community organizations and others. Purchasing staff also regularly visit suppliers in order to become more closely acquainted with their activity, learn about new products they are offering, consider future collaborations, and more.



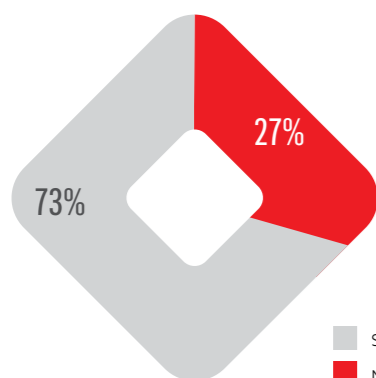


### Creation of collaborations to promote social values

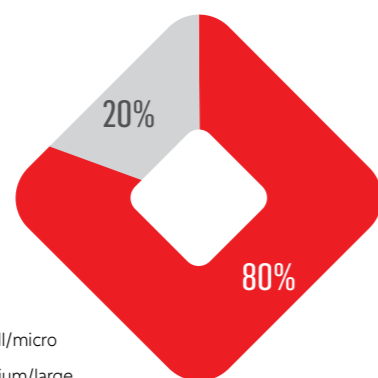
Diverse businesses are small and mid-sized businesses owned at a rate of at least 51% by minorities or women; businesses operating in socially and/or geographically peripheral regions of Israel; and businesses that employ people from minority groups, people with disabilities, and people from populations at risk.

We believe that inclusion of diverse businesses in our supplier pool is a values-driven obligation of the bank, while also promoting the thriving of the economy as a whole. Accordingly, in 2020, the bank's corporate purchasing joined forces with the WeSource initiative, run by the non-profit organization Jasmine, which promotes the inclusion of diverse businesses as suppliers at leading, large companies in Israel.

Segmentation of suppliers of the bank by size



Segmentation of suppliers of the bank by purchasing volume\*



\* The change in purchasing volumes in comparison to 2019 resulted from the coronavirus crisis and the unique characteristics of 2020.

### 2020 plans – planning vs. execution

2020 plans	Status
Continued collaborations with social suppliers and suppliers promoting the reduction of environmental impacts.	✓ Completed

### LOOKING AHEAD

- Update of the responsible purchasing policy.
- Encouraging suppliers to apply corporate responsibility and join the Maala ratings.
- Creation of a process to include ESG considerations in supplier selection.

## Protecting the rights of workers employed by external 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; social 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 CSR 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.

In 2012, with the implementation of the Law for Increased Enforcement of Labor Laws, 2011, and based on the existing processes at the bank, the infrastructure was adjusted to the provisions of the law, which took effect in June 2012. The process of applying controls began before the inception of the law, and is currently conducted in accordance with the provisions of the

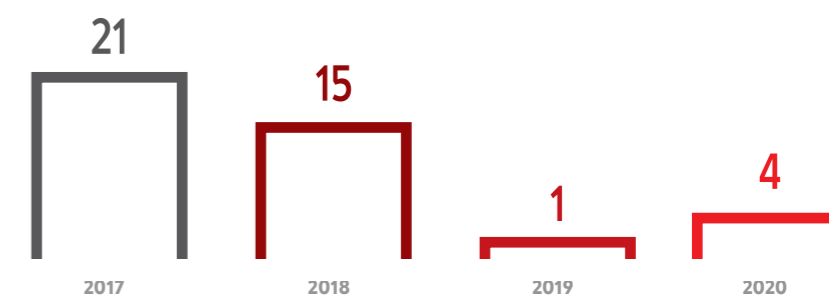
law. Within this process, we updated the bank's purchasing contracts, established a system for inquiries by external contractor employees at the bank's Human Resources Division, and appointed a supervisor responsible for ensuring the protection of the employees' rights and response to their inquiries during their employment on the premises of the bank.

As part of our efforts in this area, we collaborate with Hilan, which monitors the terms of payment by suppliers to their employees. During 2020, Hilan conducted reviews at all of the employment contractor companies engaged by the bank (ten companies). To ensure that the rights of contractor workers employed on our premises are protected, we operate a dedicated contact center in the Human Resources Division. The bank informs contractor workers of the existence of the contact center, and has them sign a document explaining their rights. Four inquiries from external contractor workers were processed by the center in 2020.

### Code of ethics for external contractor employees

Within the process of instilling social responsibility, the bank formulated a code of ethics adapted for external contractor employees who work on its premises in the areas of security, cafeteria services, and cleaning. The content of the code is communicated to all contractor employees employed at our facilities. These employees receive and read the code, and sign the code document. The bank receives a report of the completion of this process from the company employing the workers, signed by the general manager of the company. The content of the code is distributed in Hebrew, Russian, and Arabic. As of 2011, all new and existing suppliers are required to communicate the content of the new code, annually, to every employee they assign to the bank.

Processing inquiries from external contractor employees  
Number of inquiries





**ENVIRONMENTAL**

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# Responsible Action to Protect the Environment

## Our environmental policy

Within the bank's social responsibility, and in recognition of the importance of sustainable environmental management, we have formulated a comprehensive, formalized policy in this area. The policy, prepared by environmental management professionals, was approved by the board of management and board of directors, who are responsible for supervising its execution and assessing its implementation on an annual basis. The environmental policy constitutes an integral part of the bank's strategy, as derived from the sustainability principles that represent and reflect environmental and business conduct aimed at preserving and improving existing resources through economic, social, and environmental balance, for the benefit of future generations.

### Key points of the environmental policy of the bank:

- ◆ The bank views the protection of the environment as a social value, and manages this issue as an inseparable component of its social responsibility.
- ◆ The bank seeks to achieve the proper balance between economic development and the protection of the environment in its business decisions.
- ◆ The bank complies with regulations and laws, and adheres to the directives of the organizations charged with protecting the environment.
- ◆ The bank diligently endeavors to prevent environmental damage.
- ◆ The bank is committed to managing its environmental impacts to ensure continual improvement, by setting goals and measuring all material aspects of its impact on the environment.
- ◆ The bank collaborates with external professional organizations to promote environmental causes.
- ◆ The bank works to instill environmental education among its employees, and initiates and participates in community projects.

### The implementation of the environmental policy generates added value in two main areas:

More efficient use of logistical resources allows the creation of shared value – business and financial value, as well as the protection of the environment. Implementation of a responsible environmental policy contributes to the work environment, improving employees' quality of life and workplace satisfaction.

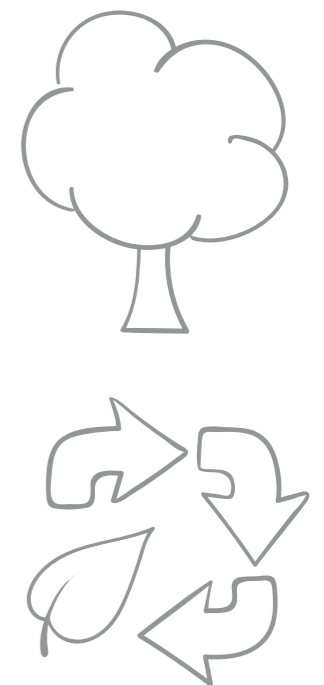
### Environmental management at the bank devotes special attention to areas directly affected by its business activities:

- ◆ Development of environmentally-friendly services and products;
- ◆ Management of environmental risks in project financing;
- ◆ Energy consumption and energy efficiency;
- ◆ Green transportation and reduction of fuel consumption;
- ◆ Consumption of paper resources;
- ◆ Green purchasing (office supplies and peripheral computer equipment);
- ◆ Consumption of water resources;
- ◆ Waste – reuse, recycling, and responsible disposal;
- ◆ Enhancing employees' environmental awareness, mobilizing and engaging them in the process of reducing individual environmental impacts within the activity of the bank, and turning them into agents of change in their home and family.

We treat consumed materials as resources to be managed responsibly, in an effort to achieve savings and improve efficiency. The main environmental resources we consume are managed using measurement infrastructures that allow monitoring of trends and identification of areas in need of improvement, establishment of a comprehensive multi-annual work plan, implementation of initiatives to increase efficiency, and examination of environmental impacts across the

full life cycle of the resource. This approach is implemented through the bank's environmental management system, which was certified under the international management standard ISO 14001 in 2013. The bank renewed its certification under this standard through an external institute in 2019. This certification is in effect until 2022. 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, no fines were imposed on the bank due to environmental matters, no offenses related to environmental matters were committed, and the bank and its senior officers 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.



## Developing products and services for the protection of the environment

Within the social responsibility of the bank and its commitment to protecting the environment, we develop credit products for our business and retail customers aimed at financing activities that promote sustainability and the protection of the environment. These include financing solutions offered by the Corporate Banking Division for the construction of systems that generate clean energy, water desalination projects, green building, infrastructures for recycling and responsible disposal of waste, and more.

### Renewable energy and energy efficiency

The bank supports the promotion of renewable energy in the Israeli economy, and contributes to the national effort to cut back carbon emissions. The bank is taking part in financing for the construction of two thermosolar power stations, financing and investment in photovoltaic systems nationwide (in the Arava region and in Ashkelon, Holon, Misgav, Netivot, Safed, and more), financing of the construction of four wind farms, and financing for construction of a pumped-storage power plant in Kohav Hayarden.

The bank serves as coordinator for the Emek Habacha and Bereshit projects, the largest wind power ventures in Israel, in which wind turbines are being built in the Golan Heights, with expected electricity output of approximately 300 megawatts. As of 2020, **we are the only bank organizing and financing wind power projects in Israel.**

Megalim thermosolar power plant.

Bank Hapoalim is participating in financing for all three solar-energy projects at Ashalim, and has organized the financing for two of the projects (Megalim and Ashalim PV):

- **Megalim (Plot B)** – A thermosolar power plant for the production of electricity using solar power tower technology.
- **Negev Energy (Plot A)** – A thermosolar power plant for the production of electricity based on parabolic trough technology.
- **Ashalim PV** – A photovoltaic power plant with a capacity of 30 megawatts.

### Dedicated fund for energy efficiency

In 2019, the bank won a tender to operate a state-backed fund granting loans for energy efficiency to massive power consumers (relative to the average electricity consumption in Israel). Cumulative potential credit in this fund is up to NIS 1.3 billion



**Beyond the support of the bank for projects promoting sustainability and the protection of the environment on the national level, in 2020 we continued to offer our business and private customers leading financing solutions for the installation of solar-power systems:**

**Dedicated loans for private customers 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 business customers loans dedicated to financing the acquisition and installation of solar-energy systems, at up to 100% financing, with preferred terms. In 2020, we issued targeted offers to potential customers, including farmers, farm owners, and business and private clients, to finance the installation of solar-energy systems.

This effort led to total credit provided by the bank to customers for this purpose reaching approximately NIS 284 million in 2020, almost double the amount in the preceding year; this trend continued in the first quarter of 2021.

**Financing of solar-energy systems in the construction and acquisition of single-family houses (green mortgages)** – these loans are targeted to customers interested in financing (mortgages) for the construction or acquisition of a single-family house. Financing of a solar-energy system is taken into consideration as part of the overall construction costs, i.e. it is part of the financing and mortgage terms for the construction or acquisition of the property. The solar-energy system is also recognized by appraisers who assess the value of the property.

### Water purification and desalination

Bank Hapoalim is a leader in financing for desalination plants and sewage-treatment facilities in Israel. The bank provided financing for the desalination project at Palmachim, including its subsequent expansions, and participated in financing for desalination projects in Hadera, Sorek, and Ashdod. The volume of desalinated water generated by projects in which the bank participated in financing stands at 467 million cubic meters per year, or about 80% of desalinated water in Israel. The bank has also participated in financing of several companies in the field of sewage purification, which produce treated wastewater used in agriculture, and in the field of planning and building water reservoirs to utilize sewage and floodwater by purifying the water and reclaiming it for irrigation.

### Waste treatment facilities

In 2020, the bank provided financing for several initiatives in the area of sorting, separating, and recycling waste in various parts of Israel. Examples include financing for the establishment of hazardous waste treatment facilities; a household waste sorting plant; and an urban waste treatment facility at the Dan Region Wastewater Treatment Plant (Shafdan), with a minimum capacity of 1,000 metric tonnes of waste per day.

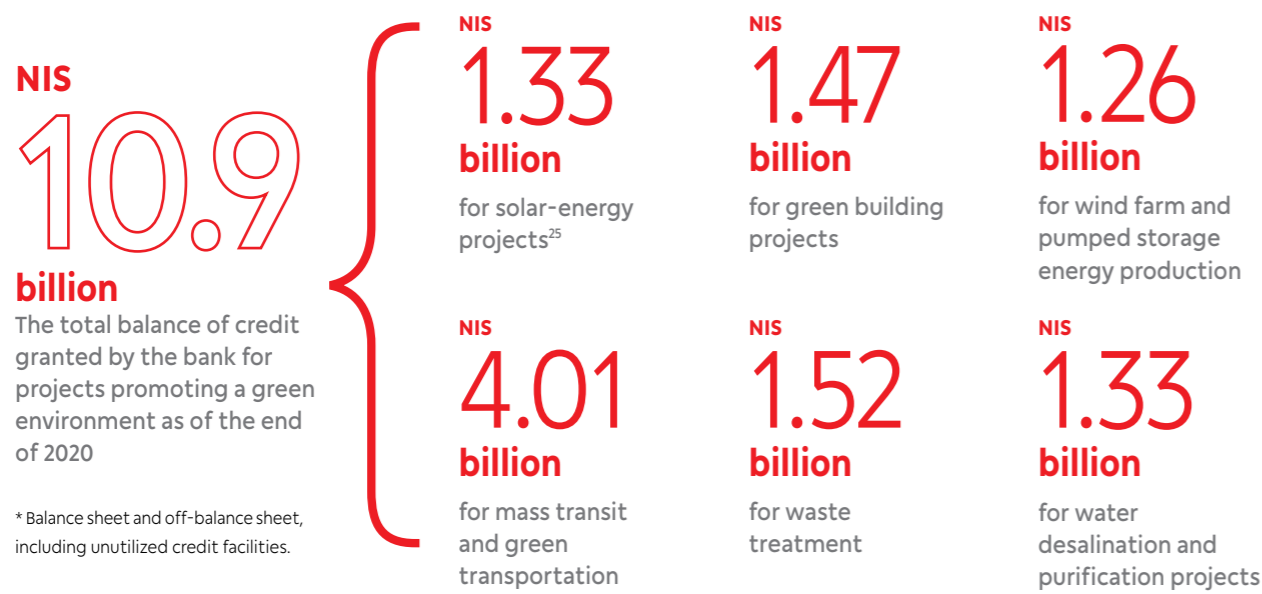
### Green building

The bank has provided financing for several construction projects across Israel based on green-building principles, in compliance with the standard required by the Ministry of Environmental Protection.

