



REPORT 2021

Environmental, Social, Governance



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“We will continue to integrate social, environmental, and ethical values into our business activities and work to promote growth through innovative and fair banking.”



Letter from the Chairman of the Board and CEO

The integration of outstanding and far-reaching business operations with the protection of the environment and deep social involvement is an integral tenet of the organizational culture and business of Bank Hapoalim, and has been since its foundation over a century ago. This principle is the compass guiding our interaction with our stakeholders.

Over the last two years, which were rife with crises and challenges, we worked to maintain business continuity and provide service at our branches, while protecting the health of our employees and customers. We reinforced our call centers, expanded the range of actions available through digital channels, developed financial products and services adapted to the needs of this period, and offered special reliefs and benefits to small businesses, in recognition of the unique challenges the crisis created for them.

Beyond the waves of the pandemic, during the course of 2021 we also contended with social and economic events in Israel and overseas; at this writing, there is war in Ukraine. In times like these, our commitment to being there for the society and community of Israel takes on special meaning. With the leadership of the Social Banking Center, we promoted activities and supported ventures aimed at responding in real time to needs as they arose, recruiting the assistance of our social partners and the volunteers within the bank. Concurrently, we further deepened our engagement with the community and promoted social causes in the areas of accessibility, diverse employment, and financial empowerment.

We launched a new vision for the bank this year, expressing our commitment to growth through fair and innovative banking. In the spirit of this vision, we are developing advanced platforms and products to enable our customers to enjoy an innovative banking experience, at any place and time, and to provide them with knowledge and

tools for astute financial conduct. In 2022, we introduced the Financial Partner feature within our banking app – an innovative service designed to guide customers through a variety of life events and financial decisions, in order to enhance their control over their finances. The Financial Growth Center is dedicated to sharing the accumulated knowledge and professional experience of the bank with our customers and the general public, free of charge.

The professional expertise of our employees is a differentiating factor and competitive advantage of the bank, giving rise to our promise to our customers to be the professionals working for their benefit. The employees of the bank, who fully reflect the rich tapestry of Israeli society, are the key to our ability to thrive, and the bank works continually towards their empowerment and well-being. The cultural values we established, together with our new vision, support the achievement of business growth through working together and encourage initiative, development, learning, and constant improvement.

We are committed to coping with the crucial challenge of climate change. Accordingly, we have made the decision to stop financing and investing in new oil and coal exploration and production projects. We have formulated a plan for the creation of a climate risk management framework to apply in our business activities; we were also the first in the Israeli banking system to issue Green CoCo Bonds. We continue to guide our customers in the transition to a low-carbon economy, including through increased financing for projects that help promote a green environment and renewable energies, and to act to reduce the environmental impacts and carbon footprint of the bank.

The activity and impact of the bank in environmental, social, and governance matters are reflected, each year, in high scores on local and international ESG ratings, positioning the bank with the top tier of leading banks in this field around the world. **We are proud to say that this year, too, our extensive activities in these areas led to upgrades of the ESG ratings of the bank for 2021.**

The bank's success in coping with the health-related, economic, and social challenges of the last year is the direct outcome of the quality of its human capital and the professional excellence of our employees. We would like to take this opportunity to thank each and every one of them, as well as our customers and all of the partners in our work and in our mission. We will continue to embed social, environmental, and ethical values in our business activities and work to promote growth through innovative and fair banking.

Ruben Krupik
Chairman of the Board
of Directors

Dov Kotler
President and CEO

Embedding ESG principles at Bank Hapoalim and promoting responsible banking

This report, the fifteenth published by Bank Hapoalim, reflects many years of commitment to embedding environmental, social, and ethical values in our routine business activities. This commitment to all of our stakeholders was expressed all the more vividly in the last two years, which were exceptionally challenging. Recognition of the importance of assimilating ESG principles into the core of business operations is gaining momentum around the world. Over the last year a leap forward has occurred in Israel in this field, on the part of regulators as well as investors, employees, and customers, all of whom expect a commitment to ESG goals, transparent reporting, and action to promote environmental, social, and ethical values. Bank Hapoalim is one of the first organizations in Israel to adopt the ESG approach in every aspect of its organizational activity and routine business operations. We have expanded our actions in this area in the last few years through increased financing for projects promoting a green environment, guidance for our customers in the transition to solar energy, broader deployment of responsible investment advising services, development of social-environmental deposits, promotion of financial empowerment for our customers and the general public, and efforts to enhance our social impact through the activities of the Social Banking Center. A year ago, we also set ESG goals for 2030, addressing aspects of the promotion of a green environment, gender equality, and diverse employment.

Over the last year, we continued to broaden and deepen the integration of ESG tenets with the activities of the bank. As part of this process, we updated our ESG goals for 2030 to encompass aspects of climate risk, including a commitment to stop financing new oil and coal exploration and production projects and reduce the impacts of our business activities on greenhouse-gas emissions, to support the climate goals of the State of Israel. We were also the first in Israel to issue Green Bonds, and the first institutional investor to invest in Ogen ESG Bonds, designed to aid struggling small businesses. Within our activity aimed at heightening our social impact, we introduced dozens of initiatives this year to further reduce social inequalities and promote equal opportunities in Israeli society. We expanded the value offer of the Financial Growth Center to include individual financial guidance, along with knowledge and tools for financial conduct; we worked to promote gender equality in Israeli society through employment and entrepreneurship endeavors and through assistance for women who are victims of violence. The Bit app was a significant element in aid for non-profits this year, as a fundraising tool, allowing us to support Holocaust survivors, children with disabilities, injured IDF soldiers, and families in need.

We are proud that our actions have been reflected in high ratings for the bank on international ESG indices; this is also the fourth consecutive year in which Bank Hapoalim has headed the Maala ratings. We invite you to share suggestions and new ideas with us, to help us continue to enhance our social and environmental impact and deeply embed the ESG approach in the operations of the bank. If you have any suggestions in this area, please contact the Head of ESG at Bank Hapoalim, at sharon.alaluf@poalim.co.il.

This report reflects the extensive activity of all of the employees of the bank, who act each day to promote ESG values with a meaningful impact on the society and environment in Israel; we would like to take this opportunity to thank everyone who shared and helped in the creation of the report.



Amit Oberkovich
Senior Deputy Managing Director
Head of Human Resources



Naama Halevy-Peer
Head of Social Banking Center
Human Resources Division



Sharon Alaluf
Head of ESG
Social Banking Center

Vision and mission

Our vision:

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


Our mission:

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

Our promise to our customers:

Experts working for you.

Our values

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



ESG at Bank Hapoalim

Environmental



The bank is committed to the effort to cope with the climate crisis and support decarbonization of the economy, through financing and investing in projects that promote a green environment, managing environmental and climate risks¹, and reducing the carbon footprint of the bank's operations.

Supporting the transition to a low-carbon economy

NIS 13 billion balance on December 31, 2021, of credit² granted to projects promoting a green environment in the following areas: renewable energies, green building, green transportation, waste recycling, and water purification.

USD 1 billion volume of the first Green Bonds in Israel, issued by the bank in 2021, in line with the ICMA Green Bond Principles.

NIS 320 million investments³ in renewable energy projects through Poalim Equity, the non-financial investment arm of the bank.

32% of advised customers have experienced the responsible investment advising process.

Reducing environmental impacts

60% reduction in the carbon footprint of the operational activities of the bank over the last decade (2012-2021); a reduction of approximately 9% was achieved in 2021.

Social



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

Promoting the growth of small businesses

NIS 33.9 billion total balance of credit to the small-business sector on December 31, 2021.

NIS 7 million investment in Ogen ESG Bonds for financial support to small businesses and non-profits hurt by the COVID-19 crisis.

94% of the bank's suppliers are located in Israel and employ workers here.

Cultivating an equitable and empowering work environment

TOP 10 the bank placed ninth in the BDI survey ranking the 100 best workplaces in a survey published in May 2021.

11% of the employees of the bank belong to population groups underrepresented in the job market.

Investing in impacts on society and the community

NIS 35.9 million Social investment⁴ of the Bank in 2021, emphasizing financial education, social mobility, and promotion of diverse employment for population groups underrepresented in the job market.

4,300 employees of the bank volunteer for a wide range of community causes.

15,000 people attended lectures at the Financial Growth Center in 2021 (55,000 have participated since the foundation of the center in 2018).

40.5 average hours of study per employee in Poalim Campus programs.

5,500 employees have access to technological and managerial infrastructures allowing remote work one or two days a week.

Key indicators for 2021 and goals for 2030

Governance



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

Aspiring to gender equality

33% women on the board of directors.

55% women in the overall management tier of the bank; **36%** women in senior management.

Promoting a growth-encouraging organizational culture

100% of employees took part in the launch of the new vision and values supporting an organizational culture that promotes business growth.

17% improvement in the employee connectedness index (engagement survey), relative to the baseline survey of the organizational change index introduced in 2020.

Adhering to integrity and professional ethics

8.87 score given by our customers to rate the fairness and responsibility of our bankers.

~92% of employees completed learning modules on compliance and regulation composed of tutorials on a range of essential topics.

Reporting transparently and in line with international standards

GRI since 2008, the bank has published corporate responsibility reports in line with GRI standards, at the highest transparency level.

UN Global Compact the bank has been a signatory of the compact 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. The aim of weighing ESG considerations in our business activity is, to support the social and economic growth of the State of Israel and to support global processes of fighting climate change, for the benefit of future generations.

Our ambitions:

- ◆ Increase financing and investments in projects promoting a green environment to NIS 20 billion, while managing environmental and climate risks in our business activities and guiding our customers through the transition to a low-carbon economy.
- ◆ Stop financing and investments in new coal and oil exploration and production projects⁵.
- ◆ Further reduce the carbon footprint of the operations of the bank by 60%⁶, and reduce the impact of our business on greenhouse-gas emissions, to support the achievement of the climate goals of the State of Israel.
- ◆ Promote diverse employment by raising the percentage of employees from population groups underrepresented in the job market to 15%.
- ◆ Promote gender equality by increasing the representation of women in the senior management of the bank to 50%.

1. For details regarding environmental and climate risk management, see the section "Managing environmental and climate risks in our business operations," p. 108.
2. Balance sheet and off-balance sheet.

3. Indicative value as at March 1, 2022, derived from mapping of the investments in renewable energies.
4. In 2020, an additional NIS 19 million was donated through the Peretz Naftali Fund.

5. This policy has been in effect since March 2022. The bank's proprietary investments will be decreased gradually, until the end of 2026.
6. Relative to the operational carbon footprint in 2020, which stood at 45,003 metric tonnes CO2eq.

About the report and the material reported topics

We have reported on our impacts and activities in the areas of sustainability and corporate responsibility since 2008. This ESG report refers to the calendar year 2021. This report was prepared in compliance with the Sustainability Report Standard (SRS) of the Global Reporting Initiative (GRI), at the most advanced level of transparency (In Accordance: Comprehensive Option). This year, for the first time, we are also reporting in line with the reporting standards of the Sustainability Accounting Standards Board (SASB). Our reporting is focused on the topics most material to our activity, while taking into consideration the expectations of the various stakeholders. Material topics are defined as areas of activity in which we have a significant impact on our stakeholders in the areas of ESG and sustainability, within and outside the bank.

List of material topics for ESG reporting at Bank Hapoalim

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

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

The second stage consisted of consultation processes with customers, employees, suppliers, and the general public, through surveys and interviews aimed at understanding which of the selected topics are the most significant to them in connection with the bank. We also analyzed perceptions of additional stakeholders, based on ongoing dialogue with them, including regulatory agencies, the non-profit sector, and investors, and their positions were weighed into the process.

Finally, we pared the list of potential topics down to sixteen material topics. In view of the slightly different perspectives that each group of stakeholders has on each of the material topics, with every group naturally according greater importance to the topics more relevant to its members, we chose to report on our activity in reference to all sixteen topics found to be material without ranking them based on priority.

Within the process of reexamining the material topics, some minor changes were made to the list of material topics for 2021 relative to the list for the previous year: the topic 'Accessibility' was consolidated with the topic 'Financial inclusion'; the topic 'Expanding our sphere of influence' was removed, as it is embedded in the routine social and environmental activities of the bank; and a new topic was added: 'Management of systemic risks.'