### Mass transit and green transportation

The bank finances several projects supporting mass transit and green transportation, such as the construction and expansion of the light railway project in Jerusalem, which will help achieve a 12% reduction in motor-vehicle use by 2030.





**2020 plans – planning vs. execution**

2020 plans	status
Continued financing of loans for the acquisition and installation of solar-energy systems for private and business customers, and raising of public awareness of this subject.	<p>✓ <b>Completed</b></p> <p>The volume of credit for installation of solar-energy systems and PV facilities has doubled.</p>

**LOOKING AHEAD**

• Increase investments and financing for projects promoting a green environment to NIS 20 billion by 2030.

In March 2021, large quantities of tar washed ashore on the coastline in Israel, causing one of the worst ecological catastrophes of the country's history. In response to the tar-filled beaches and injured marine animals, we initiated a nationwide drive to assist environmental organizations in their efforts to protect the beaches and avert the next ecological disaster, as part of the bank's ongoing activity dedicated to society and the environment.

With the Keshet 12 television network, we led a special broadcast day designed to raise awareness of the protection of the environment and encourage the general public to donate to the environmental organizations working to clean the polluted beaches of Israel and prevent future incidents. We also developed a dedicated button in the Bit application for donations to the beach clean-up efforts. Donations were transferred to Mediterranean People, a coalition of environmental organizations involved in protecting beaches in Israel and creating nature preserves in the Mediterranean Sea.

Bank employees also participated, volunteering for beach clean-ups near their homes.

25. Includes approximately NIS 284 million in financing for solar-power systems for private and business customers.

**Managing environmental risks in financing**

The definition of environmental risk has expanded in recent years. Today, environmental risk is also perceived to encompass the global risk arising from the potential harmful effects of environmental changes on people, ecological systems, and economic and financial activities. Environmental risks therefore include climate change; damage to biodiversity; and air, water, and land pollution. In this context, environmental risks are usually divided into two main risk factors:

**Physical risks** – risks that materialize as a direct effect of climate change, such as fires, floods, earthquakes, etc.

**Transition risks** – risks arising from the progress of processes and adjustments related to environmental issues, such as renewable energy, carbon reduction, green technologies and materials, etc.

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.

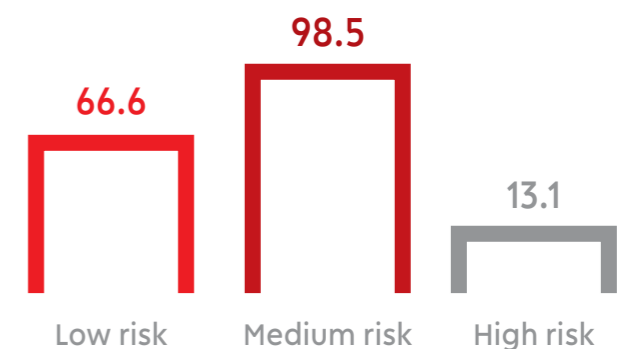
Financial and operational risk control and assessment are performed based on a uniform methodology at the level of the group, with guidance from the Risk Management Division, taking into consideration the unique characteristics of each subsidiary's activities. Risk management involves hedging of some of the risks.

The bank's methodology for the management of environmental risks in financing was created by a dedicated team, with the assistance of external consultants specializing in this area, which examined the methodologies used by banks around the world. The team reports regularly to the board of directors and board of management to indicate the environmental risk level of credit applicants. A report on environmental risk management and control in credit granting was also submitted to the audit committee. The model formulated by this team links the various environmental risks, as defined by the Supervisor of Banks, to the business sectors of the bank's clients. The environmental risk identification methodology addresses factors including the environmental risk potential of the economic sector, as well as individual consideration of the environmental risks that may materially affect borrowers, according to their business activities. Environmental risk analyses are rated on a scale of 1-5 in an analyst review based on established thresholds. Among other matters, the environmental risk management policy addresses risks arising from activity in the following sectors: energy, mining and quarrying, commerce, industry, construction and real estate, transportation, and shipping.

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 real-estate and construction projects also requires an assessment by an appraiser regarding possible land pollution.

Segmentation of environmental risks in credit granted in 2020

(Total exposure in NIS billions)



In recognition of the importance of environmental risk management within credit risks, Bank Hapoalim examines environmental risk within underwriting processes and examination of customer files, using a formalized methodology.



**Key principles of environmental risk exposure management in financing:**

- ◆ 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 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.
- ◆ 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 Capital Markets and in the proprietary portfolio, is managed using methodology identical to risk management in financing.



**LOOKING AHEAD**

- In December 2020, the Supervisor of Banks sent a letter to banking corporations concerning the management of environmental risks, with an emphasis on climate risks. Climate risk management is a developing field, worldwide. We are in the process of studying the newest practices in this area, while examining the adaptations necessary for the Israeli economy, mapping the sectors materially exposed to environmental and climate risks in Israel, and considering the use of applied tools for monitoring the risks.
- To expand the activity of the bank in this area, we are currently preparing to formulate an annual and multi-annual plan, which will be based on comparative examination of regulation, position papers, supervisory expectations, and best practices. In this context, we intend to act in the short to medium term to strengthen the environmental risk management of the bank, with an emphasis on the developing field of climate risks. We will adopt a number of practical measures in areas such as training and enhancement of knowledge; embedding environmental and climate risks in the risk map of the bank as developing risks; expansion of the tools and methods applied by the bank to identify, assess, and manage environmental and climate risks; considering updates of policies and procedures; and more.

**Reducing carbon emissions**

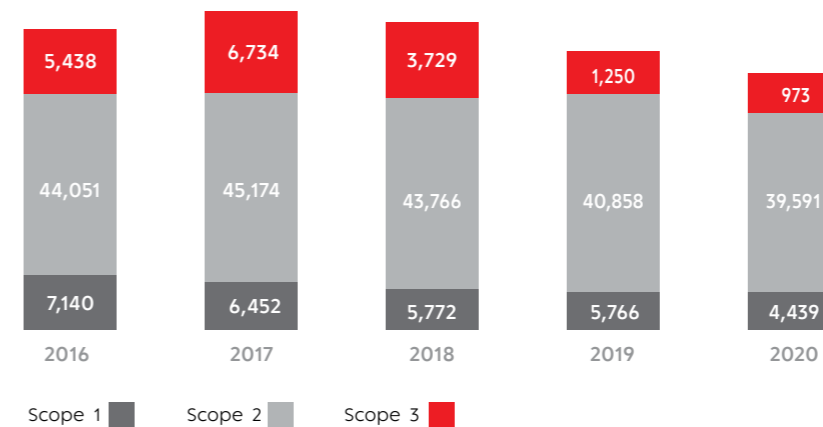
Bank Hapoalim monitors the main components of its activity that contribute to the emission of greenhouse gases. The bank joined the voluntary greenhouse-gas reporting system of the Ministry of Environmental Protection in 2010. Since then, we have reported to the recording system in accordance with the established methodology. Indirect energy consumption (Scope 2) for electricity is the most significant factor in the bank's carbon footprint. Measures are being taken to improve efficiency and reduce consumption, as described later in this chapter. We also manage and monitor other indirect emissions in the supply chain, such as in paper production, water consumption, employee flights, and more.

**Carbon footprint of Bank Hapoalim in 2020<sup>26</sup>:** The total carbon footprint of the bank in 2020 is 45,003 metric tonnes CO<sub>2</sub>eq (including all three scopes), down approximately 6% from 2019. Total Scope 1 emissions decreased by approximately 23%, due to a significant decrease in the fuel consumption of the bank. Scope 3 emissions decreased by approximately 22%, partly due to a decrease in employee flights.

**Emission of substances that damage the ozone layer**

In general, the bank uses five main types of air-conditioning systems: split air conditioners, central air conditioners, VRF systems, cooling towers, and chillers. The older systems use freon gas, which is permitted by law, but may be harmful to the ozone layer. We are working to replace these existing air-conditioning systems with systems that use only environment-friendly gases. The air-conditioning systems of all of the bank's properties in aggregate contain about 20-30 metric tonnes of coolant gas, of which more than 85% is the environmentally-friendly R-410a. In the reported year, approximately 30 kg of R-410a gas was refilled, and emissions were approximately 63 metric tonnes CO<sub>2</sub>eq, constituting approximately 1.5% of the total Scope 1 emissions of the bank.

Carbon footprint of the bank<sup>27</sup> – breakdown by scope (CO<sub>2</sub>eq)



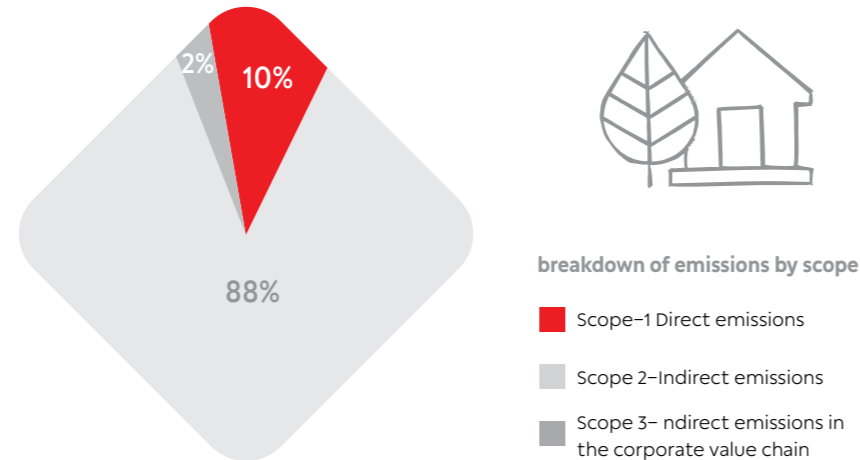
26 A methodological update was applied to Scope 3 emission coefficients in 2016-2020, based on emission coefficients of the Department for Environment, Food, and Rural Affairs (DEFRA) in the United Kingdom, with data optimized accordingly. Data were optimized based on the update of the carbon footprint for 2016-2020.

27. 102-48



Carbon footprint intensity<sup>28</sup> of the bank (in metric tonnes CO<sub>2</sub>eq)

Year	2016	2017	2018	2019	2020	Change vs. 2019
Total	56,629	58,360	53,267	47,874	45,003	-6%
Per employee	6.51	6.72	6.43	5.87	5.80	-1.1%
Per square meter	0.199	0.202	0.186	0.175	0.169	-3.6%



**58%** Reduction of the carbon footprint of the bank over the last decade,

mainly due to energy savings and efficiencies in fuel and electricity consumption, as well as significant savings processes leading to substantial reduction of paper consumption.

**2020 plans – planning vs. execution**

2020 plans	Status
The bank aspires to continue to reduce greenhouse-gas emissions resulting from its activity each year, for an additional 30% cutback by 2025.	6% decrease relative to 2019.

**LOOKING AHEAD**

The bank aspires to continue to reduce greenhouse-gas emissions resulting from its activity each year, for an additional 60% cutback by 2030.

28. Data were optimized based on the update of the carbon footprint for 2016-2020

**Power consumption management and energy efficiency**

Electricity is a key resource used by the bank and the main factor affecting the carbon footprint of the organization. Our premise is that this resource should be managed every day of the week, in every season – not only in industry, but also in office-based businesses – for efficiency and savings.

The central principle in efficient management of electricity consumption by offices is coordinated timing, according to employee presence, of air conditioning and lighting systems and of computer operation, to the extent possible. The collection and analysis of as much data as possible allows organizations to identify excessive consumption and find optimal solutions. The most significant energy consumption of Bank Hapoalim is in the form of consumption of electricity supplied by the Israel Electric Corporation, which does not include renewable energy sources.

However, in 2014, the bank began to acquire electricity from Dorad, a natural-gas-based power supplier. Dorad supplies electricity to the bank's head-office buildings and large branches. In 2020, 45% of the power consumed at the bank was acquired from Dorad. The transition to Dorad has lowered energy costs and reduced the environmental impact of our power consumption.

**Energy efficiency**

The bank uses computerized command and control systems to monitor and control all of its energy consumption; these systems help minimize consumption of air conditioning and lighting, and provide alerts of significant problems. The systems have been installed at all of the bank's branches, and are operated based on specifications matched to the work hours at each branch or building. In 2020, we strengthened the enforcement of energy control at the bank. The control systems are accessed proactively every two weeks to ascertain that there is no significant change in consumption and that the bank is on track for its planned reduction of consumption. 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. Fourteen new VRF systems were installed in 2020; 100 CoolMaster controllers were installed, to improve energy savings.

**Examples of projects aimed at actively improving energy efficiency in 2020**

**Financial investment vs. annual cost savings and avoided emissions**

Description of activity	Investment	Annual savings (by unit of consumption)	Annual monetary savings <sup>29</sup>	Time to recover investment	Avoided emissions
VRF air-conditioning system installation	4,000,000 NIS	2,683,800 Kwh	1,610,280 NIS	2.5 years	1,339 metric tonnes CO <sub>2</sub> eq
Acquisition of small computers with reduced power consumption	986,000 NIS	799,500 Kwh	400,000 NIS	2.5 years	399 metric tonnes CO <sub>2</sub> eq
<b>Total</b>	<b>4,986,600 NIS</b>	<b>3,483,300 Kwh</b>	<b>2,010,280 NIS</b>	<b>2.5 years</b>	<b>1,738 metric tonnes CO<sub>2</sub>eq</b>

29. Savings data are based on internal estimates drawn from purchasing data

## Management and measurement of power consumption

The bank maintains a power consumption database, which is routinely updated to reflect structural changes in the bank's properties as a result of addition, closure, rental, or change in designation. 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 compare multi-year

trends in consumption per square meter and per employee. The database also allows us to identify trends of improvement and increased efficiency, and to locate properties with a risk of inefficiency or malfunction.

Data on the bank's total power consumption in 2020 indicate a decrease of 4.5% compared with 2019. This decrease, in line with the consistent downward trend in power consumption at the bank in recent years, was also heightened during the pandemic, due to proactive shutdowns of electrical switches and air conditioners in offices and branches

while they were closed or unstaffed. It should also be noted that while power consumption at the bank's branches and buildings decreased (due to the proactive measures taken during the coronavirus pandemic, as well as the continued reduction of square footage and energy efficiency processes), power consumption at Rotem, the bank's main IT site, increased by approximately 5.5% relative to 2019. This increase resulted from growing use of the bank's digital services, which require the use of the server farm and backup systems at the Rotem site.

### Power consumption at Bank Hapoalim – multi-annual

year	2016	2017	2018	2019	2020	Change vs. 2019
Total (KwH)	86,388,184	86,232,616	86,217,677	83,123,204	79,366,534	-4.5%
Total (GJ)	310,997	310,437	310,383	299,243	285,718	-4.5%
Bank area in sq. m.	285,251	288,897	280,600	273,697	266,820	-2.5%
Consumption per square meter (KwH)*	280.7	267.5	274.3	268.1	258.9	-3.4%

\*The data regarding power consumption per square meter does not include the bank's consumption at the Rotem site, as this site is a unique backup facility with unique consumption patterns that are not characteristic of average power usage at the bank. In 2020, this figure was calculated based on overall consumption of 69,083,374 KwH.

### plans – planning vs. execution 2020

Plans	Status
Acquisition of CoolMaster communication coordinating controllers and installation in VRF air-conditioning systems (which constitute 90% of the air-conditioning systems at the bank). The controllers allow remote management and operation of the VRF systems to create a fixed-temperature work environment, which leads to electricity savings and better energy efficiency. In a pilot project in 2019, the controllers were successfully installed at one of the branches of the bank. This process is planned to expand to ninety branches in 2020.	✓ Completed

## LOOKING AHEAD

- Continued replacement of lighting fixtures at the branches with LED bulbs and installation of LED lighting in all new buildings of the bank, in order to achieve additional savings of 2% in electricity consumption in 2021. The multi-year target set by the Bank in 2017 has been raised to a 3% decrease within five years, and a decrease of at least 0.5% each year.
- Examination of purchasing of electricity from additional energy suppliers.

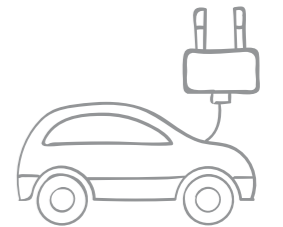
## Reduction of energy consumption in transportation

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, leading to estimated annual savings of approximately 1,000 liters of gasoline per vehicle.
- ◆ 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.
- ◆ Conducting dialogue with employees through the organizational portal – publication of articles and recommendations concerning safe, efficient, careful driving.
- ◆ Reducing mileage and flights through transition to virtual meetings whenever possible and 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.

During the year of the coronavirus, the significant reduction in travel to offices, branches, and meetings by employees led to a sharp decrease of 22% in annual fuel consumption for transportation. In addition, the reduction in branch activity due to the restrictions, alongside the expansion of services offered by the bank via telephone and the digital channels, lessened the need for customers to visit the branches of the bank and contributed further to cutting back travel and air pollution.

# 121.5 metric tonnes emission savings



In 2020, the bank added 52 hybrid vehicles to its fleet<sup>30</sup>. This led to immediate annual savings of approximately 121.5 metric tonnes CO<sub>2</sub>eq in Scope 1 emissions.

Year	2017	2018	2019	2020
Number of vehicles in leasing fleet	1,024	953	930	870
Annual fuel consumption (in liters, gasoline and diesel)	2,746,344	2,203,957	2,380,344	1,858,315
Number of hybrid vehicles in the fleet	15	48	99	151

30. Each year, the bank promotes the replacement of gasoline-powered vehicles with hybrid vehicles. Concurrently, we are examining a pilot project for the addition of electric vehicles to the bank's fleet.





**Notes:**

1. Mileage emissions presented above are included in total emissions in Scopes 1 and 3 below:
  - a. 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.
  - b. In 2019, vehicle mileage emissions constitute approximately 94% of total Scope 1 emissions, and emissions from employee flights constitute approximately 4% of total Scope 3 emissions.
  - c. In 2018, vehicle mileage emissions constitute approximately 87% of total Scope 1 emissions, and emissions from employee flights constitute approximately 8% of total Scope 3 emissions.
  - d. In 2017, vehicle mileage emissions constitute approximately 97% of total Scope 1 emissions, and emissions from employee flights constitute approximately 14% of total Scope 3 emissions.
  - e. In 2016, vehicle mileage emissions constitute approximately 99% of total Scope 1 emissions, and emissions from employee flights constitute approximately 11% of total Scope 3 emissions.

### LOOKING AHEAD

- Installation of reclaimed water systems to treat gray water at suitable buildings of the bank. This system allows reuse of water from air conditioners to refill toilet tanks, contributing to significant water savings.

## Management of paper resources

The Paperless Bank strategic project has been underway since 2009. The project in view of the nature of our activity, paper is one of the main raw materials consumed during the routine operations of the bank; as such, we manage this resource based on the overall approach of reducing consumption while increasing recycling. In 2020, we continued our efforts to cut back paper consumption at the bank, and introduced several new processes.

**Paperless Bank**

The Paperless Bank strategic project has been underway since 2009. The project concerns analysis of paper consumption at the bank and the possibilities for reducing or eliminating forms and reports, both for our own internal use and in mailings to our customers.

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.

The unusual characteristics of 2020 also affected the Paperless Bank process. On one hand, it became urgent to find solutions for the remote delivery of services, without face-to-face encounters at our branches, which inevitably made these procedures paper-free; but on the other hand, customers were wary of touching digital signature surfaces and reusing shared pens. Many of our employees also worked from home, which significantly cut back on printing. Paper use data for 2020 reflect these trends.

**Paper consumption reduction efforts in 2020:**

- ◆ **Double-sided document printing at branches** – All documents (with a few exceptions) printed at the branches of the bank are printed on both sides of the page; this is expected to lead to significant paper consumption savings.
- ◆ **Signing of credit documents on the bank's website** – As part of the improvement of the bank's website in 2020, a feature was added allowing customers to receive and sign credit documents in digital form, without printing and without visiting a branch in person.
- ◆ **Registration of customers for mail delivery via e-mail** – We continued to proactively contact our customers to register them to receive mail from the bank via e-mail, emphasizing the advantages both for the customer and for the environment.
- ◆ **Printing centers** – Eighteen printing centers were added in 2020, replacing dozens of individual and team printers. Use of the Mail to Fax / Fax to Mail application, which reduces the need for printing, also expanded.

202 million pages

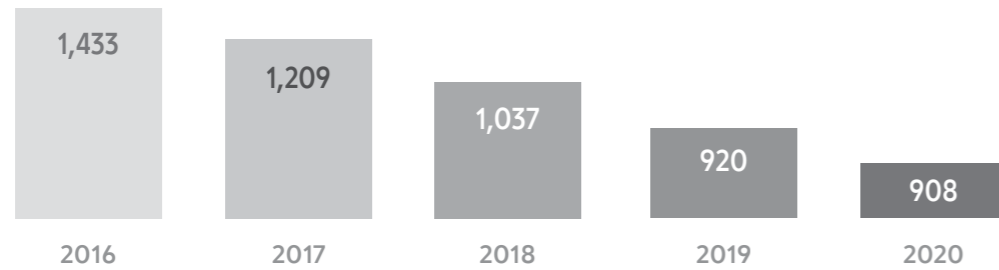
The Paperless Bank project contributes estimated savings of 202 million pages of paper per year.

116k customers

The number of customers registered for the service allowing them to receive messages electronically, through the bank's website or their e-mail inboxes, increased by approximately 116,000 in 2020.

In 2020, we initiated an intra-organizational campaign inviting employees to suggest ideas for reducing printing and paper consumption, based on their experience and their own work. We received dozens of tips for significant cutbacks in printing. Efforts to implement and apply these ideas will continue in 2021.

Paper consumption at the bank (in metric tonnes)



Paper consumption:

**12** metric tonnes

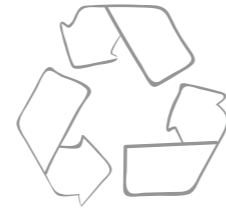
Paper consumption at the bank decreased by approximately 12 tons in 2020, relative to 2019<sup>31</sup>



Cardboard recycling:

**45.4** metric tonnes

of cardboard were collected and transferred for recycling in 2020



Paper recycling:

**487.5** metric tonnes

of paper were collected and transferred for recycling in 2020

**2020 plans – planning vs. execution**

2020 plans	Status
5% reduction in paper consumption at the bank in 2020, relative to 2019.	Due to the inception of the Fair Credit Law, paper consumption decreased by only 1.5% in 2020.

**LOOKING AHEAD**

- 5% reduction in paper consumption at the bank compared with 2020.
- Allowing employees to receive pay stubs digitally instead of in printed form.

31. Concurrently with the paper consumption reduction processes already underway at the bank, the inception of the Fair Credit Law in August 2020 requires the bank to print out loan amortization schedules for all borrowers. This law has significantly increased paper consumption. Efforts are in progress to promote digital delivery of amortization schedules to customers.

## 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 digital by nature. Nonetheless, we strive to minimize the incremental environmental impact of our activity.

We involve our employees in this process, both through internal changes in environmental practices and through the attempt to maximize the impact of our overall environmental activities, based on the idea that such engagement is essential to creating change, and in the hope that the employees will become agents for 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 supply our employees and their families with information and tools to enable them to be greener, in driving, recycling, saving energy, and more.

### Management of water resources

Water for routine consumption in the bank's buildings is received from water corporations and the various 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 and apply efficiency and savings plans accordingly. The bank also has a command and control system allowing smart management of water resources.

As a result of these measures, we reduced our water consumption by approximately 14% in 2020 (above our annual target of 10%).

### Promoting green building at the bank

In 2019, the bank updated its purchasing specifications 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 appointed to adapt the technical specifications of materials to green-building standards, in order to qualify for green ratings. 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. We endeavor to bring as many of the elements of green building as possible to these sites, although the properties involved may not meet accepted green-building standards. In addition, construction projects of the bank use environment-friendly elements such as efficient air-conditioning units, energy-efficient LED lighting, shading to save energy in air conditioning, and acoustic ceilings.

### 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. Population growth creates pressure on ecological systems, making it difficult to meet the demand for natural resources such as metals, wood, water, fossil fuels, and more. In addition, without proper treatment, waste pollutes the environment and damages soil, water, and the air, while contributing to global warming. These and other insights underscore the importance of a methodical approach to the future of materials and consumer goods. Bank Hapoalim mapped the types of waste generated by its operations, and subsequently examined the most beneficial methods of treating such waste:

- ◆ Reuse of a resource or of its components;
- ◆ Recycling of the resource by external parties, who convert it into raw material and then reinsert it into the production process;
- ◆ Responsible dismantling and disposal through collection and transfer to a licensed site (prevention of environmental pollution).



**The bank promotes the collection and responsible disposal of waste through the following activities, among others:**

- ◆ **Collection of electronic waste** – We strictly maintain responsible management and disposal of disused computer equipment. Computer equipment not suitable for donation is transferred for responsible recycling and disposal each year. All mobile devices no longer in use are returned to the supplier for responsible disposal; 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. Reusable IT equipment is returned to the bank after refurbishing and donated. **Since the beginning of the collaboration with Ecommunity in 2020, 1,000 computers have been donated to the community.** We also invite employees to bring electronic waste from their homes to the collection center at Rubinstein Towers in Tel Aviv.
- ◆ **Removal of fluorescent bulbs** – Old fluorescent bulbs are collected and transferred to Ecommunity for dismantling, crushing, and burial according to the standards applicable to this process.
- ◆ **Construction waste removal** – Waste created by the bank as a result of its activity is responsibly removed to a site specializing in waste sorting, in accordance with the regulations in this area. We include a contract clause in our agreements with construction and renovation contractors working at our branches and buildings requiring the

responsible removal of waste to a licensed specialist waste sorting facility. The aim of the bank is to fully prevent construction waste originating with the organization from reaching unlicensed sites or open fields.