Material topics in the report

Environment

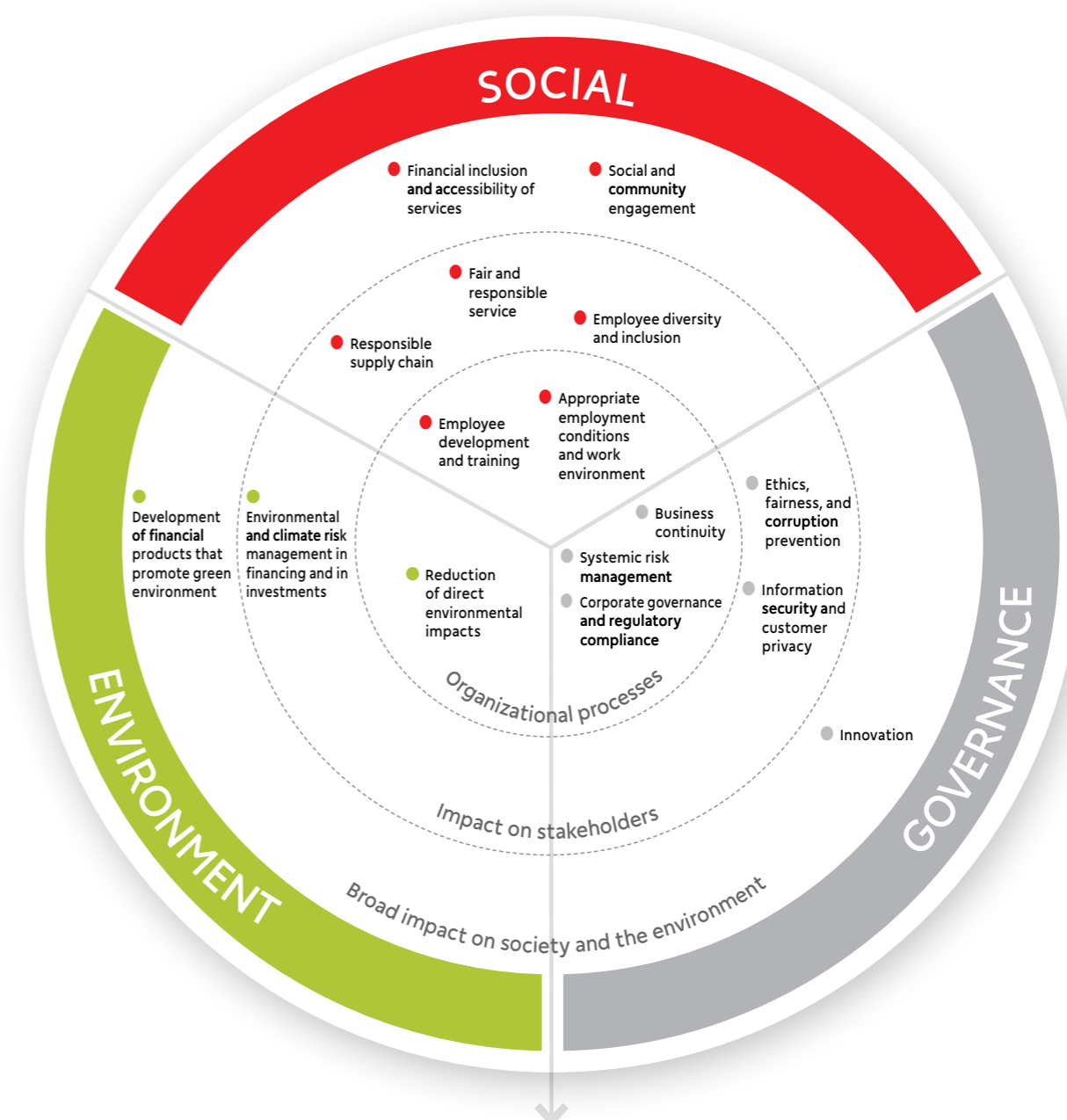
- ◆ **Management of environmental and climate risks in financing and investments** – embedding environmental and climate considerations in business decisions.
- ◆ **Development of financial products that promote a green environment** – developing financial products with an environmental impact.
- ◆ **Reduction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

Social

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

Corporate governance

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



Continual dialogue with our stakeholders

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

The following are selected examples of key groups of stakeholders and the nature of the dialogue we held with them in 2021 (further details regarding the dialogue channels and outcomes are presented throughout this report).

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



Stakeholder	Selected dialogue channels in 2021
Customers and the general public	<ul style="list-style-type: none"> ◆ Meetings with customers at bank branches. ◆ Routine service surveys. ◆ Direct banking service centers. ◆ Dialogue channels via social media. ◆ Ombudsman. ◆ Meetings with customers at the User Lab under the Innovation Division. ◆ Workshops for customers and the general public by the Financial Growth Center. ◆ Periodic surveys and focus groups.
Employees	<ul style="list-style-type: none"> ◆ Evaluation and development sessions held with all employees of the bank. ◆ Annual employee survey: Cultural Change Index. ◆ Organizational portal and the Portal To Go application, including an option to comment on items posted. ◆ Poalim Live – a quarterly Zoom meeting of employees with the CEO and members of the board of management. ◆ An annual conference for all bank employees at the publication of the financial statements. ◆ Routine visits by board of management members at the branches. ◆ Roundtable meetings of board of management members with employees.

Stakeholder	Selected dialogue channels in 2021
Suppliers	<ul style="list-style-type: none"> ◆ Routine meetings with suppliers of the bank. ◆ Communication of the ESG values of the bank to its suppliers through the Supplier Code of Ethics. ◆ Invitation of selected suppliers to join the Maala Supplier Index.
Regulators, government agencies, and local authorities	<ul style="list-style-type: none"> ◆ Meetings and lectures for the exchange of knowledge and insights with representatives of government and municipal agencies. Joint projects aimed at addressing environmental and social issues are promoted in this context. ◆ Collaboration with the Bank of Israel and the Association of Banks on various initiatives to benefit the public, such as the Available Banking Compact dedicated to women who have experienced abuse, and more. ◆ Promotion of accessibility, in cooperation with the Equal Rights for Persons with Disabilities Commission at the Ministry of Justice.
Community and environmental organizations	<ul style="list-style-type: none"> ◆ Ongoing dialogue and collaboration with a wide range of social and environmental non-profits and organizations. ◆ Collaborations with companies in the areas of recycling, energy efficiency and solar energy. ◆ Knowledge sharing and collaboration with approximately fifty social non-profits and organizations working in the area of diverse human capital and employment of population groups underrepresented in the labor market. ◆ Membership in Maala and participation in professional meetings throughout the year.
Academia	<ul style="list-style-type: none"> ◆ Dialogue with management and professors at universities and colleges, including the Technion, Tel Aviv University, the College of Management, and the Interdisciplinary Center. ◆ Lectures by professional experts from the bank in relevant settings (courses, academic events, conferences, etc.).
Business organizations	<ul style="list-style-type: none"> ◆ Professional dialogue with leading business organizations in Israel, including with ESG managers. ◆ Membership in the Socioeconomic Forum and leadership of the Cause of employment for people with disabilities, in collaboration with top business organizations in Israel.




Contribution of the activity of the bank to attainment of the Sustainable Development Goals (SDGs)

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

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

Sustainable Development Goals	Relevance to the activity of the bank	Examples of activities (detailed in this report)
4 QUALITY EDUCATION  Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all	Quality education is the foundation for personal, social, and economic thriving. In its community activity, the bank invests resources in a range of educational initiatives, including in the areas of financial conduct and business entrepreneurship.	<ul style="list-style-type: none"> ◆ Hundreds of scholarships granted to students at academic institutions across Israel, including in peripheral regions and the Arab sector. ◆ Hundreds of workshops on astute financial behavior offered free of charge to the general public every year through the Financial Growth Center. ◆ Support for a range of social initiatives to encourage entrepreneurship and social mobility for thousands of adolescents in peripheral regions.
5 GENDER EQUALITY  Achieve gender equality and empower all women and girls	The bank works towards gender equality in the management of its human capital and through various activities aimed at financial empowerment of women in Israeli society.	<ul style="list-style-type: none"> ◆ 65% women at the bank, versus 48% in the labor market. ◆ 33% of the members of the board of directors are women, as are 55% of the overall management tier of the bank. ◆ The bank is taking action to promote gender equality, and aspires to increase the representation of women in senior management to 50%. ◆ Bank Hapoalim is committed to the financial empowerment of women through support for women's employment initiatives, including unique training programs for women in collaboration with non-profit organizations aimed at imparting financial tools and knowledge to found or promote a business of their own, and various programs for professional retraining and personal development. ◆ Development of dedicated workshops for women on financial conduct by the Financial Growth Center. ◆ Guidance and assistance provided by the bank to women who are victims of violence.

Sustainable Development Goals	Relevance to the activity of the bank	Examples of activities (detailed in this report)
6 CLEAN WATER AND SANITATION  Ensure availability and sustainable management of water and sanitation for all	Access to water and sanitation is an essential challenge for sustainable development today. The State of Israel has high water risk and is exposed to damage to its natural water sources. The bank is a leader in financing of water desalination and facilities for waste treatment and reclamation for agriculture in Israel.	<ul style="list-style-type: none"> ◆ The bank is a participant in financing of approximately 88% of the quantity of water desalinated in Israel. ◆ Financing of operators of waste treatment facilities, mainly producing water used in agriculture.
7 AFFORDABLE AND CLEAN ENERGY  Ensure access to affordable, reliable, sustainable and modern energy for all	The bank accords high importance to assisting in the transition to the use of renewable energies in the Israeli economy and supporting the attainment of the national goals of the State of Israel.	<ul style="list-style-type: none"> ◆ Over NIS 5 billion has been invested in financing for various renewable energy projects, including projects in developing countries. ◆ Targeted credit for private and business customers for the purchase of solar-energy systems allowing the production of electricity from renewable energy sources.
8 DECENT WORK AND ECONOMIC GROWTH  Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all	The bank makes financial services accessible, while providing knowledge and tools for astute financial behavior to its customers. The bank is also a major employer in the Israeli economy, and contributes directly and indirectly to employment in wider spheres (through financing, its supply chain, social initiatives to promote employment, and more).	<ul style="list-style-type: none"> ◆ Banking services made accessible to the entire population of Israel. ◆ Guidance and provision of financial tools for small businesses through dedicated credit funds, loans, benefits, and financing solutions for small and mid-sized businesses. ◆ Investment in social bonds for financial support to small businesses affected by the COVID-19 crisis. ◆ Various employment initiatives for the promotion of social mobility for people in peripheral regions and for those who have lost their livelihood due to the COVID-19 crisis. ◆ Initiatives promoting suitable employment for people from population groups underrepresented in the job market, including people with disabilities. ◆ Erech Laderech, an initiative in which dozens of non-profit organizations receive tools for fundraising and the creation of an income-generating arm, in order to ensure that they can survive over the long term and are capable of serving their beneficiaries. ◆ The bank acts in accordance with universal norms of protecting human rights in employment, and ensures an appropriate and safe work environment. Most of the employees of the bank are unionized and work under a collective agreement.
9 INDUSTRY, INNOVATION AND INFRASTRUCTURE  Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation	The bank grants credit for investment in infrastructures, development, and construction in Israel. This investment is essential for sustainable economic growth.	<ul style="list-style-type: none"> ◆ Financing of various infrastructure projects in Israel, including green infrastructure projects. ◆ The bank provides financing for energy efficiency projects in the business sector and for green urban infrastructure projects. The bank also won a tender to operate a state-backed fund granting loans for energy efficiency to massive electricity consumers in the industrial sector.