- ◆ **Collection of bottles and cans** – Systematic recycling in collaboration with the ELA recycling corporation. Refunded deposits are transferred to the unit's employee union and used to finance various social activities, donations, etc.

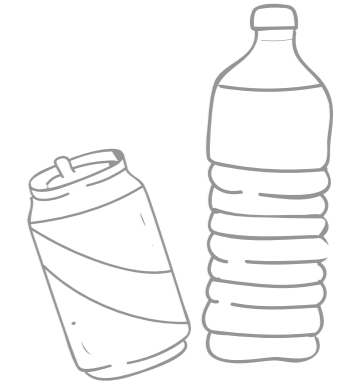


**Instilling the habit of recycling at the bank**

We encourage our employees to collect and recycle waste; towards that end, we have installed a range of specifically designed recycling receptacles on the bank's premises. Recycling receptacles are available for paper, electronic waste, bottles and cans, batteries, clothing, and medication. The waste is collected and treated by licensed operators.

**8 sacks of unused medications**

were collected from receptacles at the bank's buildings, estimated at a value of NIS 55,000. Unexpired medications are donated to patients in need through the non-profit organization Haverim Lerefuah (Friends for Health).



Type of waste	Weight	Processing
Paper	487.5 metric tonnes	Recycling
Cardboard	45.4 metric tonnes	Recycling
Electronic waste*	96.1 metric tonnes	Recycling
Construction waste	1,973 kg	Dismantling and burial
Fluorescent bulbs*	1,128 kg	Dismantling and burial

\* 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.

- Total waste: 632.1 metric tonnes
- Total waste recycled: 629 metric tonnes
- Total waste dismantled and buried by licensed disposal contractors: 3.1 metric tonnes

**2020 plans – planning vs. execution**

2020 plans	Status
Within the effort to reduce plastic consumption in all buildings and branches of the bank, a transition to paper cups for hot and cold beverages and wood stirrers will be promoted.	✓ <b>Completed</b>

**48,994**  
bottles and cans removed from the bank for recycling

**LOOKING AHEAD**

- Installation of reclaimed water systems to treat gray water at suitable buildings of the bank. This system allows reuse of water from air conditioners to refill toilet tanks, contributing to significant water savings.



# GOVERNANCE

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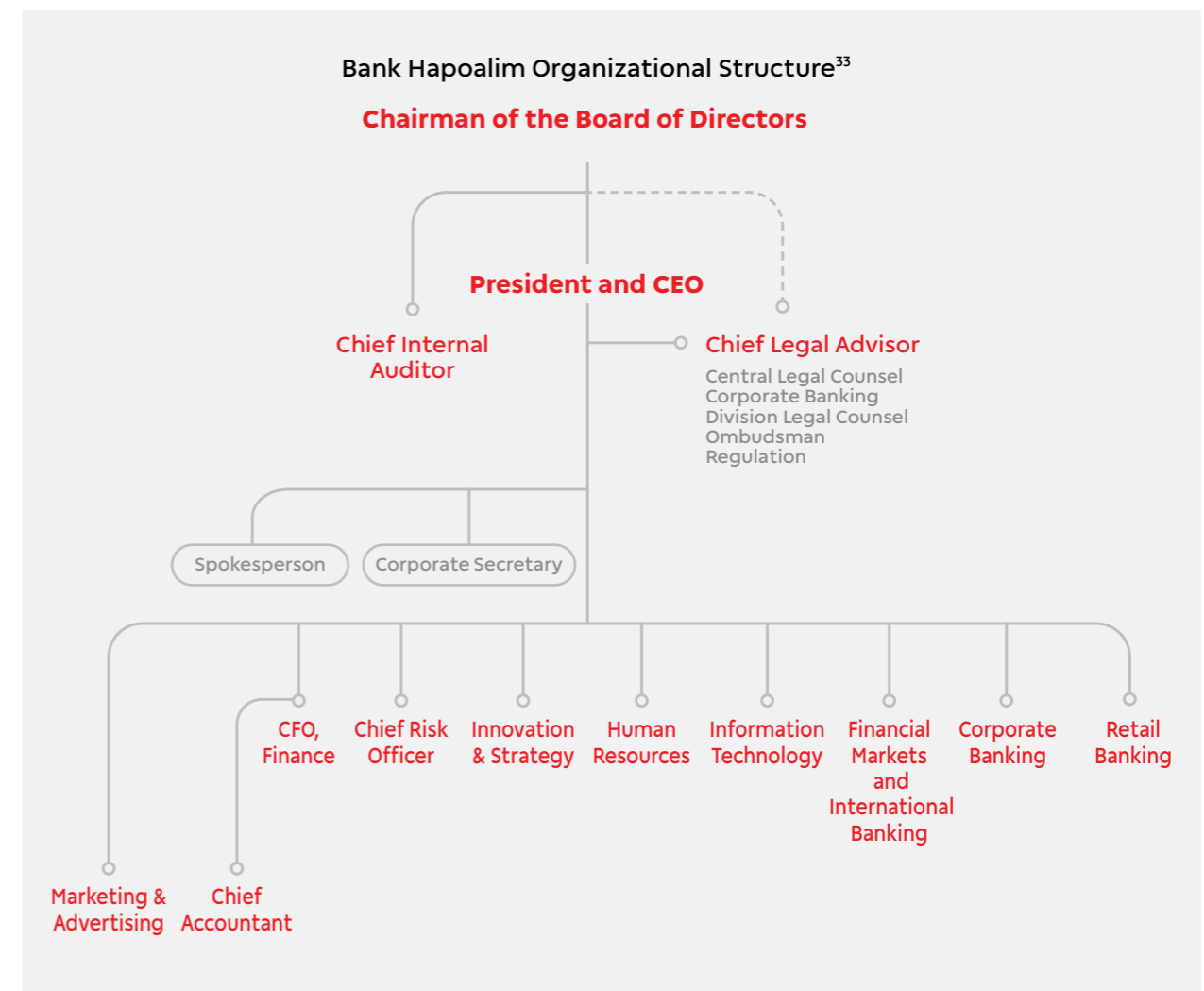




# Corporate Governance, Ethics, Compliance and Information Security

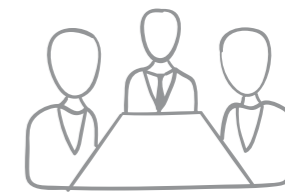
## Bank profile<sup>32</sup>

Founded in 1921, Bank Hapoalim is a banking corporation and holds a bank license under the directives of Israel's Banking Law. In 1983, within an arrangement formulated between the Israeli government and the banks, the shares of the bank were brought under the control of the state. The bank was privatized in 1997, with the controlling interest transferred to Arison Holdings Ltd. and others. In November 2018, the bank became a banking corporation without a controlling core, pursuant to the Banking Ordinance of 1941. Further information regarding the decentralization of control of the bank is available on page 439 of the Annual Financial Statements for 2020.



32. 102-45

33. According to publication date



## Board of directors

The bank group operates in Israel, in all of the various areas of banking and in associated activity in the capital market, through three main divisions: the Corporate Banking Division, the Retail Banking Division, and the Financial Markets and International Banking Division.

- ◆ **The Corporate Banking Division** – provides service to most of the bank's business customers; activities with large corporate clients are conducted through sectors specializing in specific industries, while middle-market clients are served through Business Centers located throughout Israel, and through the branches of the bank, which provide operational services to the division's customers.
- ◆ **The Retail Banking Division** – serves customers including households, private-banking clients, foreign residents, and small businesses, through 189 branches, including a mobile branch, and through the direct channels: self-service stations at branches and on customer premises, Poalim Online, Poalim Mobile, the Poalim by Telephone call center, the interactive voice response (IVR) system for information and transactions, and social media.
- ◆ **The Financial Markets and International Banking Division** – oversees the activity of the bank group in most areas of the capital market, in Israel and overseas. This activity includes securities and marketable derivatives trading services (brokerage), securities custody, currency and non-marketable derivatives trading services, services for financial asset managers, management of the bank's proprietary portfolio, management of the bank's non-financial investments, and investment banking (primarily through the Poalim Capital Markets Group). The division is also responsible for managing liquidity risk and interest-rate risk, setting transfer prices, and managing debt offerings of the bank.

The international activity of the bank group includes the New York branch and representative offices, as well as relationships maintained with banks around the world. International business banking is primarily conducted through the New York branch, which focuses on providing banking services to companies. The bank has discontinued its global private banking activity outside Israel. In view of the economic and political situation in Turkey, within the strategic plan of the bank, an agreement was signed in early February 2021 for the sale of the investment in Bank Pozitif (for further details, see the Annual Financial Statements for 2020, p. 71).

### 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, 5769-1999. 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. One or more shareholders holding at least five percent of the issued capital and at least one percent of voting rights can 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). Bank employees are entitled to contact the board of directors, subject to and in accordance with the regulations of the bank, which are aligned with legal requirements.

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 Bank of Israel Law, 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.

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 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, including a provision stating that directors at the bank cannot have 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 who proposed the candidate for service as a director, even if such relationships are impermanent, other than negligible relationships. In addition, in accordance with Directive 301, at least one-third of the directors at the bank are external (independent) directors. At this time, a total of nine directors serve at the bank, of which five are independent directors: three independent directors under the definition in the Companies Law, and two independent 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 the office of a director are proposed to the general meeting of a banking corporation without a controlling core by a dedicated director appointment committee, headed by a retired judge appointed by the Governor of the Bank of Israel, pursuant to the Banking (Licensing) Law, 1981 ("Dedicated Committee" and "Banking Licensing Law," respectively). In accordance with the Banking Ordinance, in addition to the Dedicated 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 (for further information, see page 437 of the Annual



Financial Statements for 2020). The term of service for each director is three years. Appointments are staggered, so that it is not possible to immediately replace all of the members of the board. Further, pursuant to the Banking Ordinance, over half of the directors serving in the same year cannot be replaced.

Two new directors were appointed at the bank in 2020: Prof. Stanley Fischer and Mr. Israel Trau, and the term of service of two serving independent directors was extended: Ms. Ronit Abramson Rokach and Ms. Dalia Lev. Further information regarding candidates for service on the board of directors of the bank proposed by the Dedicated Committee in 2020 and the resolutions of the general meeting on this matter are available on the bank's website. Pursuant to the provisions of the Banking Ordinance, a vote on the appointment of directors is held, separately for each candidate, at the general meeting. Prior to convening a general meeting for which the agenda includes the appointment of directors or the termination of their service, advance notice is issued at least 21 days before the publication of the call to meeting. The call to meeting includes a list of matters on the agenda of the meeting and the language of the proposed resolutions, a voting card, and a signed declaration of each candidate for the office of a director, in which they declare an absence of affinity to, close association with, or control over the bank or anyone acting on its behalf.

## 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. 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. Accordingly, members of the board of directors of the bank meet the requirements for qualification of directors established by the Bank of Israel, which encompass knowledge and education in various fields, including law and regulation, finance and accounting, banking, management, risk management, technology and cybersecurity, and corporate governance. Details regarding the education and experience of the directors are available in Standard 26 of the Annual Financial Statements of the bank for 2020.

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: proven occupational experience in a senior position in banking, with involvement in a core area or area of material risk for the banking corporation; service for at least five years as a partner responsible for management of auditing at 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 of the end of 2020, nine directors with professional qualification serve at the bank, of which seven have accounting and financial expertise, and five have proven banking experience as defined by regulation. Some of the members of

the board of directors are 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 assessment was performed in 2019, with the assistance of an external consulting firm. The effectiveness assessment for 2021 is currently in progress.

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 2020, training and instruction was provided to the members of the board of directors on various subjects, including innovation; CECL; the credit tribe; the responsibilities of directors; insurance coverage; fintech and global trends; analysis of financial statements; the new economy following COVID-19; activity generating market risks, and the measurement and monitoring of these risks; and awareness of cybersecurity and information leakage. As of the end of 2020, the risk management and control committee consists of five members, who have accumulated extensive experience with the committee's work. The members of the board of directors attend training on risk management. Two training sessions on risk management were held in 2020, addressing CECL as well as market risk generating activity and the measurement and monitoring of market risks. Additional board committees, such as the audit committee and the corporate governance and stakeholders committee, also address matters related to risk management.

## The activity of the board of directors and the board committees

In 2020, 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, limits on exposure to various risks, and 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 corporate responsibility 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; responsible employment; information security and cybersecurity; environmental risk management in credit granting; employment of people with disabilities; investment in the community; reduction of environmental impacts, including 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

sustainability and CSR, and is charged with promoting this area. On the strategic level, corporate responsibility is managed at the bank's Social Banking Center, under the member of the board of management who oversees the Human Resources Division, reporting regularly to the board of management and board of directors. The reports and discussions include status reports on the bank's progress in this area, under its CSR plan; an annual discussion and approval of the corporate responsibility report; and discussion and approval of future work plans. In addition to the discussions by the plenum of the board of directors, the activity of the members of the board of directors of the bank is conducted through the committees. The bank examines and evaluates the quality of risk management 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 are part of the bank's risk-management philosophy. This is reflected in the inclusion of such metrics in controls and in routine reports, such as SOX, BSC, 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. As of the end of 2020, eight permanent committees of the board of directors are in operation 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. The chairperson of the audit committee is Ms. Ronit Abramson Rokach, and the chairperson of the remuneration committee is Ms. Dalia Lev; both serve as

external directors under the directives of the Companies Law.