Sustainable Development Goals	Relevance to the activity of the bank	Examples of activities (detailed in this report)
 <p>10 REDUCED INEQUALITIES</p> <p>Reduce inequality within and among countries</p>	<p>The bank acts to provide access to financial services adapted to diverse communities, and promotes diverse employment at the bank, within Israeli society.</p>	<ul style="list-style-type: none"> ◆ Access to banking services is provided to promote economic growth in the Arab and ultra-orthodox sectors, alongside financial inclusion initiatives. ◆ Social initiatives to empower people with disabilities and include them in the job market, and initiatives to promote social mobility and employment in peripheral regions. ◆ The bank aspires to raise the percentage of its employees from population segments underrepresented in the labor market to 15% by 2030. ◆ Inclusion of diverse suppliers in the supply chain, in collaboration with the WeSource initiative, among other means, which promotes diverse suppliers at leading companies in Israel.
 <p>11 SUSTAINABLE CITIES AND COMMUNITIES</p> <p>Make cities and human settlements inclusive, safe, resilient and sustainable</p>	<p>Sustainable cities have an important role in ensuring socioeconomic and environmental resilience for a growing population. The bank provides financing for the development of sustainable urban infrastructures.</p>	<ul style="list-style-type: none"> ◆ The bank provides financing for sustainable urban infrastructures, including green building and green transportation. ◆ Financing for residential and urban waste sorting, separating, and recycling facilities. ◆ Most of the solid waste generated by the operations of the bank is sent for recycling.
 <p>13 CLIMATE ACTION</p> <p>Take urgent action to combat climate change and its impacts</p>	<p>We are working to increase financing and investments in green projects and to guide our customers through the transition to a low-carbon economy, thereby supporting and promoting efforts to mitigate carbon emissions and adapt infrastructures in order to cope with climate change.</p>	<ul style="list-style-type: none"> ◆ Green Bonds at a volume of USD 1 billion issued. ◆ Green Deposit introduced. ◆ The bank has reduced its carbon footprint by approximately 60% over the last decade, and aspires to a further 60% reduction by 2030 (relative to its 2020 carbon footprint of 45,003 metric tonne CO2eq). ◆ The bank aims to expand the scope of its financing for green projects to NIS 20 billion by 2030, while recessing financing and investments in new coal and oil exploration and production projects.

Adoption of accountability initiatives and transparent reporting

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

Maala⁷ - Bank Hapoalim joined Maala in 2006 as a member of the organization's business leadership. **In the Maala ratings for 2021, the bank earned the top ranking of all companies in Israel and of all banks for the fourth consecutive year, placing in the Platinum Plus category with an ESG score of 100.**

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 ESG 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.

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







ESG International ratings

International and local analysis organizations rate corporate ESG activities. Investors around the world have shown growing interest in ESG ratings over recent years, using this information to make investment decisions.

We maintain ongoing dialogue with local and international analysis agencies that examine the ESG performance of the bank, and we respond regularly to analysts' questions. We accord high importance to this dialogue, for two main reasons:

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

ESG ratings of Bank Hapoalim in international analyses and indices

Analysis firm	Bank Hapoalim Rating ⁸ score	
	<p>Risk management</p> <p>14.7</p> <p>(Low risk level)</p> <p>Management score</p> <p>70</p> <p>(Strong management)</p>	<p>Top 9% in the banks industry.</p>
	AA	<p>The bank is ranked in the second rating category in the banks industry.</p>
	50	<p>The bank is ranked first of 33 banks in the regional ratings (Middle East-Africa), and 578th of 4,915 companies in the global ratings (top 12%).</p>
<p>Sustainability Yearbook Member 2022</p> <p>S&P Global</p>	66	<p>Top 15% - the bank is included in the Yearbook listing 15% of the leading companies in each industry.</p>
<p>Bloomberg ESG Disclosure Score¹⁰</p>	72.3	<p>First place in the financial sector.</p>
	79.4	<p>The bank's score is ~9% higher than the average score in the financial sector and ~12% higher than the average score in the overall index.</p>
		<p>The bank is included in the index.</p>
		<p>The bank participated for the first time in 2021, by responding to the short version of the questionnaire.</p>

8. Ratings are as of March 1, 2022, as received from the analysis firms, for the period in which the bank was reviewed, and are therefore subject to change. Relative scores are assigned in comparison to banks worldwide rated by the analysis firm, unless otherwise noted.

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.

10. As shown on the Bloomberg terminal on March 1, 2022.



ESG

Social

Responsible action to benefit customers

Professionals working for you

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

Our expert bankers are stationed at branches, service centers, advising centers, and business centers nationwide. Concurrently, innovative digital platforms and advanced self-service devices are widely deployed to allow our customers to benefit from the highest level of service at any place and time.

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

The bank group¹¹ operates in Israel, in all of the various areas of banking and in areas related to banking, through four main divisions: the Corporate Banking Division, the Retail Banking Division, the Financial Markets and International Banking Division, and the Innovation and Strategy Division.

◆ **The Corporate Banking Division** provides services to most of our business customers; corporate clients are served by industry-specific



In the Photo from left to right: Orly Iluz - Poalim Invest, Haifa and Yosef Harpaz - Poalim Invest, Krayot

banking experts in each sector, while business centers are available across Israel for middle-market clients.

◆ **The Retail Banking Division** serves customers including households, private-banking customers, foreign residents, and small businesses. Services are provided through a network of branches, advising centers, Platinum Centers, mobile branches, and Poalim Close to You service points, as well as a wide range of direct channels: Poalim Online, Poalim Mobile, self-service stations, the multichannel service center, and messages through 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 trading services in securities and tradable derivatives (brokerage), securities custody, trading services in currencies

and non-tradable derivatives, and services for financial-asset managers. International business banking is primarily conducted through the New York branch, which focuses on providing banking services to companies.

◆ **The Innovation and Strategy Division** leads the development of the activities of the bank in the areas of new banking, most notably the Bit application; development of the area of data and analytics; corporate business development, including open banking, business collaborations, and the fintech arm; and corporate strategy.

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 Equity.

11. For details, see the Annual Report for 2021, p. 15-16, 72-74.

7,788
employees

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

174
accessible branches nationwide

2
mobile branches offering services at ~45 locations in Israel, of which 26 in assisted-living facilities for senior citizens

11 
business centers for middle-market business clients nationwide

10
High Tech Units at selected branches across Israel

15
advising centers for financial investments, pension advising and retirement planning



77
Mishkan representative offices provide customers with guidance and assistance in the process of buying a home



1,218
self-service devices with the broadest geographical reach in the Israeli banking system; most accept cash and check deposits and offer additional advanced operations


1st place

Bank Hapoalim was named Best Bank in Israel in 2021 by the prestigious journal Global Finance

TOP 5
Bank Hapoalim is ranked second in the Global 2000 ratings by Forbes Israel, which rated the 100 leading Israeli companies in the world (first place among Israeli banks)

Professional advisory services

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

Poalim Invest - expert centers for investment and pension advising

The nationwide rollout of fifteen advanced advising centers was completed in 2021. The centers offer financial investment advising services¹² as well as pre-retirement pension advising services. Hundreds of experienced expert advisors at the centers help customers build the investment portfolio best suited to their individual profile of needs and preferences, tailor a pension portfolio for them, and prepare financially for retirement.

The advising services are supported by advanced systems and tools:

- ◆ **Advisor** - A system offering decision-support tools and extensive information to help build an individually tailored investment or pension portfolio for the customer.
- ◆ **My Advisor** - A system customers can use to contact their investment advisor directly through digital channels and view the current status of their investment portfolio.
- ◆ **Smart Advice** - A service delivering personalized investment recommendations to customers on mobile phones and through the bank's website.



In the photo from left to right: Ziva Lazarof - Poalim Invest Rehovot, Moran Solomon - Poalim Invest Petach Tikva, Sarit David - Poalim Invest Afula

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 harmful effects, through investment in companies that promote social and environmental values within their activities or through investment in financial assets with a social and environmental impact. Many studies also indicate that over time, ESG performance is positively correlated with financial performance and optimal risk management.

Awareness in this area is also rising among institutional investors in Israel; over the last year, regulators in this

field have come to recognize it as well. Bank Hapoalim has been promoting this approach among its customers since 2019, through a series of professional training programs on ESG investments for all of its financial advisors, indication of ESG ratings of global companies on its advising systems, and the development of dedicated financial products. We were the first in the Israeli banking system, three years ago, to offer interested customers investment recommendations on global equities and bonds of companies with high ESG ratings during investment advising sessions.

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

32%

of advised customers have experienced the responsible investment advising process

In addition, over the last two years we have introduced exclusive, unique products allowing our customers to deposit savings while making a social and environmental impact. Examples include the Good Cause Savings Deposit, for assistance for families in need hurt by the COVID-19 crisis; the Green Deposit, for reduction of the use of plastic utensils at preschools in peripheral regions; and the Accessibility Deposit, for promotion of the development of assistive technologies for people with disabilities. Thanks to deposits in these programs, the bank has sent donations of more than NIS 600,000 to non-profit organizations working on the specified social and environmental causes. Over the last year, we launched new deposits for customers to save while promoting social values:

- ◆ **Green Deposit** – A product we developed in collaboration with the non-profit organization Good Energy Initiative, allowing our customers to save while promoting a green environment. The bank transfers an amount equal to the interest accrued on the deposit to the Good Energy Initiative, used to plant trees in selected cities and towns across Israel.
- ◆ **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, and two additional deposits in 2021.

In addition to encouraging responsible investment among its customers, the bank includes ESG considerations in its own proprietary portfolio by investing in ETFs tracking global equities with high ESG ratings and in renewable energy equities.

As part of our commitment to supporting the global effort to cope with the climate crisis, in early 2022 the bank made the decision to gradually reduce holdings in coal and oil companies in its proprietary portfolio, so that no such companies are included by the end of 2026.

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

NIS
320 million investments¹³ in renewable energy projects through Poalim Equity, the non-financial investment arm of the bank

2021 plans - status:

2021 plans	Status
Expansion of information on ESG ratings in the responsible investment advising process to encompass Israeli companies.	To be launched during 2022
Launch of additional ESG deposits.	✓ Completed

Future Plans

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

13. Indicative value at this writing, derived from mapping of investments in renewable energies.

Promoting the growth of small businesses

We work to empower the small-business sector, in the understanding that it is one of the pillars of the Israeli economy and a key growth driver. Our activity to benefit small businesses includes the development of tools and services in response to the challenges facing businesses at different life stages, alongside the delivery of personal, professional service by expert bankers at branches in every part of Israel. The product and service offering by the bank for small businesses includes financing solutions, a website and application designated specifically for small businesses, professional lectures by the Financial Growth Center, benefits for businesses in their first two years, and the Expansion Package for small businesses aspiring to grow and develop, which consists of tailored financing solutions, business guidance meetings, and consulting with leading e-commerce experts.

The small-business sector was particularly vulnerable to the impacts of the ongoing coronavirus crisis. Lockdowns paralyzed large parts of the economy, leaving many business owners struggling. Drawing on our commitment to stand by our customers at essential junctures, we took action at the outset of the COVID-19 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 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. Among other things, we introduced a guide for emergence from the crisis for businesses hurt by COVID-19, and led a media campaign to raise public awareness of the importance of patronizing local businesses during the crisis.

Encouraging buying from small businesses

Daroma Market – Bank Hapoalim, the Self-Employed Forum of the Histadrut, the Histadrut General Federation of Labor, and Sarona Market created Daroma Market (the Market of the South) to bring Southern Israel to the heart of Tel Aviv. The event consisted of dozens of stalls showcasing the finest products of the south and its people, including delicacies from local eateries, agricultural produce unavailable in the city, boutique Israeli breweries, home decor, kibbutz-made cosmetics, export-quality fresh flowers, and more. Visitors could pay at every business participating in the fair using the Bit app, easily and with no need for a wallet.



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 needed 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. The Financial Growth Center offered a wealth of content for businesses, including dozens of courses and digital

guides on managing a business during the crisis, with special emphasis on practical knowledge and tools for entering the world of e-commerce, including opening an online shop, digital marketing, and managing social-media communities.

3,000 small-business owners participated in a comprehensive course on digital business marketing at the Financial Growth Center

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. In 2021, we continued to assist business customers still affected by the crisis, while developing further financing solutions* targeted to the businesses' unique needs:

- ◆ **State-backed loans for businesses harmed by the spread of the coronavirus:** A rapidly established network of skilled bankers responded to applications for state-backed loans. Approximately 17,723 applications were processed in 2020-2021, and state-backed loans in the amount of approximately NIS 6.26 billion were granted to small and mid-sized businesses.
- ◆ **'Instant Credit' and multi-channel loans:** Credit offered through a rapid, simple procedure accessible to small-business customers on the bank's website and application. This solution is designed to allow businesses to maintain regular operations even during periods of intense uncertainty. At the outbreak of the COVID-19 crisis, the segment of small businesses eligible for these financing solutions was expanded, and the maximum amount of loans for investment in a business was raised to NIS 350,000.
- ◆ **'Easy Start' benefits for small businesses in the setup phase:** Businesses in their first two years are exempted from current-account fees for the use of direct channels, to help them grow in the crucial first years of their activity.

- ◆ **Dedicated loan for the Tishrei holidays:** A loan developed specifically for the Jewish holidays in the fall, based on the recognition that the summer months shortly followed by the holidays are an important time for business owners. Some businesses experience a downturn in business activity and need financing to bridge cash-flow gaps. Others see peak activity during this time, and need to prepare accordingly. In response to the financing needs of businesses in the holiday period, we developed the Tishrei Holidays Loan, in amounts of up to NIS 500,000.
- ◆ **Dedicated loan for the end of the tax year:** A year-end loan in amounts of up to NIS 500,000 offered to business banking clients for any purpose, such as bridging a cash-flow gap, purchasing and operating inventory, making advance payments to suppliers, replacing equipment, and more.
- ◆ **Additional financing solutions:** Alongside options such as deferral of payments, higher credit facilities, and more lenient spreading of payments on existing credit, we offered our customers loans designated for purchases of cars, trucks, or real-estate properties intended for the development of their business, as well as loans to finance solar-energy systems (see details in the section "Financing for projects promoting a green environment," p. 104).

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



NIS
33.9
billion

total balance of credit to
the small-business sector

as of December 31, 2021.

Social ESG bond for financial aid to small businesses:

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

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 app:** A mobile application designed to help business owners manage the financial activity of their business.
- ◆ **Business consulting:** A special benefit, in collaboration with the Israel Business Consultants Association, in which our business clients are offered two business consulting sessions in one of the following areas: sales; marketing and strategy; digital marketing; operations and supply chains; and human-capital development.
- ◆ **Professional conferences:** Five conferences were held for business clients in various locations nationwide to present the bank's estimates regarding the growth of the economy and financial tools to support their growth.
- ◆ **Poalim Small Business Success Mentors:** In the second year of this initiative, thirty 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.

- ◆ **Online community for guidance of small businesses:** 1,700 small businesses are members in the community and receive support and guidance from the non-profit organization Keren-Shemesh. The online community, sponsored by the bank, provides an arena for sharing and consultation and a platform for enrichment lectures and professional content. Interested small businesses also receive guidance from mentors, some of whom are bank employees who volunteer for this project.

Future Plans

- Expand the credit offering services to small businesses through digital channels.
- Expand the activity of the dedicated Poalim by Telephone call center for small businesses, staffed by bankers specializing in this field.

Promoting the growth of large and mid-sized businesses

The advanced banking services and guidance offered to large and middle-market business clients was developed based on a comprehensive process of learning about their needs and expectations, aimed at providing a personal service experience in every aspect of banking necessary for these companies, with an emphasis on delivering professional solutions adapted to the client's needs. The Corporate Banking Division operates eleven Business Centers for middle-market business clients, of which four centers targeted to growing commercial clients and one specializing in service and finance for high-tech companies. Corporate clients are served by industry-specific banking experts in each sector.

Developing business infrastructures for our customers

When the Abraham Accords were signed, we moved quickly to develop the business infrastructures that would enable our customers to leverage the diplomatic breakthrough to achieve economic growth and gain from the business opportunities it presents. After correspondent banking agreements were signed with the major banks in the UAE and Bahrain, we led a series of initiatives and processes to generate value for our customers, including a first-of-its-kind business forum to mark the first anniversary of the accords. Held in Abu Dhabi and attended by government representatives and leading businesspeople from Israel and the UAE, the forum presented the opportunities and challenges of business partnerships and key success stories of the year since the signing of the historical agreement.

Supporting the growth of high-tech companies

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 addition, in 2020, the High-Tech Business Center, specializing in services and financing for growing companies, was established within this network.



4,500
start-ups

The bank has provided guidance for business growth to over 4,500 start-ups and high-tech companies¹⁴

14. Since the foundation of the High Tech Unit in 2015.

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.

Social tech, Climate tech

As part of the bank's promotion of technological initiatives that create shared economic, environmental, and social value, we have supported the 8200 Alumni Association for several years. The organization operates the 8200 Impact Accelerator program for start-up companies developing advanced technological solutions for social and environmental problems. The start-ups receive intensive training over a five-month period, consisting of workshops, lectures, and events, with guidance from successful entrepreneurs and industry experts, an extensive mentoring network composed of top-tier professionals, professional services in many areas free of charge, and connections to investors and the 8200 alumni network in Israel and overseas. The accelerator has two sections founded in collaboration with the Social Banking Center and funded by Bank Hapoalim:

department – Established in 2019, at the initiative of the bank and with its support, to develop assistive technologies for people with disabilities. In the section's third session in 2021, financial and professional support was provided to four selected ventures identified as having the potential to improve the quality of life of millions of people with disabilities, in Israel and worldwide. Each of the four winning initiatives received professional consultation and a monetary grant from the bank.

- ◆ **Wide** – A digital platform for children that helps them overcome communication challenges.
- ◆ **Arrows** – A wearable AI-operated virtual personal assistant to enhance conversational abilities for people with communication difficulties.
- ◆ **BridgeIT** – A company that has developed an add-on for digital channels to help those who have difficulties using these channels.
- ◆ **Yalmo** – A personalized digital platform to track and improve behavior and sleep for children with autism.

department – Established at the initiative of the bank and with its support in 2021, in collaboration with Doral-Tech, Doral's innovation branch, to aid start-up companies developing advanced technological solutions for climate issues. This program is rooted in the understanding that accelerating the transition to a low-carbon economy to cope with the climate crisis requires technological innovation above all. The following four start-ups were selected to participate in this section:

- ◆ **SoLED** – A company developing a smart water sterilization system based on UV-LED technology for use in rural areas in developing countries.
- ◆ **Alteco.ai** – An energy management platform providing a comprehensive display of energy consumption using artificial intelligence.
- ◆ **EMust** – Software for collection and analysis of environmental data for factories and government agencies.
- ◆ **Via-Cool** – A digital platform providing information and forecasts regarding the shelf life of fresh fruits and vegetables, to reduce food waste.

Within the program, monetary grants from Bank Hapoalim and Doral were given to the entrepreneurs to support their continued activity.

Providing optimal service

We aspire to provide our customers with the best possible service experience, and we strive to continually improve our service. The COVID-19 crisis created a new range of customer needs and expectations, which we are continually learning about, to deliver the best and most adapted response:

- ◆ **Expansion of services available through direct channels** – We increased the range of transactions available via telephone and the digital channels. We also developed infrastructure to allow bankers to work from home when necessary and maintain continuous, rapid, professional responsiveness for our customers during periods of social distancing.
- ◆ **Scheduled appointments with bankers** – The service, introduced in early 2020, enables customers to schedule appointments with bankers in advance. During the COVID-19 crisis, the need to schedule appointments became crucial, to protect the health of our customers and employees. In 2021, we expanded this service so that access to appointment scheduling is

now available through all channels, as well as the option to receive reminders and to reschedule or cancel an appointment through the various channels (the website, mobile app, and voice response line).

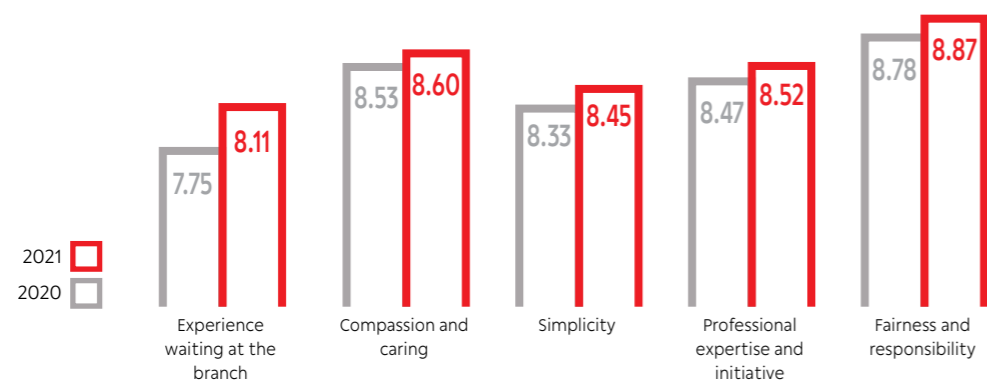
- ◆ **Sending messages to bankers** – A new service allows customers to send written messages to their bankers through the digital channels to request information and transactions in various subjects. Customers can send a request through the bank's app, the website for private customers, or the website for business clients.
- ◆ **Improved process for mortgages** – We developed an option to submit a mortgage application for in-principle approval through the bank's website. Customers can also consult with a mortgage advisor at a branch via telephone. In early 2021, following the approval granted by the Bank of Israel for two-thirds of a mortgage to be given at the prime rate, we saw high demand from our customers for mortgage refinancing. To provide a professional response and available service to our customers, we launched

an effort to rapidly recruit and train additional mortgage advisors, while also developing necessary technological adaptations.

We comprehensively measure the service experience on a continuous and daily basis, through various methods, including surveys via telephone and text message. We also study the expectations and needs raised by our customers in their communications with the call centers, messages to the ombudsman unit, news media, and social media. The results of surveys and studies and the subsequent insights are analyzed routinely and translated into policies, service improvement processes, and appropriate value offers.

To continue delivering optimal customer service, we work continually to improve the efficiency and quality of internal work processes at the bank. Towards that end, in early 2022 we established the Banking Services Division, which will oversee most of the operational systems of the business divisions and help improve customer service.

Results of customer satisfaction surveys, 2021*



* Annual average of results of service surveys at the branches measured regularly by the bank.



Poalim Wonder

In 2021, we introduced an exclusive program of benefits for customers of the bank, supported by a dedicated mobile app. Bank customers can accumulate points by using credit cards and digital channels to execute transactions, and earn attractive benefits in various areas: consumer goods, leisure and tourism, plays and concerts, restaurants, museums, and more. The benefit program contributes to a stronger relationship between the bank and its customers, who enjoy an improved value offer, while supporting the growth of businesses in fields that were severely hurt by COVID-19, such as entertainment, culture, and the culinary industry.

Providing banking services through the branch network

Alongside the advanced banking services offered at the bank's service centers and on its digital channels, **we operate a network of 174 branches, with broad nationwide reach in every part of Israel. The bank also operates two mobile branches delivering mobile banking services, including teller services, at 45 service points across Israel, including in remote areas where there are no bank branches** (26 of the service points are in homes for the elderly and residential care facilities).

We regularly examine the deployment of the branch network and merge branches as necessary, while maintaining an optimally wide geographical reach. Fifteen branches were merged in 2021, with comprehensive assistance and support provided to customers and special emphasis on guidance for our senior-citizen customers. At the merged branches, work processes were adapted to customer characteristics, mail was sent with the relevant information, and digital literacy support and guidance sessions were offered for senior-citizen customers. We also established a dedicated call center for customers experiencing branch mergers; expanded the distribution of self-service stations; increased the number of attendants available to help use the digital channels of the bank; and reinforced service through the mobile branch. When necessary, we opened a service point to replace the merged branch, providing in-person banking services twice a week.

Specializations within the retail branch network

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



- ◆ **Advising centers** – The nationwide network of fifteen advanced centers offering financial and pension investment advising was completed in 2021, with the aim of providing our customers with holistic advisory services.
- ◆ **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 77 Mishkan offices assist and guide our customers through the important process of buying a home. In 2021, we continued to strengthen and improve the mortgage network of the bank to adapt to evolving market needs and to the demand and changes in the real-estate industry.

Providing advanced digital banking services

We invest in the development of advanced, innovative digital platforms to deliver value for our customers, both in simple and accessible banking transactions and in advanced tools to aid their financial conduct.