65 meetings of the plenum of the board of directors and 130 meetings of the board committees were held in 2020 (for further information regarding the activity of the board of directors, see page 425 of the Annual Financial Statements for 2020). Attendance of the directors at the meetings of the board of directors was above 95%. Details regarding the attendance rate of each director are presented in the Corporate Governance Questionnaire in the 2020 Periodic Report. The audit committee convened 33 times, with an attendance rate of 100%. The remuneration committee convened 20 times, with an attendance rate of 100%. Information security and cybersecurity are frequently discussed by the information technology committee, as stated in Proper Conduct of Banking Business Directive 301, and by the risk management committee. The committees maintain communications with the head of technology and the head of information security at the bank, as defined in Proper Conduct of Banking Business Directives 357 and 361, and with the officer responsible for innovation. Control over 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 corporate governance and stakeholders committee is also responsible for corporate responsibility at the bank; this area is under the responsibility of the chairperson of the board of directors. 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 particularly urgent cases, the board of directors is convened to discuss the issue that has arisen. Urgent meetings are held by means of remote communication if necessary, as permitted by the Board of Directors Procedures, in order to conduct an immediate discussion of an issue. 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 procedures also establish directives for transmitting materials regarding an issue added to the agenda, in advance of an urgent meeting. Urgent matters are raised as necessary and/or at the request of the chairperson of the board of directors, directors, or CEO. Important and 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. This refers 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 and/or external professional assistance, 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. The bank has not established a limit on the age of new directors. The bank reports transparently and in detail on material legal proceedings in which it is involved (for further reading, see the Annual Financial Statements for 2020, page 282). In April 2020, the bank reached resolutions with the United States authorities on the subject of the tax affair (for further information, see page 297 of the Annual Financial Statements for 2020).

## 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. The policy approved by the general meeting of the bank in December 2016 was in effect for three years, until December 2020. In November 2016, the bank also adopted a new comprehensive remuneration policy for its senior executives and non-officer employees, and a corresponding remuneration plan (all parts of the remuneration policies for the different groups within the bank are referred to in aggregate, hereinafter, as the "2016 Remuneration Policies"). The 2016 Remuneration Policies were amended from time to time, as necessary. The bank also applied some of the principles of the 2016 Remuneration Policies to its subsidiaries in Israel and overseas, and to its overseas branches. The bank was aided by independent external consultants in establishing its remuneration policies. In October 2020, the new remuneration policy of the bank was presented for a vote by shareholders at the annual general meeting, and approved<sup>34</sup> by a majority vote (the "2021 Remuneration Plan"). At the same time, the terms of service and employment of the chairman and the CEO of the bank were each presented for a vote at the meeting, separately, and were approved. The new remuneration policy can be viewed on the bank's website, as well as the highlights of the new policy and the considerations of the remuneration committee and board of directors in approving it.

Under the remuneration policy of the bank, the ratio of the total cost of remuneration of the CEO to the average total cost of remuneration of the other employees of the Bank cannot exceed a factor of 10.9. This ratio stood at 8.4 in 2020. In addition, the ratio of the total cost of remuneration of the CEO to the median total cost of remuneration of the other employees of

the bank cannot exceed a factor of 12.9. This ratio was 9.2 in 2020, based on the median salary at the bank excluding the highest salary. The remuneration policy of the bank is compliant with Proper Conduct of Banking Business Directive 301A. 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 2020, and in the report dated September 17, 2020, convening the general meeting for the approval of the extension of the period of the remuneration policy, as noted above.

### Main objectives of the remuneration policy:

- ◆ To 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. In addition to financial objectives, officers' KPIs include objectives that promote social and environmental values in the areas of activity relevant to them.
- ◆ To adjust the remuneration to the bank's vision, to the overall strategic plan of the bank and of its secondary units, and to the work plans derived from the strategic plan.
- ◆ To 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. The achievement of objectives of the work plan, including capital adequacy targets, and the achievement of a surplus return over the required cost of capital set the threshold for distribution of the performance-dependent component of the annual bonus.



Bank Hapoalim main branch, then and now

34 - 898,298,665 shares and/or securities included in the count of votes voted to approve the new remuneration policy, while 78,670,664 voted against it.



## 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 the use of tax havens or 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 manages and applies a business continuity management plan (BCMP), according to the directives of the Supervisor of Banks, Proper Conduct of Banking Business Directive 355 (Business Continuity Management), and Proper Conduct of Banking Business Directive 357 (Information Technology Management). The bank's preparations are based on detailed action plans, working procedures, and periodic trials and drills, as specified in the system of emergency procedures. As part of its emergency preparedness, the bank carried out a lateral process to establish policies; define benchmark scenarios; map and analyze critical processes, and the resources necessary to recover them in an emergency (BIA); and update action plans based on globally prevalent methodologies. This process is regularly updated, and is presented for approval on an annual basis. The activity plan encompasses all divisions of the bank, through divisional business continuity supervisors and dedicated teams. The BCMP is led by the Business Continuity Management Department, which reports to the Head of Business Continuity and to the Head of the Emergency Banking Committee (the Head of the Finance Division). The bank also conducts periodic emergency drills, including operational scenarios as well as complex business scenarios, with the participation of the various units, from branches, regional administrations, units, and divisions to the board of management of the bank. The bank has a remote central IT site, to ensure the availability and protection of information systems and the information itself. 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.

Within its business continuity arrangements, the bank is prepared to address a range of possible scenarios, including a pandemic scenario. From the end of the first quarter of 2020, the bank operated in emergency format, due to the coronavirus outbreak; work at the bank was reduced relative to routine conditions, while critical business services continued to operate. In May, the bank resumed a full work format, adapted to the changing circumstances, applying an "emergency routine." Throughout this period, the bank acted on every level in accordance with the emergency regulations for containment of the coronavirus, the instructions of the Ministry of Health, the regulatory reliefs and instructions of the Bank of Israel, and other binding regulations, to ensure continued delivery of service to customers in the various channels. The bank's emergency plans were activated, to reduce the probability of extensive contagion; many units were split into different locations and/or began working in shifts and/or switched to remote work. Disinfection, hygiene, and protective materials were supplied to all buildings of the bank; the required distances were maintained between employees in all spaces; and employees who came to the office in person were required to submit a health declaration. Managers at the bank were appointed to serve as Coronavirus Supervisors, who acted to implement the applicable instructions, which were disseminated and communicated continuously through various channels. Continual contact and communication were maintained with employees who were in quarantine or sick, and a network providing aid and information to employees was established. At the branches, services was provided through appointments scheduled in advance; the branches adhered to all instructions regarding reception of the public, according to the binding emergency directives and hygiene guidelines.

## Code of values and ethics – Our Way

In 2019, the board of management and board of directors approved the updated code of values and ethics of the bank, which has been tuned to the bank's new brand values and to corporate responsibility principles. The process of writing the code involved learning from comparisons to codes of conduct of banks around the world, and collaboration with employees and managers from various units of the bank.

During this work, the values were translated into rules of conduct referring to all stakeholders; existing sections were expanded, and new sections were added to the existing code; and a new decision-making model was formulated for the resolution of ethical dilemmas. Channels and mechanisms for consultation and reporting on ethical issues were updated, including the launch of the Ethics Hotline, a call line dedicated to ethics consultation. The Jerusalem Center for Ethics at Mishkenot Sha'ananim assisted the bank with guidance in the process of writing and instilling the code.

### Mechanisms and channels for reporting ethical issues

In order for ethics inquiries and reports at the bank to be addressed by a single independent function, the reporting channels are overseen by the Chief Risk Officer of the bank. Bank employees who suspect any violation of the bank's values and norms by any other employee can use several reporting methods: telephone, e-mail, written letters, or the anonymous channel on the organizational portal, which is available during all hours of activity. 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. Employees can also contact their direct supervisor, indirect

supervisor, MASHAB (the Personal Service Center), or the audit unit. 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 (including anonymously, at a dedicated hotline) under protection from any form of repercussion or harassment, including firing.

In order to increase the effectiveness of the response to ethical issues within the bank's operations, a shared interface is routinely operated during the year for audit, risk-management, and human-resources staff. This system encompasses risk assessment and management in the areas of ethics and risks related to potential violations of the code of ethics, with monitoring and follow-up of ethics concerns raised by employees. Internal audit also reviews the systems for monitoring and implementing the code of ethics. In the event that behavior or action inconsistent with the bank's code of ethics is identified, an investigation 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.

In 2020, 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 gifts, potential conflicts of interest, and norms of behavior at the bank. In addition, 36 cases of suspected damage to moral integrity by employees were addressed. Internal audit applied a lessons-learned process to these events. In most of the cases, disciplinary sanctions were taken against employees, 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 incidents of embezzlement or suspected embezzlement to the Bank of Israel, pursuant to Proper Conduct of Banking Business Directive 351.

### 2020 plans – planning vs. execution

2020 plans	Status
Continuation of the process of instilling the new code of ethics at the bank.	Postponed to 2021, due to the beginning of the process of renewing the existing code of ethics according to the new cultural values

### LOOKING AHEAD

- Launch of a code of ethics adapted to the new cultural focus areas, and application of processes to instill the code.



## Fairness and Transparency with our clients

The bank and its employees uphold standards of fairness and transparency towards all stakeholders, including customers, grounded in the belief that ethical, responsible, fair conduct is the way for our business to thrive in the long term, and enables the bank to retain and expand its customer base. Fairness is one of our fundamental values, rooted in the organizational culture of the bank and in its vision and code of ethics. The bank is subject to laws that impose due-disclosure regulations concerning information to be provided to customers regarding banking products and services. These directives apply to all products and services, and we adhere to full compliance with the requirements. Essential principles that form the foundation for consumer-protection directives include the duty of due disclosure (transparency) to customers, and protection of customers' right to receive advice and service from the bank. 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. Accordingly, the bank exercises extreme caution in advertising, marketing, and sales promotion, applying layers of strict screening and control; all published messages are in compliance with the requirements of the law. We stringently monitor our marketing messages, and avoid misleading communication and marketing of products unaligned with customers' needs.

The bank's policy on fairness towards its customers is part of the compliance policy of the Bank Hapoalim Group; 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, as well as to suppliers and subcontractors (third parties) who provide services for customers of the bank. Implementation of policies and procedures in this area is under the responsibility of the Chief Compliance Officer of the bank, who serves as the second line of defense, while the compliance officers of the business units are the first line of defense.

The Procedure for the Fairness of the Bank Towards its Customers (the Fairness Procedure) is aimed at formalizing work processes that promote fairness towards customers, and upholding the principles of fairness in every part of the bank's interaction with customers. The realization of this procedure reflects recognition of the severity of the possible implications of unethical, irresponsible, or unfair behavior in terms of compliance risks, business results, organizational culture, and the reputation and stability of the bank.

The Fairness Procedure specifies the practices and means necessary to maintain fairness towards customers, including the provision of full information regarding banking products and services, and their risk attributes, while matching products and services to customers' needs, goals, and financial condition, so that they can make informed decisions suited to their needs. The procedure also prohibits making a product or service conditional on the acquisition of another product or service, and requires adherence to fair contract terms (coercive tied selling). In the 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, including 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.

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, with due disclosure, in alignment with customers' needs in all aspects of sales and marketing processes. 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 conflicts of interest for the bank's employees. 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 in order to meet objectives. Remuneration for sales and marketing of products complies with the procedures of the bank and the regulatory guidelines in this area.

Training sessions are held at the bank each year, for employees and bankers, to raise awareness of the importance of fair conduct towards the customers of the bank and enhance their sense of responsibility. Screening tests used in the process of hiring new employees and tests and considerations applied in promotions of employees within the bank include a test designed to determine the presence of values of fairness towards customers and ethical conduct, in line with the norms and values of the bank.

## Prevention of bribery and corruption

As a banking organization at the heart of Israel's business and economic community and as a leading player in the international business arena, Bank Hapoalim is committed to an active role in the international fight against corruption.

Bank Hapoalim believes that corruption and bribery are destructive. The bank strongly rejects corruption and bribery. The bank is committed to implementing its policy in this area, from the level of its board of directors and management to the level of each individual employee, including the adjustment of existing mechanisms and work processes in order to prevent such occurrences.

The bank has been proactive in preventing corruption and bribery for many years, in a variety of contexts. Bank Hapoalim has a system comprising content, processes, controls, and procedures designed to prevent corruption and bribery. Key sections on this subject have been added to the bank's code of ethics, reflecting its position on the prohibition of corruption and bribery and on receiving or giving gifts or benefits, 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 (from the bank's policy on corruption). For details on the prevention of corruption at the bank, see the code of ethics on the bank's website (p. 26). Further information about the lines of defense at the bank is provided later in this chapter, in the section on compliance.



## 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 several professional units:**

- ◆ The Money Laundering Prohibition Department, which handles all of the components of the prohibition of money laundering and terrorism financing, including the declared money policy applied to foreign residents, treatment of bribery and corruption risks, and compliance with tax laws.
- ◆ 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 and prevention of conflicts of interest.

- ◆ 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 Department, 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 Coordination and Monitoring Department, which is responsible for coordination and monitoring at the Chief Compliance Officer Unit and in the overall compliance system of the bank. The unit's responsibilities include activity to be performed by the Chief Compliance Officer Unit, such as analysis, managing communications with the bank's compliance system, processing reports of the Chief Compliance Officer, training, IT activities of the Chief Compliance Officer Unit, and maintaining its IT up to date and in interface with other bank units.
- ◆ Chetz ("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 according to the group's compliance policy, established by the board of directors, which took effect at the end of December 2010 and is updated annually. The compliance policy sets forth rules regarding all of the components of the prohibition of money laundering and financing of terrorism, compliance and securities enforcement directives, conflicts of interest, the fairness of the bank towards its customers, advising customers, protection of privacy (excluding information-technology aspects), taxation aspects relevant to products or services for customers, and other directives of similar nature. The policy emphasizes corporate control and the interaction with subsidiaries and branches outside Israel, based on the directives of the law that pertain to the activity of the bank – 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; securities laws; amendments to the Income Tax Ordinance; and relevant Income Tax Regulations. The policy also addresses laws concerning competition and the prevention of discrimination.