◆ **Bank Hapoalim website** – The website offers information and tools to support informed financial behavior and decision-making. Banking content sites are also available, presenting information and tools adapted to the needs of retail-banking customers, business clients, and customers in the Arab sector.

◆ **Bank Hapoalim app** – The account-management mobile application offers a banking experience that integrates the most advanced technological capabilities with a personal user experience, alongside up-to-date appearance and language, an advanced customer experience, and delivery of focused value offers. In late 2021, we launched the Financial Partner feature of the app – a new service designed to help customers manage their day-to-day finances, offer guidance through various life circumstances and financial occasions, and enhance their control over their financial status. (For details, see the Innovation chapter, p. 55.)

Operating the multi-channel advanced direct banking center

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

- ◆ **Telephone** - An interactive voice response (IVR) system available 24/7, or a call to a banker between 8 a.m. and 5 p.m. The voice response service is offered in Hebrew, Arabic, and Russian, and allows all customers, including people with disabilities and the elderly, to receive professional service quickly without visiting a branch.
- ◆ **Written communication** - Email, chat (for Poalim Pro customers), and social media messages.

This service is offered in a range of subjects, from information and account transactions to expert services; these include:

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

Innovations and improvements at the banking center in 2021:

- ◆ Establishing a service center for mortgage refinancing via a digital process.
- ◆ Establishing a service center to support external mortgage advisors.
- ◆ Supporting digital wallets: bit and Apple Pay.
- ◆ Expansion of capabilities to receive information and complete transactions using the IVR system.

1.15 million customers are active users

of the Poalim by Telephone service

19.5 million service encounters with customers through the various channels



2021 plans - status:

2021 plans	Status
Expansion of support for additional digital products, including issuance of a password for Poalim by Telephone call centers through the app.	✓ Completed
Increasing the number of available independent transactions through IVR, including support for the process of opening a bank account and more.	✓ Completed

Future Plans

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



Poalim Pro

A service for private-banking customers with high digital literacy, designed to provide a personal response accessible remotely, including complex banking transactions that previously required a personal visit to the branch (this service constitutes an upgrade and expansion of Poalim Connect).

Poalim Pro customers enjoy personal service from a banker familiar with their needs, who personally handles their requests and is available to them by telephone, email, or chat, as well as a chatbot to assist with various banking activities. Customers can also receive service via telephone from professional investment advisors without visiting a branch.

Poalim Pro services are available at *2081, Sunday to Thursday, 8:00 a.m. to 6:30 p.m. Live chat with bankers is available until 8:00 p.m.

Delivering service and professional value through social media

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

The bank created approximately 400 posts on its social-media pages in 2021, on the subjects of digital empowerment and innovation, financial growth, new products and services, community activities of the bank, the customer club, and more. Social-media content was adapted to the unique needs and characteristics of the period following the COVID-19 crisis, encompassing tips and guidelines on business management, astute financial behavior, and encouraging local purchasing from Blue and White (Israeli) businesses.

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

180k
people
follow the bank on social-media, as of the end of 2021

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

Responding to public inquiries

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

The Ombudsman Unit is diligent about processing each individual customer inquiry accurately and correctly to find a solution to the specific dispute. Each case is examined in depth and addressed in light of the values of fairness, responsibility, privacy, reliability,



and transparency. Some cases are found to have broader implications, and are presented to the business functions at the bank for learning, process improvement, and remedying of any flaws detected.

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

The Ombudsman Unit operates in accordance with Proper Conduct of Banking Business Directive 308A of the Banking Supervision Department. Among other matters, the directive establishes the procedure for processing customer complaints,

including duration, and the format for periodic reports. Accordingly, we release the following periodic reports:

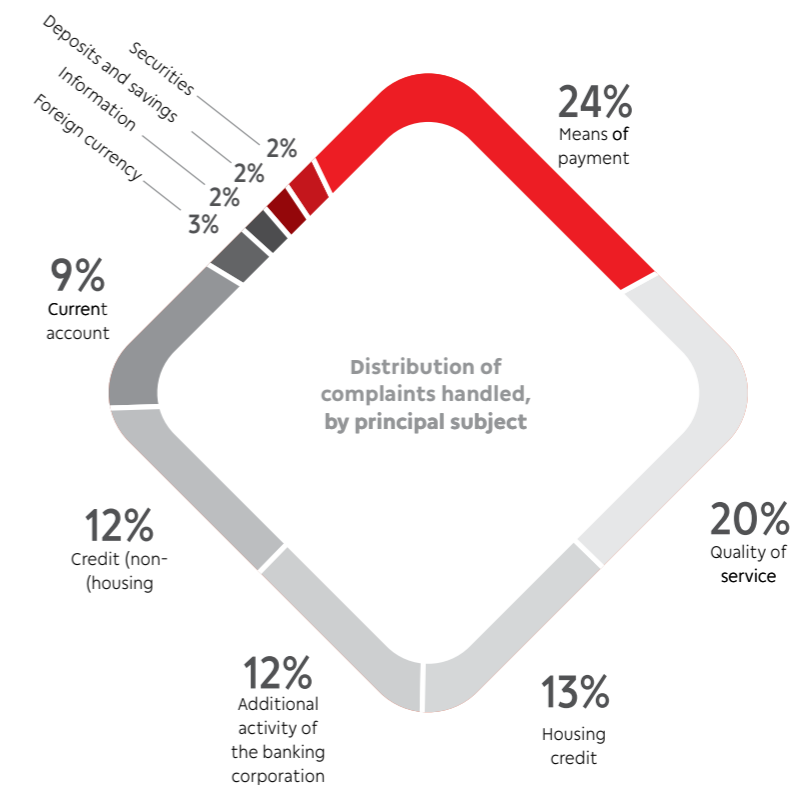
- ◆ A semiannual report to the Supervisor of Banks indicating how complaints were handled;
- ◆ An annual report to the public on the bank's website summarizing data on processing of complaints;
- ◆ A semiannual report to the management of the bank and an annual report to the board of directors containing quantitative summations and trends of customer complaints,

including flaws detected and material actions taken as a result of the complaint investigation process. The management and board of directors of the bank hold discussions of the reports of the Ombudsman Unit shortly after they are received.

In 2021, the Ombudsman Department processed 15,947 inquiries¹⁵ (including complaints and requests), versus 15,453 in 2020 (a 3.2% increase). These included 11,665 complaints (a 8.4% increase compared with 2020).

Percentage of justified complaints: in 2021, 1,941 complaints, constituting approximately 17% of the total, were categorized as justified, compared with 1,979 complaints (18%) in 2020.

In 2021, monetary remedies were granted, above and beyond the letter of the law, for complaints classified as unjustified, in the amount of NIS 1 million.



15. The data presented are aligned with those reported to the public in accordance with the reporting directives of the Banking Supervision Department. Inquiries addressed by the Bank of Israel with the bank are published in the annual review on public inquiries of the Bank of Israel.

Fairness

The bank and its employees ensure that they act with fairness and transparency towards customers and stakeholders, based on the approach that ethical, responsible, fair conduct leads business to thrive in the long term and allows us to retain and expand our 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 comply with them meticulously.

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 the utmost caution in advertising, marketing, and sales promotion. Multiple levels of strict screening and controls are applied to marketing messages, to avoid misleading messaging or marketing of products unsuited to the customer's needs. There were no cases of non-compliance concerning the publication of information regarding products, services, or marketing communications during 2021. We also work to make information accessible to customers with the greatest possible clarity, by means such as improvement and rephrasing of written communications, including on the digital channels, as well as production of instructional videos in collaboration with the Financial Growth Center to



help explain financial information and elucidate banking terms when we notice knowledge gaps. For example, a video on the Banking ID was produced, explaining the advantages of the information it contains for customers, and posted on the bank's digital channels.

The bank's policy on fairness towards its customers is part of the compliance policy of the Bank Hapoalim Group, as approved by the board of directors and management; with the necessary adjustments, it also applies to the subsidiaries in Israel and the bank's offices overseas. This policy applies to every aspect of planning and execution of activities and agreements with customers, including sales and marketing of products

and services, as well as to suppliers and subcontractors (third parties) who provide services for customers of the bank. Enforcement of policies 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 board of directors and management of the bank are responsible for creating and leading an organizational culture encouraging fair and responsible behavior towards customers and taking personal responsibility, values grounded in the code of ethics of the bank.

The Procedure for the Fairness of the Bank Towards its Customers (the Fairness

Procedure) formalizes work processes that promote fairness towards customers and promotes the approach of upholding the principles of fairness in every part of the bank's interaction with customers and maintaining customers' trust in the bank. The Fairness Procedure specifies the practices and rules required to maintain fairness towards customers, including providing full information about banking products and services and the nature of the associated risks. The procedure also addresses fairness in account management and service, in terms of the matching of the product or service to the needs, goals, and financial position of the customer, as well as fairness in the collection of debts. In the process of development and introduction of new products and services, the bank comprehensively examines the compliance of the product or service with the provisions of the relevant laws and regulations, 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 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 potential 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. Remuneration for sales and marketing of products complies with the procedures of the bank and the regulatory guidelines in this area. Objectives and remuneration of employees and managers are therefore

also based on process parameters such as service, compliance with binding legal requirements, and team-level rather than personal quantitative targets. Training sessions for employees and bankers are held at the bank each year to raise awareness of the importance of fair conduct towards the customers of the bank and enhance their sense of responsibility. Pre-hiring screening of applicants for work at the bank and tests for promotion of employees within the bank include elements referring to fairness towards customers and ethical conduct, to ensure a good fit with the norms and values of the bank.

Non-discrimination of customers

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

Poalim Financial Health

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

bankers who have undergone specialized training to respond to customers' needs appropriately and sensitively, with a commitment to resolve the problem. The unit works in full cooperation with the branches of the bank, and is responsible for managing and monitoring the process, using the bank's range of tools and services, including a computerized system built for this purpose. Over the years, the unit has helped most of the customers it works with get back on track towards

astute financial behavior, avoiding legal collection procedures.

At the outbreak of the coronavirus pandemic, and during 2021, as part of our efforts to help our customers navigate the economic crisis more easily, we exercised as flexible, sensitive, and considerate as possible an approach to collection proceedings, including longer periods for customers to restore their payments to the bank.

Financial growth and inclusion

Making services, products and financial knowledge accessible

Financial inclusion refers to the accessibility of financial products and services responsive and adapted to people's 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.

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

Financial Growth Center



We opened the Financial Growth Center in 2018, as a hub for learning and acquiring tools supporting astute financial behavior. The services of the Financial Growth Center are offered to customers of the bank and to the general public nationwide free of charge. The work of the Financial Growth Center is conducted through a website offering advanced digital learning tools as well as 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. The content was formulated 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, retirement, and more. The center's activities are based on collaboration with a range of professionals, within and outside the bank.

In view of the crisis of 2020-2021, the responsiveness of the center to the public was expanded through access to financial knowledge and tools for coping with the crisis and its effects,

with an emphasis on astute financial behavior, entrepreneurship, digital marketing for businesses, transition to e-commerce, and more. Along with content development and knowledge enrichment adapted to the needs of the period for independent learning on the website, the center also gave courses and lectures via Zoom, throughout the year, on relevant financial topics, and provided individual financial guidance to families free of charge.

Special activities of the Financial Growth Center in 2021

- ◆ **Enriching the content on the independent learning website to align with the needs of this period** - This year, dozens of independent learning items for the improvement of financial behavior were added to the website, on subjects such as employment, managing a business in the digital age, and more. New course topics on the website include creating business opportunities on LinkedIn, how to handle retirement, joint account management for newlyweds, first steps in the world of finance for young people, and more.
- ◆ **Providing financial knowledge and tools for small businesses and self-employed people to help in the transition to the digital space** - In 2021, the center held two additional sessions of a comprehensive course taught via

Zoom on marketing a business using digital means. Course participants received practical, applicable tools for the promotion of their businesses using social media, as well as instruction in topics such as marketing communications, building a landing page, and more. Approximately 3,000 people participated in the courses.

- ◆ **Providing financial knowledge, tools, and guidance to private and household customers** - In 2021, a new model was developed for the promotion of meaningful change in the financial behavior of course participants. Within the model, the center offers a course consisting of two meetings via Zoom on the subject of astute financial behavior. Interested attendees can then participate in an individual guidance program on financial behavior by the non-profit organization Chasdei Lev, sponsored by the bank. Participants in the course expressed a high level of satisfaction with the program, and some chose to continue to the individual guidance process.



Since the foundation of the center, over 55,000 have participated in approximately 900 lectures and digital courses.

◆ **Empowerment of women for financial independence:**

- ◆ In view of the change in the retirement age for women, the center held a lecture for women, in collaboration with the Women in Industry Community. The lecture presented parameters unique to women that affect pension savings and provided knowledge and tools to aid optimal management of these savings.
- ◆ The Women and Business conference was held in the Arab sector, attended by more than 300 women who are small-business owners, self-

employed, and community leaders. Participants were provided with knowledge and practical tools to cope with the challenges of the COVID-19 crisis and manage a successful business.

◆ **Promoting processes to raise awareness of the importance of financial education and provide innovative tools encouraging economic and business growth in Israel, in partnership with the Interdisciplinary Center Herzliya:**

- ◆ **Financial Education** – Major findings of financial education research were presented in the first-of-its-kind 'From

Crisis to Growth' conference. Top experts presented effective tools for economic decision-making and promotion of financial growth. The conference was attended by over 200 people.

- ◆ **Hackathon** – Students at the Interdisciplinary Center Herzliya were invited to propose research-based solutions to challenges in the area of financial behavior in the digital age set by the Financial Growth Center.

◆ **Providing financial knowledge and tools in the Arab sector**

- ◆ The Financial Growth Center website,

including various content such as videos, guides, and articles, has been made accessible and adapted to the Arab sector. Various lectures were also held regularly in Arabic in 2021, attended by thousands of private individuals and business owners. To expand its impact, the center collaborated with organizations such as the National Association of Engineers, the Israel Dental Association, the Small Business Agency, and more, as well as with municipalities.

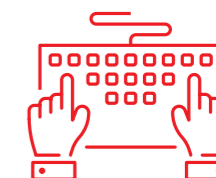
- ◆ In response to a need that emerged from users, the center produced over fifteen video guides for online learning

on topics including preparing a business plan, cash flows, pricing and costing, purchasing online, the Banking ID, and more.

- ◆ A course dedicated to business owners was developed, providing practical tools for coping with the business impacts of the COVID-19 crisis. Over 500 business owners nationwide participated.

◆ **Making financial knowledge and tools accessible to ultra-orthodox society:**

The Financial Growth Center website and the range of content it offers, including videos, guides, and articles, has been made accessible to ultra-orthodox users.



over
4
million visits to the digital content available on the center's website in Hebrew and Arabic were recorded.

The Financial Growth Center in numbers

~
500
digital learning items

are offered to the general public on the center's website, including videos, tutorials, digital courses, and articles. The learning items address a wide range of financial topics, including household expense management, financial education for children, pensions, the capital market, mortgages, managing a self-owned business, and more.

15k people participated in lectures and digital courses in 2021, while **60% of the lectures were on subjects related to the financial management of households, and 40% related to small businesses.**

2021 plans - status:

2021 plans	Status
Promotion of partnerships with academia to expand the impact of financial education in Israel.	✓ Completed ongoing process.
Expansion of the range of digital content and activities offered, to expand spheres of influence.	✓ Completed

Future Plans

- Expand the financial empowerment model in the activity of the Financial Growth Center to encompass individual financial guidance for interested participants in the workshops and digital learning processes.

Supporting senior citizens

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 2019-2021 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.



Comprehensive support and education for senior-citizen customers

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

◆ **Senior citizen digital literacy instruction courses and instructional sessions** - Courses offered free of charge for senior citizens, consisting of six to ten sessions, on safe browsing and digital banking. The courses are taught by professional instructors in small groups of up to twenty

participants. At the outbreak of the COVID-19 crisis, we converted courses taught in person to instruction via Zoom, with individual guidance for participants on the use of this platform. Hundreds of topic-specific sessions were also held for senior citizens, open to the general public, offering tools for the development of digital life skills in various areas.

◆ **Creating partnerships for digital empowerment** - Students from the non-profit organization Amanina who received scholarships from Bank Hapoalim committed to providing digital instruction to hundreds of senior citizens in the Arab sector as

part of the process of receiving the scholarships. The students received guidance from professional staff at the bank and were supplied with lesson plans. A survey conducted at the end of the program found that 57% of the senior citizens who participated felt safer using digital services, and 100% felt less loneliness.

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

◆ We launched a content site under the heading Poalim Digital Independence, which allows users to register for courses and offers a range of tools for practicing the use of the bank's digital channels.

◆ For the first time at a financial institution in Israel, we developed a virtual practice environment allowing our senior-citizen customers to simulate banking transactions using the bank's application and ATMs, such as transferring money, creating a deposit, depositing a check using the application, and more. This platform helps senior citizens practice carrying out banking transactions using the digital channels and overcome the obstacles caused by the fear of making a mistake.

◆ An online course consisting of 25 short instructional videos in several languages (Hebrew, Arabic, and Amharic), in which senior citizens demonstrate how to perform various bank-account transactions independently on the bank's digital channels, step by step, in simple and clear language.

◆ Manuals on the use of the bank's digital channels were created, written in clear language and accompanied by relevant screenshots of the bank's website, application, and self-service devices. The manuals were distributed at branches and during the instructional sessions.

◆ For our customers who have difficulty with reading, we produced printed pamphlets with visual presentation of the use of the self-service devices, using appropriate screenshots, in Hebrew, Arabic, and Russian.

~
5,000 senior citizens attended courses and online instruction sessions during the course of 2021

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

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

- ◆ 97% of participants expressed satisfaction with the activity and stated that they would recommend the program to a friend.
- ◆ 84% said that the course increased their confidence in the use of the bank's digital platforms.
- ◆ 78% of the participants stated that they knew how to carry out transactions on the bank's website and application, versus 31% 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 70, which provides a rapid human response by a banker. This is an extended implementation of the Senior Citizens Law, which mandates the provision of services without queues for customers above the age of 80.
- ◆ **Mobile branches** - The bank operates two mobile branches offering banking services, including teller services. The mobile branches visit 45 service points across Israel, of which 26 locations at residential facilities for the elderly and assisted-living facilities. The team of mobile branch bankers specializes in serving elderly customers; in addition to banking services, they work to increase digital literacy with interested customers. The frequency of mobile branch visits is matched to the needs that emerge and the demand for the service.

Helping 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 the positive developments underway today. We have developed unique value offers and made our services accessible in Arabic. In addition, we have a broadly deployed network of 22 branches in Arab towns and eleven branches in mixed towns.

We also conduct targeted activities to support the financial development of students, women, small-business owners, and more. In 2021, our activity in the Arab community was aimed at continued coping with the economic challenges wrought by the coronavirus crisis, as well as responding to other specific needs in this sector.



In 2021, the Financial Growth Center website and all the content on the site were made accessible and adapted to the Arab sector. Regular lectures were held in Arabic on various subjects, in collaboration with a range of professional associations, non-profit organizations, civil society organizations, municipalities, and more.

With regard to financial information and tools for the Arab sector, see the section "Financial Growth Center" on page 39.

Guidance for home buyers

In 2019, we began a study of the causes and reasons for the relatively low presence of the Arab sector in the mortgage market in Israel. Through this process, we realized that along with complex barriers to liens on assets due to property registration methods in village communities, there were also worries over mortgaging a family home for the long term arising from a lack of awareness of available financing options. These concerns may lead to the selection of short-term financing options that impede repayment and can bring about financial and social difficulties. Accordingly, over recent years we developed adapted processes and products aimed at making mortgages more accessible in Arab society. Activities in this area in 2021:

- ◆ The mortgage unit at the Nazareth branch, which is staffed by employees from the Arab sector, continued its activities aimed at raising awareness, promoting value offers, and guiding customers in the process of taking a mortgage.
- ◆ Increase of the amounts of loans available for buying or building a home on land the rights to which are registered to multiple owners, almost doubling the previous amount.

In May 2021, a wave of violence caused casualties and threatened the foundations of coexistence in Israel. As a business leader employing workers from every part of Israeli society, we saw it as part of our responsibility to call for a stop to the tide of violence and hate. Turning to top companies in the Israeli economy, we launched a joint effort to spotlight Jews and Arabs working side by side at the bank and at other companies. The campaign called for an end to violence, incitement, and racism, and a return to the values of mutual respect, tolerance, and acceptance of the other.

Promoting economic growth and employment

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 effort in 2021 included:

- ◆ **Access to the online marketing revolution for small-business owners** – In collaboration with the non-profit organization Jasmine, we provided practical knowledge and tools for e-commerce to approximately fifty small-business owners from the Arab sector nationwide. In this program, owners of businesses operating in a range of fields and industries for three years or more gained exposure to the opportunities inherent in the e-commerce revolution, which can be leveraged to benefit the economic growth of the business. In addition, the program provided practical tools for correct, informed use of various digital means, adapted to the unique characteristics of each business.
- ◆ **Employment incubator for women** – A training program held in collaboration with the non-profit organization Lotus, aimed at inclusion of Druze women from the Galilee and Carmel regions in high-quality employment. The program included practical experience and preparation and guidance for job interviews. The organization also connected with potential employers and guided workers through their professional development in their first two years on the job. Twenty women participated in the incubator program in 2021.
- ◆ **Placement of people with disabilities** – In a collaboration with the non-profit organization AlManarah, thirty men and women with disabilities found placements in the job market.

◆ Financial empowerment for women in the Arab sector:

- ◆ **Targeted lectures** – Over 2,500 women participated in forty lectures providing knowledge and tools on astute financial behavior.
- ◆ **Hasa Kitchen** – Hasa Kitchen is an Arab women's community with some 230,000 members across Israel. In a collaboration with the community, we provided tools and knowledge on family budget management and astute financial behavior.

Over
450 small business owners

participated in a conference dedicated to small businesses, which was attended by the chairman and CEO of the bank

Empowerment of students

- ◆ **Scholarships** – To encourage higher education, we maintain long-term collaborations with several non-profit organizations in the Arab community. In 2021, we granted approximately sixty scholarships in collaboration with the non-profit organization Amanina; recipients volunteered in return in digital empowerment activities for senior citizens, providing instruction on the digital services of the bank. Similar collaborations were held with the Nazareth Foundation and the Lieutenant Colonel Salach Falakh Foundation.
- ◆ **Placement in the high-tech industry** – In a collaboration with the non-profit organization Portland Trust and the Itworks initiative, 500 students from the Arab sector were placed in various jobs at leading Israeli high-tech companies.
- ◆ **Support for the Student Business Clubs program, in collaboration with the non-profit organization Kav Mashve** – The program is designed for outstanding students with leadership potential from the Arab sector. Each business club has 15 to 20 members in a shared academic or professional field, of the occupations drawing high interest and in high demand in today's job market. The clubs are aimed at helping students embark on meaningful career paths in key positions, with an emphasis on the development of leadership and social consciousness. In 2021, we supported eleven clubs for over 200 students at leading universities across Israel.

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

10
branches
in towns characterized by significant ultra-orthodox populations, and an additional 9 branches in mixed towns.

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

- ◆ **Financial education for engaged yeshiva students** – A collaboration with the non-profit organization Tvuna, aimed at supplying knowledge and tools relevant to the finances of a new family and preparation for buying a home to students of yeshivas (religious educational institutions for young men) who are engaged to be married. Thirty in-depth workshops on astute financial behavior were held at yeshivas across Israel in 2021; approximately 450 engaged yeshiva students participated. A range of lectures were also held on subjects relevant to astute financial behavior, attended by an additional 700 students.
- ◆ **Promoting employment and cultivating technological entrepreneurship:**
 - ◆ **Cultivating Haredi technological entrepreneurship** – To encourage ultra-orthodox people to join the high-tech industry, we support the non-profit organization Kamatech, which provides appropriate, targeted training for placement in this sector. Within this activity, we supported seven start-up companies and placement for 210 ultra-orthodox men and women in the job market
 - ◆ **Encouraging employment** – Tools and skills for ultra-orthodox men interested in placements in the high-tech industry, through support for the non-profit organization Avra-Tech JBH. The organization has two locations, in Bnei Brak and Jerusalem, offering a unique educational model consisting of half a day of religious studies and half a day of technology studies. Through this program, sixty ultra-orthodox men found placements in the high-tech industry.
- ◆ **Financial empowerment for women in the ultra-orthodox sector** – We founded the ultra-orthodox Women in high-tech Community, in collaboration with the non-profit organization Kamatech and the Alumni Forum, to offer a series of professional lectures in the areas of finance, personal growth, and career development. We also sponsored the One Plus One Conference, a national conference on employment for ultra-orthodox women dedicated to successful inclusion of ultra-orthodox women in the job market.