Within the implementation of the policy of fairness towards the customers of the bank, the area conducts various activities and examinations aimed at ensuring that the bank continues to act in an appropriate and fair manner, with full transparency, and in alignment with customer needs, in all matters related to sales and marketing processes, with an emphasis on proactive offers of consumer credit, and that measures taken to motivate employees and promote business activities are consistent with fairness regulations, protection of customers' best interests, and responsiveness to their needs, and do not create conflicts of interest for employees of the bank. Managers must ensure that the employees under their responsibility act for the benefit of the bank's customers and in accordance with their needs, and do not act in an unfair manner in order to meet objectives.

**The activity of the Chief Compliance Officer Area is supervised through two channels:**

- ◆ The board of directors' committee on risk management and control.
- ◆ Quarterly and annual reports to the board of directors and board of management of the bank. These reports include updates regarding 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, violations, and reports of exceptional events.

**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:

- ◆ **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 – performed within the units with regard 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 – another internal line of defense within the units consists of area or division compliance officers who apply controls in the first line.

**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 and knowledge management systems; infrastructure surveys; analysis of new products and services; system development; and more.**

- ◆ **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**

An understanding of the essentiality of fair business conduct and the need to identify any unusual activity by customers is critical to compliance risk; a range of measures is therefore used to promote this awareness, including instructional content and tools integrated into training and work processes of managers and bankers.

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 Chetz ("Thinking Compliance") Expert Center, for support on the subjects of the prohibition of money laundering, CRS, FATCA, and systems – contacted through an online system and via telephone.
- ◆ Communication with the professional units by e-mail or telephone.
- ◆ A system for anonymous queries.



In 2020, the Chief Compliance Officer Area held approximately 150 compliance and training meetings, conducted remotely using video conferencing due to the coronavirus pandemic, at branches and relevant units of the bank, to obtain an unmediated impression of work processes related to compliance, listen to the voices on the ground, and identify and examine compliance risks. Within an annual learning process, according to the revisions required by legislation, all managers and employees completed learning materials concerning compliance, including a tutorial and a test.



# Information security and cybersecurity

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 transition to remote work of the bank with its customers, raised the risk that this situation would be exploited for cybercrime purposes. Cyber attacks 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 ISO 27032, and revalidates its certification annually.

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 controls regarding 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. 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 controls applied 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 applies regular controls.

**The cyber defense units (CISO) of the bank, reporting to the Head of Information Technology, oversee the cybersecurity activities of the bank.**

**Their responsibilities include the following:**

- ◆ Management of the cybersecurity system of the bank.
- ◆ Advising the board of management of the bank on cybersecurity issues.
- ◆ Assistance to the board of management of the bank in establishing and enforcing cyber defense policy.
- ◆ Formulation of corporate methodology for cyber risk management.
- ◆ Development, monitoring, and follow-up of implementation of a comprehensive, detailed plan for coping with cyber risks at the bank.
- ◆ Creation of awareness of cybersecurity threats, and guidance on addressing the threats.
- ◆ Oversight and monitoring of cybersecurity event management.

**The cyber defense strategy of the bank focuses on in-depth protection of banking activity, based on several principles:**

- ◆ Proactive defense – Development of real-time response capabilities to cope with advanced threats and attacks.
- ◆ 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.
- ◆ Resilience and recovery – Investment in plans to preserve business continuity and recover from logical failure events and cyber attacks.
- ◆ Training and instruction – Holding training sessions on cybersecurity awareness. The bank routinely

conducts cybersecurity training and instruction for relevant parties, with training programs updated regularly.

- ◆ Continual examination – Information-security testing of the bank's systems is conducted routinely, including through external parties, 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. Periodic penetration tests are run by independent external consultants, as a means of ensuring that the systems of the bank are protected against penetration, unauthorized access, and harm.
- ◆ Corporate governance – Cybersecurity risk management methods are established by the board of directors and board of management of the bank, 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.

- ◆ Investment in human resources – Hiring of suitable personnel to realize the cybersecurity initiatives and efforts of the bank, 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.

The information security operations center (SOC) of 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. 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 the rules, including 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.

## LOOKING AHEAD

- Launch of a plan for awareness of cyber risks and prevention of information leaks for employees, customers, and suppliers of the bank.
- Preparation and operational readiness for cyber attacks – cybersecurity drills and preparation of contingency plans for operational defense against developing cybersecurity threats.
- Continued support for the transition to digital channels, which was accelerated by the coronavirus crisis, while protecting the bank and its customers from rising threats of crime and politically motivated attacks.

2020 plans – planning vs. execution	
2020 plans	Status
Implementation of a plan for cyber risk awareness and prevention of information leaks, internally at the bank, for customers, and for suppliers of the bank.	✓ <b>Completed</b> this is an ongoing process, which will continue in 2021.
Preparation and operational readiness for cyber attacks – cyber drills, preparation of contingency plans for coping with defense against concrete cyber threats, and improvement of scanning capabilities to identify exposures.	✓ <b>Completed</b> Completed; this is an ongoing process, which will continue in 2021.

## 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; relevant subsidiaries commit to the policy with the necessary adjustments for their activities. This policy also applies to suppliers 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 services, perusal and consent for 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. In 2020, an innovative and comprehensive privacy protection procedure was introduced at the bank, establishing rules for the implementation of the policy for the protection of privacy at the bank. The protection of privacy at the bank is managed by an extensive professional array consisting of divisional privacy protection officers, and area and unit privacy protection officers reporting to the division heads. The role of the privacy protection officers is to apply responsibility to the personal information which they use, and, in particular, to ensure that the information is collected and used in accordance with the privacy protection laws. The Privacy Protection

Department in the Chief Compliance Officer Area of the bank at the Risk Management Division leads the privacy protection system from a professional perspective.

The privacy protection system of the bank is responsible for maintaining and monitoring the implementation of the Privacy Protection Procedure, identifying and remedying gaps, and conducting training and instruction for all relevant parties; it also arranges frontal and online training and instruction sessions on the protection of privacy for the various divisions, targeted to employees, bankers, managers of various ranks, and compliance officers. A comprehensive formal risk assessment in the area of the protection of privacy is performed annually, to map privacy risks and examine their impact on user data. All data collection we perform conforms with privacy protection laws and is undertaken with the explicit consent of the subjects of the information, as required. Customers who use the online services of the bank are informed directly of the type 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. Disclosure is also provided regarding possible sharing of information with third parties for the purpose of data collection, retention, analysis, and processing, in accordance with the provisions of the law and the privacy protection policy of the bank, with full protection of information security, property rights, and safety of users. Pursuant to Section 14 of the law, requests for perusal, amendment, or deletion of the information can be submitted in writing, with details of the request. The Compliance Area of the bank

constantly works to maximize customer privacy, with individual monitoring of every new product. 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 all aspects of information, including its confidentiality, completeness, and availability.

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 contractual engagement between the bank and the customer. 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. Access to information concerning the customers of the bank on the bank's computers is permitted only to trained bank employees, solely for the purposes of their work.

In accordance with the guidelines of the Privacy Protection Authority, in cases of leakage of technological or business information, the bank immediately informs the Privacy Protection Authority 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 2020, six recorded customer complaints concerning violations of privacy and banking secrecy were found to be justified. These cases were studied, and the requisite conclusions and lessons were drawn.

### 2020 plans – planning vs. execution

2020 plans	Status
Approval of a policy for the protection of privacy in banking by the board of management of the bank.	✓ Completed

### LOOKING AHEAD

- Implementation of a new agreement management system to improve customers' control over the transfer of information to third parties for the purpose of customization of offers in the digital sphere.
- Update of the section on the use of personal information in the terms and conditions for accounts.
- Update of the digital privacy policy.
- Process mapping using a new mapping system we have developed for identification of the use of personal information, and creation of appropriate controls based on the mapping.





## Our commitment to people

Bank Hapoalim is a leading 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. Given this extensive influence, it is incumbent upon us to act responsibly towards the community and society within and outside Israel, and to protect the human rights of all 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, sex, sexual orientation, physical or other disability, place of residence, or any other factor that is not financial in essence.**

### Our commitment to our customers

As a professional financial institution, our conduct is guided by material considerations and detached from any political perspective. 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 community, the ultra-orthodox (Haredi) community, senior citizens, and people with disabilities.

During the process of development of financial products and service channels, potential social and environmental impacts are assessed, and considerations pertaining to the protection of human rights and accessibility to the various segments of the population are taken into account. One reflection of this approach is our efforts to promote accessibility in Israeli society. By developing and improving access to banking products targeted to this cause, and through extensive collaborations with social organizations, we aim to enable people with disabilities to exercise their fundamental right to receive full service, independently and with dignity.

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 cybersecurity, 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 cybersecurity methods and information-security products in the world.

### Our commitment to our employees

We are guided by the universal norms and principles of the assurance of human rights in employment, as specified in the UN Global Compact (UNGC) and in the conventions 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 humanity, integrity, transparency,

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/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 human 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.

### Our 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 the employment of children 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 and the operation of a dedicated hotline at the Human Resources Area, and through monitoring procedures conducted by an external firm to provide assurance that

these 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.

### Our 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 and focusing on those aimed to empowering people with disabilities in Israeli society. 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.

### Our 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: fairness and responsibility, professionalism, initiative and innovation, humanity, caring, and simplicity. 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 interaction 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 Performance Table

## Environmental

Area	Metric	2016	2017	2018	2019	2020
<b>Environmental credit granted</b>	Cumulative credit for environmental projects and products (NIS B)	6.53	6	8.7	6.4	10.9
<b>Energy consumption and efficiency</b>	Total electricity consumption (kWh)	86,388,184	86,232,616	86,217,677	83,123,204	79,366,534
	Electricity consumption per m2 (kWh)	280.7	267.5	273.6	268.1	258.9
	Percent annual change in electricity consumption (year on year)	-2%	-0.18%	-0.02%	-3.6%	-4.5%
	Diesel fuel consumption (L, for transportation and generators)	13,547	9,898	138,327	12,016	16,102
	Gasoline consumption (L, for transportation)	3,021,768	2,746,344	2,160,630	2,369,178	1,851,816
	Total consumption of electricity, diesel, and gasoline in MWh	114,041	111,340	107,281	104,818	96,391
<b>Consumption of materials</b>	Paper consumption (metric tonnes)	1,433	1,209	1,037	920	908
	Water consumption (cubic m.)	89,627.7	108,125	92,480.1	79,489.2	68,488.4
<b>Waste Treatment</b>	Paper recycling (metric tonnes)	783	760	746	575	487.5
	Cardboard recycling (metric tonnes)	9.3	15.3	18.2	23.6	45.4
	Recycling of electronic waste at the bank (metric tonnes)	38	94	101.5	62.7	96.1
	Responsible removal of construction waste (kg)	2,534	2,284	1,866	2,356	1,973
	Responsible removal of fluorescent bulbs (kg)	2,340	1,230	1,179	757	1,128
	Total waste (metric tonnes)	835.2	872.8	868.7	664.4	632.1
	Total waste sent for recycling (metric tonnes)	830.3	869.3	865.7	661.3	629
	Total waste sent for dismantling and burial by licensed disposal contractors (metric tonnes)	4.9	3.5	3	3.1	3.1
<b>Carbon footprint<sup>1</sup></b>	Carbon footprint (metric tonnes CO2eq)	56,629	58,360	53,267	47,874	45,003
	Scope 1+2 greenhouse-gas emissions (metric tonnes)	51,191	51,626	49,538	46,624	44,030
	Percent annual change in carbon footprint (year on year)	-79%	3.1%	-8.7%	-10.1%	-6%

## Social

Area	Metric	2016	2017	2018	2019	2020
<b>Accessibility of service to a diverse range of customers</b>	Number of branches of the bank (retail and business)	257	259	237	215	189
	Percentage of accessible branches (branches with an Accessibility Seal from the Access Israel organization)	87%	96%	95%	99%	99.5%
	Number of ATMs and self-service devices accessible to people with blindness	536	616	752	1,210	1,301
	Percentage of branches in geographically peripheral regions	40%	40%	45%	43%	41%
<b>Promotion of responsible purchasing</b>	Percentage of purchasing from Israeli sources	92%	92%	95%	95%	93%
	Percentage of purchasing from small and micro-businesses	46%	45%	47%	31%	20%
	Percentage of small suppliers (of total annual number of suppliers)	81%	77%	76%	71%	73%
<b>Investment in the community</b>	Community donations and investments (NIS M)	40	40	42	43.9	50.5
	Number of employees of the bank who volunteer regularly	3,500	3,500	3,600	3,500	4,000

1. Some data have been improved, according to the statements in the Environment chapter.

Area	Metric	2016	2017	2018	2019	2020
<b>Employment profile</b>	Number of employees of the bank	8,701	8,687	8,290	8,162	7,757
	Employees under a collective agreement (%)	90.5%	90%	89.4%	88.2%	87.2%
	Percentage of employee absences due to illness (including days off due to illness of a family member)	5.46%	5.62%	5.65%	5.58%	6.76% <sup>2</sup>
<b>Diverse employment</b>	Percentage of women at the bank	64.4%	65%	66%	65.6%	65.5%
	Percentage of women managers at the bank	52.4%	52.6%	53.2%	54%	54%
	Percentage of minorities at the bank	6%	6.3%	6.4%	6.2%	6.3%
	Percentage of under-represented population groups in hiring	22%	17%	22%	20%	21%
<b>Training and development of human capital</b>	Percentage of academic degree holders at the bank	65.8%	66.7%	68%	69%	71%
	Number of learning days at the bank <sup>3</sup>	49,776	43,211	60,360	53,681	28,255
	Average hours of learning per employee	42.5	42.5	52.8	51.2	28.6
	Total cost of training and study programs for bank employees (NIS M)	43	53	63	65	42
	Percentage of employees who received feedback	99%	99%	99%	99%	99%
	Percentage of participants in the Cultural Change Index <sup>4</sup>	-	83%	81%	80.6%	70%

## Economic – Corporate Governance

Area	Metric	2016	2017	2018	2019	2020
<b>Economic performance (NIS M)</b>	<b>Total revenues</b>	<b>12,875</b>	<b>12,577</b>	<b>13,774</b>	<b>13,208</b>	<b>13,176</b>
	Net profit attributed to shareholders	2,628	2,660	2,595	1,799	2,056
	Operating and other expenses	8,142	8,121	8,960	8,776	7,501
	Of which, salaries and related expenses	4,239	4,209	4,188	4,108	3,836
	Tax payments	2,028	1,355	2,383	1,912	1,716
	Dividends paid to shareholders	685	861	496	1,000	720
<b>Direct economic value for stakeholders (NIS M)</b>	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 (full data are presented in the financial statements)	11,225	10,981	11,507	11,501	9,862
<b>Board of directors</b>	Number of board members (as of the end of the reported year)	10	10	7	9	9
	Percentage of external directors (as defined in the Companies Law and in Proper Conduct of Banking Business Directive 301)	50%	50%	57%	55%	55%
	Percentage of women on the board of directors	18%	16%	14%	22%	22%

2. Increase due to coronavirus pandemic.

3. Decrease in training and instruction data due to the period of the pandemic, while new training processes adapted for this period were developed; for further details, see the Employees chapter.

4. The organizational climate survey for 2017-2019.



# GRI Index and Global Compact COP GRI Content Index<sup>35</sup>



Standard	Index	Description	Page number(s) and/or direct answers	UNGC – COP	
GRI 101: Foundation 2016					
GRI 102: General disclosure	102-1	Name of the organization	117	no specific demand	
	102-2	Activities, brands, products, and services	117-118		
	102-3	Location of headquarters	117-118		
	102-4	Location of operations	117-118		
	102-5	Ownership and legal form	117-118		
	102-6	Markets served	117-118		
	102-7	Scale of the organization	9-11		
	102-8	Information on employees and other workers	70-72,77		
	102-9	Supply chain	89-90		
	102-10	Significant changes to the organization and its supply chain	89, 117		
	102-11	Precautionary Principle or approach	97-100		
	102-12	External initiatives	16-19	1-10	
	102-13	Membership of associations	18-19	1-10	
	102-14	Statement from senior decision-maker	4-5		
	102-15	Key impacts, risks, and opportunities	4-5, 12-13, 86-87, 98-102, 127-129	commitment is presented in the CEO statement	
	Ethics and Integrity				
	102-16	Values, principles, standards, and norms of behavior	7, 125-126, 134-135	1-10	
	102-17	Mechanisms for advice and concerns about ethics	125		
	Governance				
	102-18	Governance structure	119-122		
	102-19	Delegating authority	119-122		
	102-20	Executive-level responsibility for economic, environmental, and social topics	121		
	102-21	Consulting stakeholders on economic, environmental, and social topics	12-13, 122		
	102-22	Composition of the highest governance body and its committees	119-122		
	102-23	Chair of the highest governance body	4-5, 119		
102-24	Nominating and selecting the highest governance body	119-120			
102-25	Conflicts of interest prevention	119-120			

35. For the Materiality Disclosures Service, GRI services reviewed that the GRI content index is clearly presented and the references for Disclosures 102-40 to 102-49 align with appropriate sections in the body of the report.

Standard	Index	Description	Page number(s) and/or direct answers	UNGC – COP	
GRI 102: General disclosure 2016	102-26	Role of highest governance body in setting purpose, values, and strategy	121-122, 125		
	102-27	Collective knowledge of highest governance body	120		
	102-28	Evaluating the highest governance body's performance	120		
	102-29	Identifying and managing economic, environmental, and social impacts	121-122		
	102-30	Effectiveness of risk management processes	121-122		
	102-31	Review of economic, environmental, and social topics	121-122		
	102-32	Highest governance body's role in sustainability reporting	4-5, 121		
	102-33	Communicating critical concerns	121-122		
	102-34	Nature and total number of critical concerns	121-122		
	102-35	Remuneration policies	122-123		
	102-36	Process for determining remuneration	122		
	102-37	Stakeholders' involvement in remuneration	122		
	102-38	Annual total compensation ratio	122		
	102-39	Percentage increase in annual total compensation ratio	122		
	Stakeholders				
	102-40	List of stakeholder groups	12-13		
	102-41	Collective bargaining agreements	70		
	102-42	Identifying and selecting stakeholders	12-13	1,2,6	
	102-43	Approach to stakeholder engagement	12-13		
	102-44	Key topics and concerns raised	12-13		
	Reporting Practice				
	102-45	Entities included in the consolidated financial statements	117		
	102-46	Defining report content and topic boundaries	13		
	102-47	List of material topics	14-15		
	102-48	Restatements of information	103		
	102-49	Changes in reporting	13		
	102-50	Reporting period	13		
	102-51	Date of most recent report	13		
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	102-53	Contact point for questions regarding the report	6		
	102-54	Claims of reporting in accordance with the GRI Standards	13		
	102-55	GRI index	138-144		
102-56	External assurance	148-149			

Standard	Index	Description	Page	UNGC – COP
GRI 201: Economic Performance 2016	<b>GRI 103: Management approach 2016</b>			
	103-1	Explanation of the material topic and its boundary	4-5	
	103-2	The management approach and its components	6	
	103-3	Evaluation of the management approach	6, 121-122	
	<b>GRI 201: Economic Performance 2016</b>			
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	201-2	Financial implications and other risks and opportunities due to climate change	101-102	7
	201-3	Defined benefit plan obligations and other retirement plans	87	
	201-4	Financial assistance received from government	Not received during 2019	
GRI 203: Indirect Economic Impacts 2016	<b>GRI 103: Management approach 2016</b>			
	103-1	Explanation of the material topic and its boundary	35, 57	
	103-2	The management approach and its components	35, 57	
	103-3	Evaluation of the management approach	35, 57	
	<b>GRI 203: Indirect Economic Impacts 2016</b>			
	203-1	Infrastructure investments and services supported	39-47, 57, 98-100	2
	203-2	Significant indirect economic impacts	38-42, 59, 62-67, 57, 98-107, 137	1,3
GRI 204: Procurement Practices 2016	<b>GRI 103: Management approach 2016</b>			
	103-1	Explanation of the material topic and its boundary	89-90	No specific requirement
	103-2	The management approach and its components	89-90	
	103-3	Evaluation of the management approach	89-90	
	<b>GRI 204: procurement Practices 2016</b>			
204-1	Proportion of spending on local suppliers	92		
GRI 205: Anti-corruption 2016	<b>GRI 103: Management approach 2016</b>			
	103-1	Explanation of the material topic and its boundary	127-129	10
	103-2	The management approach and its components	127-129	
	103-3	Evaluation of the management approach	127-129	
	<b>GRI 205: Anti-corruption 2016</b>			
	205-1	Operations assessed for risks related to corruption	90, 127-129	
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	<b>GRI 301: Materials 2016</b>			
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	301-2	Recycled input materials used	109-113, 136	8,9
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	GRI 302: Energy 2016	<b>GRI 103: Management approach 2016</b>		
103-1		Explanation of the material topic and its boundary	105-108	7,8,9
103-2		The management approach and its components	105-108	
103-3		Evaluation of the management approach	105-108	
<b>GRI 302: Energy 2016</b>				
302-1		Energy consumption within the organization	106-107	
302-2		Energy consumption outside of the organization	Not material to the organization	
302-3		Energy intensity	106	
302-4		Reduction of energy consumption	106-107	
302-5		Reductions in energy requirements of products and services	98-99	
GRI 305: Emissions 2016	<b>GRI 103: Management approach 2016</b>			
	103-1	Explanation of the material topic and its boundary	103-104	7,8
	103-2	The management approach and its components	103-104	7,8
	103-3	Evaluation of the management approach	103-104	7,8
	<b>GRI 305: Emissions 2016</b>			
	305-1	Direct (Scope 1) GHG emissions	103-104	7,8
	305-2	Energy indirect (Scope 2) GHG emissions	103-104	7,8
	305-3	Other indirect (Scope 3) GHG emissions	103-104	7,8
	305-4	GHG emissions intensity	104	7,8
	305-5	Reduction of GHG emissions	104-105	7,8,9
	305-6	Emissions of ozone-depleting substances (ODS)	103	7,8
	305-7	Nitrogen oxides (NOX), sulfur oxides (SOX), and other significant air emissions	Not Material to the organization	7,8



Standard	Index	Description	Page	UNGC – COP
GRI 401: Employment 2016	<b>GRI 103: Management approach 2016</b>			
	103-1	Explanation of the material topic and its boundary	69-70	1,2,6
	103-2	The management approach and its components	69-70	
	103-3	Evaluation of the management approach	69-70	
	<b>GRI 401: Employment 2016</b>			
	401-1	New employee hires and employee turnover	71	6
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GRI 402: Labor/ Management Relations 2016	<b>GRI 103: Management approach 2016</b>			
	103-1	Explanation of the material topic and its boundary	70-73	2,3
	103-2	The management approach and its components	70-73	
	103-3	Evaluation of the management approach	70-73	
	<b>GRI 402: Labor / Management Relations 2016</b>			
402-1	Minimum notice periods regarding operational changes	87		
GRI 404: Training and Education 2016	<b>GRI 103: Management approach 2016</b>			
	103-1	Explanation of the material topic and its boundary	80-81	6
	103-2	The management approach and its components	80-81	
	103-3	Evaluation of the management approach	80-81	
	<b>GRI 404: Training and Education 2016</b>			
	404-1	Average hours of training per year per employee	82	
	404-2	Programs for upgrading employee skills and transition assistance programs	80-81	
GRI 405: Diversity and Equal Opportunity 2016	<b>GRI 103: Management approach 2016</b>			
	103-1	Explanation of the material topic and its boundary	75-76	1,6
	103-2	The management approach and its components	75-76	
	103-3	Evaluation of the management approach	75-76	
	<b>GRI 405: Diversity and Equal Opportunity</b>			
	405-1	Diversity of governance bodies and employees	77, 137	
405-2	Ratio of basic salary and remuneration of women to men	75		

Standard	Index	Description	Page	UNGC – COP
GRI 407: Freedom of Association and Collective Bargaining 2016	<b>GRI 103: Management approach 2016</b>			
	103-1	Explanation of the material topic and its boundary	70, 86	1,2,3
	103-2	The management approach and its components	70, 86	
	103-3	Evaluation of the management approach	70, 86	
	<b>GRI 406: Non-Discrimination 2016</b>			
407-1	Incidents of discrimination and corrective actions taken	93		
GRI 413: Local Communities 2016	<b>GRI 103: Management approach 2016</b>			
	103-1	Explanation of the material topic and its boundary	57-58, 65	1,2,3
	103-2	The management approach and its components	57-58, 65	
	103-3	Evaluation of the management approach	57-58, 65	
<b>GRI 407: Freedom of Association and Collective Bargaining 2016</b>				
407-1	Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	77		
GRI 414: Supplier Social Assessment 2016	<b>GRI 103: Management approach 2016</b>			
	413-1	Explanation of the material topic and its boundary		
	413-2	The management approach and its components		
		Evaluation of the management approach		
	<b>GRI 413: Local Communities 2016</b>			
	413-1	Operations with local community engagement, impact assessments, and development programs	62-71	
	413-2	Operations with significant and potential negative impacts on local communities	104-127	
FS13	Access points in low-populated or economically disadvantaged areas by type	26, 28, 35		
FS14	Initiatives to improve access to financial services for disadvantaged people	28-31, 43-45		
GRI 417: Marketing and Labeling 2016	<b>GRI 103: Management approach 2016</b>			
	103-1	Explanation of the material topic and its boundary	126	NR
	103-2	The management approach and its components	126	NR
	103-3	Evaluation of the management approach	126	
	<b>GRI 414: Supplier Social Assessment 2016</b>			
414-1	New suppliers that were screened using social criteria	90, 93	1,2,6	
414-2	Negative social impacts in the supply chain and actions taken	93		

Standard	Index	Description	Page	UNGC – COP
GRI 417: Marketing and Labeling 2016	<b>GRI 103: Management approach 2016</b>			
	103-1	Explanation of the material topic and its boundary	126	8
	103-2	The management approach and its components		
	103-3	Evaluation of the management approach		
	<b>GRI 417: Marketing and Labeling 2016</b>			
	417-1	Requirements for product and service information and labeling	126	8
	417-2	Incidents of non-compliance concerning product and service information and labeling	126, no indicants in 2019	NR
	417-3	Incidents of non-compliance concerning marketing communications	126, no indicants in 2019	
GRI 418: Customer Privacy 2016	<b>GRI 103: Management approach 2016</b>			
	103-1	Explanation of the material topic and its boundary	132-133	1
	103-2	The management approach and its components		
	103-3	Evaluation of the management approach		
	<b>GRI 418: Customer Privacy 2016</b>			
	418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	132	
GRI 419: Socioeconomic Compliance 2016	<b>GRI 103: Management approach 2016</b>			
	103-1	Explanation of the material topic and its boundary	126-129	NR
	103-2	The management approach and its components		
	103-3	Evaluation of the management approach		
	<b>GRI 419: Socioeconomic Compliance 2016</b>			
	419-1	Non-compliance with laws and regulations in the social and economic area	122, 126	1
Product Profile (Sector Supplement)	<b>GRI 103: Management approach 2016</b>			
	103-1	Explanation of the material topic and its boundary	27, 35, 39-42, 40,	NR
	103-2	The management approach and its components	98-100	
	103-3	Evaluation of the management approach		
	<b>Product Profile (Sector Supplement)</b>			
	FS6	Percentage of the portfolio for business lines by specific region, size (E.G. micro/SME/large) and by sector	28	
	FS7	Monetary value of products and services designed to deliver a specific social benefit for each business line broken down by purpose	28	
	FS8	Monetary value of products and services designed to deliver a specific environmental benefit for each business line broken down by purpose	100	