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

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

2021 plans - status:

2021 plans	Status
Adaptation of Financial Growth Center website content to the needs, characteristics, and sensitivities of ultra-orthodox society.	✓ Completed



The bank's Facebook page in Arabic

Bank Hapoalim is the first and only Israeli bank to introduce an Arabic-language Facebook page. The page corresponds to the page in Hebrew, with adjustments for the activities and content relevant to the Arab sector, including holidays and special occasions. Customer service on the page, which has drawn a high satisfaction rate from users, is provided by Arabic-speaking bankers.

In the photo: Ranin Mordi – Manager of the Arab sector at Bank Hapoalim



Future plans

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



Accessibility for customers with disabilities

We take action to realize the basic right of every customer with a disability to receive the full range of offered services, as independently as possible, while protecting human dignity

About one and a half million people with physical, mental, and/or cognitive disabilities live in Israel, or approximately 20% of the Israeli population¹⁶. 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. 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 providing more physically-accessible buildings as well as technologically-accessible 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.

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

Accessibility of branches and buildings

100% of the buildings of the bank are accessible to people with disabilities.

All branches of the bank have:

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

- ◆ **Accessible service stations** - for the various types of service, in each department of the branch, compliant with accessible service regulations and equipped **with the following devices:**

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

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

- ◆ Branch employees and managers perform 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 layout changes or renovation of the bank's branches or buildings, an internal and/or external accessibility official ensures that accessibility is maintained in the new planning.

As part of the process of maintaining the accessibility of the bank's premises, our employees can use an 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 vision impairments.

Display and print fonts can be enlarged, and instructions can be received by voice using headphones. These devices can also be operated using an accessible physical keyboard. Instructions are provided in four languages: Hebrew, English, Russian, and Arabic.

Accessibility of banking services through the bank's digital channels

Technological innovations, which are an integral part of the service offering for our customers, allow access to the full range of products and services, at any place and time, through telephone call centers or through a computer or smartphone, using advanced, convenient interfaces. Accessibility of these channels represents a leap forward in the 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 vision impairments who use this technology.

Benefits, services, and products available to customers with disabilities

◆ Accessibility of information to customers:

- ◆ **Reading forms aloud** – At the customer's request, a banker at a branch will read the relevant forms aloud. Audio files of long forms have also been uploaded to the bank's website.
- ◆ **Accessible mail** – Customers who find it difficult to read mail received from the bank can contact their branch, or a banker at Poalim by Telephone, and ask for the document to be read aloud to them.
- ◆ **Sign-language interpretation** – On complex financial subjects that require extensive discussion, a meeting can be held at the branch in the presence of a sign-language interpreter.
- ◆ **Accessible print** – At the customer's request, forms will be supplied in accessible print or in Braille.
- ◆ **Skipping the line** – The bank's personal service system offers a Direct Reception function for people with disabilities, who are exempt from waiting in line.
- ◆ **Exemption from scheduled appointments** – Service at the branches of the bank requires scheduling an appointment in advance. Customers with disabilities are exempted from the regulations and can visit branches freely, without advance scheduling.
- ◆ **Priority in line at the Poalim by Telephone call center** – Customers with disabilities have priority in line

at the call center. They also have the option of using a voice signature, so that they do not need to remember and enter a password.

- ◆ **Written messages to bankers on the website and application** – A new channel has been added for customers with hearing impairments to receive service in writing, simply and accessibly, through the digital channels.
- ◆ **Mail-to-fax service** – For the convenience of customers with disabilities, they can also receive service in writing by sending a fax or an email attachment.
- ◆ **Fee discounts.**
- ◆ **Card-free cash withdrawals** via text messages sent to the customer's mobile phone.

During 2021, we worked to raise awareness among customers with disabilities of the benefits to which they are entitled. We advertised the relevant benefits through various channels: the Account Management application, the bank's website, the bank's Facebook page, and screens at the branches, as well as through bankers at the branches and the Poalim by Telephone call center.

Banking products that encourage accessibility in Israel

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

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 bank employees to provide services adapted for 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, including instructional videos we produced, as well as 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.

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 fourth time in 2021; surveyors used questionnaires developed at the bank to rate the level of accessible service at the various branches and at the bank's call center. The key findings are presented to the management of the Retail Banking Division each year, and integrated into the work plans of the bank.

2021 plans – status:

2021 plans	Status
Completion of full accessibility at all premises of the bank.	✓ Completed
Improvement of service provided in writing to customers with hearing disabilities.	✓ Completed

Future Plans

- Continue to improve service for customers with hearing impairments.
- Improve service for customers with invisible disabilities.

Providing accessibility in real time

In view of the security situation during Operation Guardian of the Walls, the bank supported the social start-up Sign Now, which developed a mobile app designed to assist the deaf community in Israel during emergencies. The app allows deaf people to contact a sign-language interpreter for a video call in real time, at any time and place. Users can connect to service providers, trauma centers, emergency services, and family members. With the support of the bank, the app was offered free of charge to the entire deaf community in Israel.



~
450
women

participated in employment initiatives¹⁷ for inclusion in the job market and/or mentoring on economic growth for their businesses.

Economic empowerment for women

Bank Hapoalim is committed to personal empowerment and the promotion of economic growth for women in Israeli society, through support for non-profit organizations and initiatives dedicated to employment, financial guidance, and business entrepreneurship.

- ◆ We supported the foundation of four employment centers for women, of Group Nineteen by the entrepreneur Hana Rado, in Ofakim, Sderot, Yeruham, and Safed, focused on marketing, digital services, software, and bookkeeping. 75 women are employed at the centers.
- ◆ We provided mentoring on business growth for women owners of small businesses, in collaboration with the non-profit organizations A Business of Your Own and Jasmine.
- ◆ We supported the project From Risk to Opportunity, in collaboration with the Jaffa Institute (the Tel Aviv Jaffa Education Promotion Foundation), aimed at optimal inclusion of women from disadvantaged population segments (such as women who have been victims of violence and formerly incarcerated women) in the job market.
- ◆ We supported a range of initiatives promoting the employment of women in the ultra-orthodox sector and in the Arab sector (for details, see pages 45 - 47).

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. After a pilot project with community aid centers, the compact will be expanded to encompass women who have been victims of violence at all community centers. The compact was formulated by the Banking Supervision Department, in collaboration with the Association of Banks, in light of the awareness that women in this situation may struggle to manage their finances, and that in the absence of sound financial guidance

In the photo: Liora Goldstein - Poalim Invest, Ashdod

they may remain financially dependent on abusive partners. To implement the compact and assist these women, the bank has appointed liaison staff, led by the ombudsman, to be available to them in order to manage their accounts, with full confidentiality. The service includes ensuring that state allowances to which the women are entitled are at their disposal, and assisting them in dealing with joint accounts, obtaining reliefs on payments, spreading out payments on debts, and more.

Since the beginning of the COVID-19 crisis, the number of requests to the Ombudsman Unit has grown. The unit has received dozens of messages from women who have been victims of violence, on subjects such as opening an account (including for women without immigration status), access to information they do not possess regarding accounts in their name, means of payment to manage their finances independently, spreading debts into installments, loans, and more.

The bank also assists women who have been victims of violence by providing tools for astute financial behavior, through lectures. Two lectures were held via Zoom in 2021, attended by dozens of women. The bank provides aid to shelters for women who are victims of violence, through donations as well as through volunteering by employees of bank branches in proximity to the shelters.

In light of the rise in domestic violence cases, the bank 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.

In 2021, the **18th annual art exhibition of Bank Hapoalim** was dedicated to aiding and promoting ten organizations and non-profits working for women in various areas, including empowerment of young women leaders and assistance for women who have been victims of violence and survivors of prostitution, aimed at providing tools for growth and independence. 500 works by leading artists in Israel were displayed. Thousands of people visited the exhibition, and more than NIS 1.4 million was raised for the organizations by selling the artwork. The organizations that received the donations were Ruach Nashit (Women's Spirit), Hofchot et Hayotzrot (Turning the Tables), the Michal Sela Forum, the Association of Rape Crisis Centers in Israel, No2Violence, Ma'avarim (Passageways for the Trans Community), Women Against Violence, Bat Melech, Hope, and Shavot.



Future plans

- Miss Fix the Community - A joint venture of the Social Banking Center and Miss Fix the Universe by the Israel Women's Network, aimed at encouraging social entrepreneurship by women. Three social initiatives aimed at strengthening and empowering women will be selected for the project, with an emphasis on socially and geographically peripheral regions. Grant amounts: NIS 100,000, NIS 75,000, and NIS 50,000.
- Women Investor Community - A community dedicated to women was established with the leadership of the Advising and Research Area of Bank Hapoalim and the Financial Growth Center, offering lectures and knowledge on investments in the capital market.

Innovation in products and services

Innovative banking

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. The bank is leading an advanced, innovative user experience in the digital banking channels, and proactive 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 User Lab founded at the bank, 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 addition, 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.

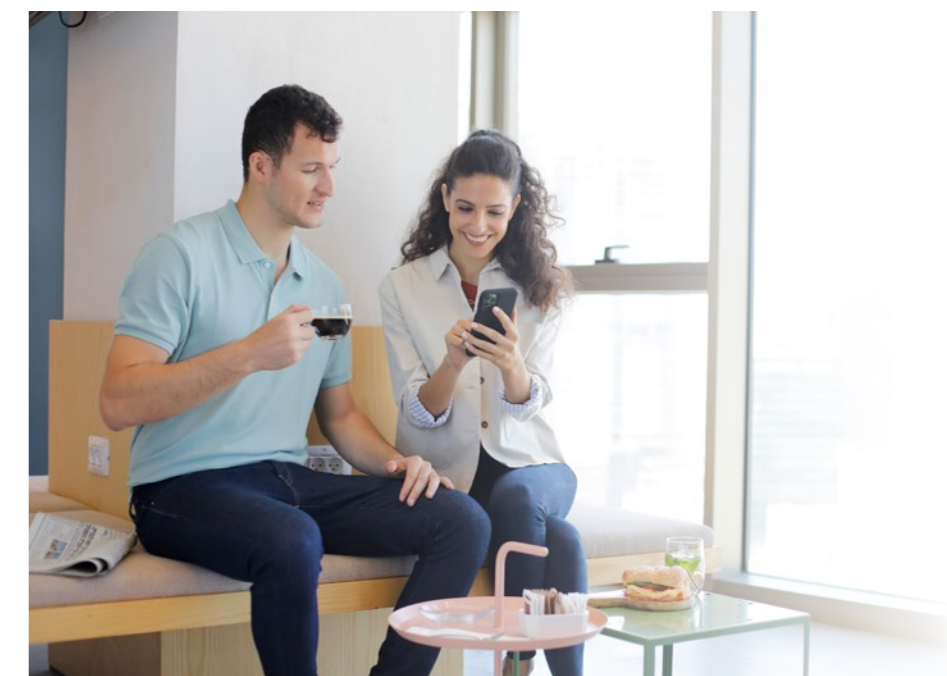
Innovation in products and services

Bit

Bit was introduced in response to the need for a secure way of making everyday payments to others through an available, quick payment experience. Today, Bit is the largest, leading, and fastest-growing payment application in Israel, with millions of active users. While the application has developed and the range of services it offers has expanded, the customer experience remains at its strategic essence: a simple and convenient platform.

2.7M active users of the Bit application, among customers of all banks (as of the end of December 2021)

Five years after its creation, Bit has solidified its standing as the most popular payment application in Israel. Bit offers quick, easy, all-in-one payments: transfers to family and friends, paying at stores, online shopping, paying bills, and donating to non-profits.



- ◆ **Payment at stores** - Bit has adapted to the evolving needs in the payment arena and added the option of paying for purchases in stores by tapping a phone to a reader (on Android devices that support this service, with approved charge cards).
- ◆ **Bitcard** - Bitcard is a non-bank club credit card for users of the Bit application, issued by Cartisei Ashrai Lelsrael (CAL). The card can be ordered directly from the application and used immediately through the application, in addition to use of the physical card. The Bitcard offers a range of benefits.

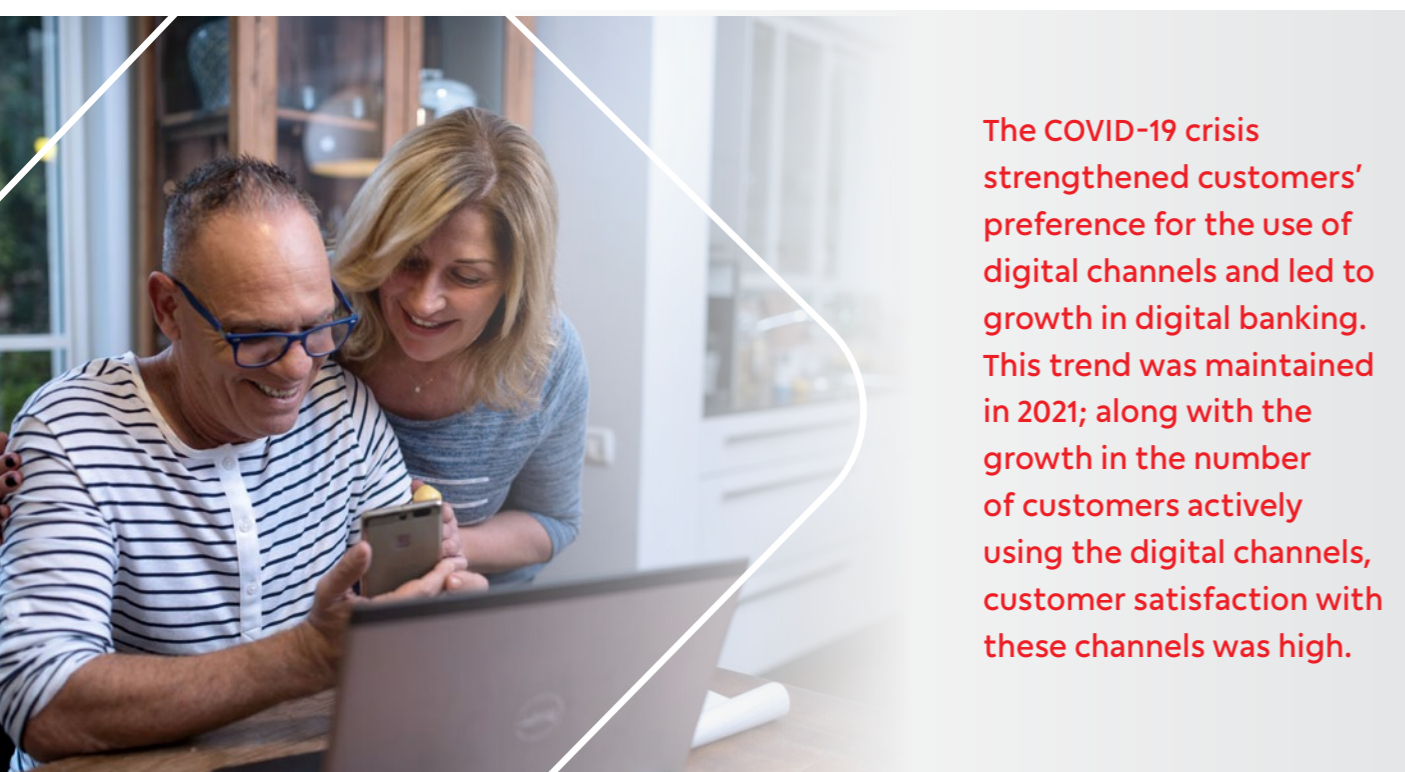
- ◆ **Bit for online shopping** - The payment revolution has also come to the field of retailers and consumer goods. Bit offers easy payment without the need to enter credit-card details on a range of websites and applications of brands and major companies in the areas of food, appliances, energy, fashion, health care, and more.
- ◆ **Bit for small businesses** - Small and self-owned businesses can accept payment via Bit without an annual ceiling, due to collaborations between Bit and various aggregators. This solution is advantageous for small and self-owned businesses, which can now accept payments remotely through various platforms, such as their business website and app, or links sent in text messages, as well as advantageous for brick-and-mortar businesses that are interested in contactless payments, without the

- need to accept cash or take credit-card information at the point of sale.
- ◆ **Bit for insurance and pensions** - Nine of ten leading insurance companies in Israel allow customers to receive payments directly via Bit. Bit has also entered the field of pensions, allowing pension-fund members to redeem monies using the application. This is the first and only collaboration in Israel allowing pension funds to transfer money to members using a payment application.
- ◆ **Bit for bill payments** - As part of its continual innovation and in line with market trends and customer needs, Bit has also led a revolution in the payment of bills. The app can be used to pay bills quickly and securely, and payment information can be viewed directly in the app for tracking and oversight.
- ◆ **Bit for the community** - Community donations are an integral part of the activity of Bit. Collaborations have been formed with a range of non-profits for use of the Bit application as a channel for customers to easily transfer donations to the organizations (for details, see the section "Community involvement" on p. 61).



Bit has gained international recognition

Placing 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. Bit was also 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.



The COVID-19 crisis strengthened customers' preference for the use of digital channels and led to growth in digital banking. This trend was maintained in 2021; along with the growth in the number of customers actively using the digital channels, customer satisfaction with these channels was high.

Innovation for private customers

The Bank Hapoalim website

The Bank Hapoalim website, launched in a new configuration on an advanced platform in 2020, presents seven key financial content areas and provides information and tools to support informed financial decision-making and astute financial behavior. Over the last two years, 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 reduces the need for customers to physically visit a branch for transactions that cannot be performed directly via website.

Banking content sites are also available, presenting information and tools adapted to the needs of retail-banking customers, business clients, and customers in the Arab sector.

In light of the increase in consumption of digital services, 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.

New features on the bank's website in 2021:

- ◆ **Chatbot** - Within our ambition to improve the services of the bank through automation of everyday banking activities by offering customers personalized service at each point of their interfaces with the bank, we introduced the Chatbot and Banker Chat services, allowing users to receive information and execute transactions without having to visit a branch. Customers who contact

the Chatbot for information or transactions are referred directly to the relevant area of the website or application, through an intuitive interface. In 2021, chat services were introduced for Poalim Pro customers, who are digitally oriented and conduct most of their banking activity through direct channels. The service will gradually expand to all customers in 2022.

- ◆ **Deposits into savings products** - An interface has been developed to allow customers to pay into savings products (deposits and savings) quickly and easily. The launch of the service led to growth in this activity.
- ◆ **Interface for transfers of accounts to Bank Hapoalim** - As part of the expansion of the digital value offer of the bank, we developed an innovative interface for the transfer of accounts administered at other banks to Bank Hapoalim, quickly and conveniently. The Banking ID has also been made accessible to all of our customers.

Mobile applications

Bank Hapoalim app

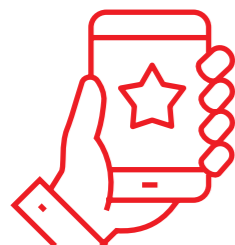
The Account Management application by Bank Hapoalim provides easy banking, integrating the most advanced technological capabilities with an individualized user experience, up-to-date appearance and language, an advanced user interface, targeted value offers, and guidance for customers in making informed financial decisions. It is our ambition for the bank's app 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 groups, aimed at listening to our customers and gaining a full understanding of their expectations for the app. The insights gained from customers helped us refresh the app and introduce the **Financial Partner** in 2021.

Financial Partner

A unique new feature of the app - a service designed to help customers manage their day-to-day finances, offer guidance through various life circumstances and financial occasions, and enhance their control over their financial status. The Financial Partner examines routine income and expense management in the account and proactively offers insights derived from analysis of account transactions and forecasts, accompanied by explanations. The service provides customers with knowledge and tools to help them understand the anticipated developments in their account ahead of time so that they can act accordingly, such as to avoid negative account balances, prepare for significant upcoming expenses, and set monthly targets, adopting habits for astute, healthy financial behavior.

Poalim Open app – opening a bank account at any place and time

The options for opening an account using digital channels, without visiting a branch, were expanded in 2021 to encompass opening of joint accounts at the bank. Joint accounts are opened using innovative facial recognition technology. After the account is opened, account owners can manage it together, receive information, execute transactions, and gain full access to all Bank Hapoalim services through the channel of their choice – the app, the website, the branches, and the call center. An option was also added to convert a minor’s account into an adult account, directly through the Open app.



Innovation for capital-market customers

The Capital Market app allows customers to remain current on market events and to search, buy, and sell securities, easily and quickly; users can observe the developments in their portfolios throughout the trading day, using a convenient advanced display. The 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. This year, we continued to improve and enhance service on the application, adding analyst recommendations of foreign securities (TipRanks), development of a new screen displaying historical performance, and the ability to view securities in the investment portfolio going back one year, to allow customers better monitoring and oversight of their investments.

Innovation for business customers

Our business clients need fast, accessible, innovative solutions that enable them to invest most of their time in managing their businesses. This need was heightened during the pandemic, as business owners had no choice but to adapt their work processes to maintain business continuity. The digital banking channels, which make it possible to maintain continuous financial activity, became exceptionally relevant to business clients. We have therefore developed advanced tools and services adapted to the needs of business clients, while introducing innovations to existing digital solutions. The digital value offer for business clients on the business website was expanded in 2021, to improve remote service and maintain business continuity, including for English-speaking customers. We also introduced ERPay, an advanced service allowing corporate clients to perform transfers directly from their organizational systems to the systems of the bank, without the need to log in to the bank’s website or app.

Innovation in guarantees

Digital guarantees
Bank Hapoalim is leading the way towards guarantees in the digital space. Guarantees are an area of traditional banking that involves complex bureaucratic procedures. To save customers, beneficiaries, and branch bankers precious time, we developed a process to generate a digital signed bank guarantee for customers of the Corporate Banking Division. 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. This feature is being rolled out in stages for relevant segments of business clients; today, Sale Law guarantees are also available in digital form. The service will also be expanded to Accountant General guarantees for government ministries.

Beneficiary network with TCS

Bank Hapoalim, with Microsoft and TCS, has launched a central 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 first stage is a network for Accountant General guarantees, providing digital guarantees used with government ministries; further improvements and upgrades are planned. The broader vision is to eventually allow all issuers of guarantees in the economy full digital communications with the beneficiaries of the guarantees, from government ministries and public institutions to companies, corporations, and small businesses, as well as private individuals. Users will be able to view and manage all guarantees issued for them in fully digital form, eliminating the need for paperwork and for interaction with bank branches. The 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, single channel for communication and requests from issuers, without the need to contact each issuer separately.

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

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

2021 plans - status:

2021 plans	Status
Expansion of digital guarantees to encompass real estate; launch of a fully digital procedure for Sale Law guarantees.	✓ Completed
Launch of new digital services to assist customers in financial decision-making.	✓ Completed
Improvement and expansion of means for communication with customers, to respond in the way most convenient for them.	✓ Completed
Development of advanced responses for the capital-market trading needs of various customers.	✓ Completed

Future Plans

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

The Bravo 2022 competition by 'Superbrands'

Reflects thousands of consumers’ selections of the most innovative products and services in their fields, based on parameters of satisfaction and recommendations for the product.

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

- ◆ Poalim Open app – in the category of account opening applications.
- ◆ Financial Partner – in the category of advanced digital financial tools.
- ◆ Bank Hapoalim app – in the category of account management applications.
- ◆ Bit – in the category of payment on commerce sites.
- ◆ Poalim Wonder – in the category of benefit clubs.

Giving is part of our DNA

Along with its business activities, Bank Hapoalim has been committed for many years to the advancement of society and the community, and has acted to reduce inequalities and create equal opportunities for every segment of