## Material topics in the report and connection with GRI (SRS) indicators

<b>promotion of astute financial behavior for costumers</b>	GRI 203: Indirect Economic Impacts; GRI 413: Local Communities; Product Profile (Sector Supplement)
<b>Maintaining business continuity in routine and emergency conditions</b>	GRI 102-10, 102-15, GRI 413: Local Communities
<b>Innovation</b>	GRI 102-2: Activities, Brands, Products and Services, Product profile (Sector supplement), GRI 102-15: Key Impacts, Risks, and Opportunities, GRI 203-1: Infrastructure Investments and Services Supported, GRI 203-2: Significant indirect economic impacts
<b>Serving a diverse clientele and promoting financial inclusion</b>	GRI 413: Local Communities; Product Profile (Sector Supplement)
<b>Information security and privacy</b>	GRI 418: Customer Privacy
<b>Accessibility</b>	GRI 413: Local Communities; FS13; FS14
<b>Responsible supply-chain management</b>	GRI 414: Supplier Social Assessments; GRI 204: Procurement Practices; GRI 417: Marketing and Labeling
<b>Expanding our sphere of influence</b>	GRI 203: Indirect Economic Impacts; GRI 201: Economic Performance; GRI 102: General Disclosure; GRI 413: Local Communities
<b>Investing in the community</b>	GRI 413: Local Communities
<b>Promoting appropriate work environments</b>	GRI 402: Labor/Management Relations; GRI 401: Employment; GRI 407: Freedom of Association and Collective Bargaining; GRI 406: Non-discrimination
<b>Promoting diversity, equal opportunities, and transparency</b>	GRI 405: Diversity and Equal Opportunity; GRI 102: General Disclosure; GRI 406: Non-discrimination
<b>Training and personal development</b>	GRI 404: Training and Education
<b>Reducing environmental impacts</b>	GRI 301: Materials; GRI 302: Energy; GRI 305: Emissions
<b>Developing products and services to promote sustainability and protect the environment</b>	GRI 203: Indirect Economic Impacts; Product Profile (Sector Supplement)
<b>Examining environmental risks in financing</b>	GRI 102: Key Impacts, Risks and Opportunities; GRI 201-2: Financial Implications and Other Risks and Opportunities due to Climate Change, GRI 203: Indirect Economic Impacts
<b>Corporate governance and ethics</b>	GRI 102: General Disclosure
<b>Prevention of corruption</b>	GRI 205: Anti-corruption; GRI 419: Socioeconomic Compliance



## Process Controls for Implementation of the Corporate Responsibility Plan at Bank Hapoalim

An external assurance process allows readers of this report to verify the bank's self-report based on independent opinions from professional observers. The involvement of additional sources of control enables the bank to learn from the feedback received from those conducting the process and provides validation of the reliability of the report for stakeholders. The current report has undergone four assurance processes, each focusing on a different aspect of the report:

- ◆ The CSR and Sustainability Group at BDO Ziv Haft performed routine process controls;
- ◆ The CSR Institute performed quality assurance and examined the adequacy of the reporting;
- ◆ Control over the quality of reporting on the bank's carbon footprint was performed by the CSR and Sustainability Group at BDO Ziv Haft;
- ◆ The report was examined by GRI and found to be compliant with the materiality GRI process presentation requirements.

### BDO: Process Controls for Implementation of the CSR Plan at Bank Hapoalim

The CSR and Sustainability Group at the accounting firm BDO has assisted Bank Hapoalim in the implementation of its sustainability and corporate responsibility program for fourteen years. The group's activities focus on monitoring the process and progress of the program for sustainability and social, economic, and environmental responsibility. The BDO consultants' close work with the bank allows a professional opinion to be provided based on an examination of the processes performed by the bank throughout 2020 and during 2021, up to the date of publication of the report. During this period, the bank maintained its trajectory in implementing and embedding corporate social responsibility.

### Process description

As part of the process controls, the bank's progress in three strata of activity was examined, as the basis for feedback on the implementation of the plan:

**A. Update and improvement of information infrastructures and corporate responsibility management metrics** – The department's consultants examined the corporate responsibility management system at the bank, the summarization of information collected, processes of generating information and processing it into metrics, and the bank's performance relative to its goals and objectives.

**B. Embedding corporate responsibility in core activities and in the various units** – In this area, the process of embedding corporate responsibility practices in the routine operations of the bank's units was examined, as well as the organizational change evoked at the bank as a result of this process. The assurance process also encompassed an examination of the method of development and implementation of new issues arising from reports by the various units.

**C. Examination of the results of implementation of the program (effectiveness of absorption)** – This stage consisted of an examination of the ways in which the bank had improved its performance on the various metrics, led new initiatives at the various units for activity in this area, developed new banking products, and created dialogue with stakeholders, while broadening its impact on the Israeli public.

## Findings, conclusion, and recommendations

Within our process controls, we suggest several areas for the bank to maintain and/or reinforce:

- ◆ **Responsible investments (ESG investments)** – In 2020, the bank chose to promote responsible investments, in which environmental, social, and corporate governance parameters are included in the examination of the investment, beyond its financial return. The bank has promoted responsible investments by indicating ESG ratings of global equities for interested customers, developing dedicated financial products in this area, and including companies with high ESG ratings in its own investment portfolio. The bank also offers its customers deposits where the bank donates amounts matched to the interest accrued on the deposit to social and environmental causes. Investments are an area in which the bank has material influence; the promotion of responsible investments represents an opportunity to create a significant and extensive economic, social, and environmental impact for the bank and its stakeholders. Along with continued deepening of reporting, we recommend considering additional financial products that generate positive social and environmental impacts, including green bonds and/or social bonds.
- ◆ **Climate change** – In this report, the bank notes its intention to prepare for the formulation of annual and multi-annual work plans on climate risk management, while examining the relevance to the Israeli economy and mapping the business sectors on which to focus. In our view, climate change is becoming an increasingly material subject in the business sector, as well as in the financial sector, which has the power and responsibility to create local and global change. Thus, alongside the risks, climate change represents business opportunities for the financial sector. In this context, it should be noted that the bank increased credit to finance environmental projects by approximately 70% in 2020, compared to 2019. We recommend continuing to expand financing for green projects, including in the area of clean energies, while examining the risks and the management of these risks.

The foregoing review contains several points which, in our opinion, should be maintained and reinforced in order to improve the implementation of the plan and preserve the bank's leadership in social and environmental responsibility.

**Corporate Social Responsibility Group**  
BDO Consulting Group  
May 2021





# Quality Assurance Declaration

## Bank Hapoalim 2020 Corporate Responsibility Report

### Introduction

**The Corporate Responsibility Institute** is an independent public entity dedicated to the promotion of the corporate social responsibility and sustainability approach. The institute operates within **The College of Law and Business**. The institute's activities include organizing professional meetings; writing reports, studies, and market surveys; adapting global applied methodologies for use in Israel; and more.

Transparency and the accountability of corporations for their social and environmental impact constitute one of the institute's core issues. In May 2021, Bank Hapoalim asked the institute to perform a quality assurance process for its 2020 CSR report. The quality assurance process was performed by Dr. Liad Ortar, head of the institute.

It is hereby declared that the institute receives payment to cover the time invested in this process. Beyond that, neither the institute nor Dr. Liad Ortar (who performed the work) have business consulting relationships with Bank Hapoalim; the quality assurance process was independent. During the course of the quality assurance process, a draft of the report was examined, and several work sessions were held to clarify various issues. Some of these issues have already been addressed in the current report; others may be included in future editions.

### Work method

Quality assurance for corporate responsibility reports is a process aimed primarily at improving the quality of the output through professional review. For the avoidance of doubt, quality assurance constitutes an integral part of the reporting process. The objective is for any professional comments that arise during the work process to be absorbed as quickly and as correctly as possible. The process for this report was performed in accordance with the principles of the AA1000AS Assurance Standard of the AccountAbility organization. Dr. Liad Ortar is a licensed examiner for AccountAbility. In accordance with this standard, the report was examined for its fulfillment of three key principles:



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- 1. Inclusiveness** – Fully addresses the topics from the reporting process and encompasses 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.

This report was found to fulfill these principles satisfactorily. The depth and scope of the report are highly impressive, as in every year, on a par with reports by leading global banks. This report, fourteenth in number, continues the tradition of excellence of Bank Hapoalim in all aspects of attaining the highest global standards of reporting. The report adopts the reporting guidelines of the Global Reporting Initiative (GRI), and complies with the extensive reporting format known as Comprehensive. I hereby declare that the report by Bank Hapoalim complies with

### Key remarks

First, we congratulate the bank and its employees as they celebrate the bank's hundredth anniversary. This is a significant and worthy milestone; there is no doubt that Bank Hapoalim has had an important role in building the society and country of Israel. In this context, I would like to commend the bank for consistently reporting far above and beyond the requirements of the Supervisor of Banks, and for adopting some of the most advanced corporate responsibility methodologies in the world, such as the Global Compact, the United Nations Sustainable Development Goals, and more.

The following are the key recommendations for the continued progress of reporting at Bank Hapoalim:

- ◆ **Climate change risk management** – As noted in the report, the Supervisor of Banks issued an updated circular in late 2020 regarding the management of climate risks at financial institutions in Israel. This was a highly significant update. In the report, the bank states that it is currently formulating a work plan in order to act in the short to medium term to strengthen its activity in the area of environmental risk management, with an emphasis on the developing field of climate risks. I would like to highlight the importance of this process, for both the bank and the environment.
- ◆ **Net zero** – One of the key ideas gaining impressive momentum in recent months is the net-zero principle: not only countries but corporations are setting targets for significant cutbacks in emissions, aimed at attaining carbon neutrality by 2050. This global goal was adopted in the Paris Agreement, to prevent the global average temperature from rising by more than 1.5 degrees. This is an opportunity for Bank Hapoalim to preserve its leading standing on social and environmental issues by considering how to set goals for substantial cutbacks by 2050.

Sincerely yours,

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



## Carbon Footprint

### Work method

Our work is based on prevalent principles for carbon calculation and marking, developed by the Technical Working Group of the British government. The data were adapted to Israel through the Israel Greenhouse Gas Emission Recording System – Operating Rules and Reporting Guidelines, issued by the Samuel Neaman Institute and the Ministry of Environmental Protection in March 2016. Emission coefficients used for these calculations are national figures published by professional entities such as the Electricity Authority; 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 2020; the calculation of the bank's carbon footprint in Scopes 1 and 2 is therefore based on emission coefficients for 2019. Also note that a methodological update was applied in this report to Scope 3 emission coefficients for 2016-2019, and therefore also to the overall carbon footprint of the bank, based on DEFRA emission coefficients for 2016-2019.

### Calculation and reporting of the carbon footprint of Bank Hapoalim

The bank continued the consistent measurement of its carbon footprint in 2020, further to the transition to analysis of its carbon footprint according to the prevalent international standards and reporting to the Israel Greenhouse Gas Emission Recording System beginning in 2010. The total carbon footprint of Bank Hapoalim in 2020 stood at approximately 45,003 tons of carbon dioxide equivalent (CO<sub>2</sub>eq). 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 88%), and from the activity of the vehicle fleet (approximately 9.6%). The decrease in the bank's carbon footprint in 2020 in comparison to 2019 is approximately 2,871 tons CO<sub>2</sub>eq, or approximately 6%. This annual reduction mainly resulted from a decrease of approximately 4.5% in electricity consumption, and a decrease of approximately 22% in consumption of fuel for transportation. In addition, approximately 45% of the electricity consumption of the bank is based on electricity purchased from Dorad, the production process of which led to savings of approximately 3,660 tons CO<sub>2</sub>eq (approximately 9.2% of total Scope 2 emissions).

### Summary of findings

- ◆ **Power consumption:** Total power consumption decreased by approximately 4.5% in 2020 compared with 2019.
- ◆ **Fuel consumption:** The bank's fuel consumption decreased by approximately 22% in 2020; however, consumption of diesel, which is used for transportation and to operate generators, increased by approximately 34%. In any event, emissions from transportation of the vehicle fleet of the bank decreased by approximately 22%.
- ◆ **Coolant gases:** Total emissions from gases containing new fluorine decreased by approximately 69%, including due to processes of improvement of efficiency of air-conditioning systems.
- ◆ **Employee flights:** Total emissions from employee flights decreased by approximately 94%, due to reduced flying as a result of the coronavirus crisis, as well as efficiency processes and the transition to remote meetings through teleconferencing platforms such as Zoom.
- ◆ **Sewage:** Responsibility for emissions resulting from the treatment of sewage for the bank's employees was transferred to the purification plants, in accordance with the directives of the Emissions Reporting System.

### Components in the calculation 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 – consumption of paper, consumption of toners, acquisition of electronic equipment, consumption of water, flights, and employees' hotel stays.

#### Corporate Social Responsibility Group

BDO Consulting Group  
May 2021



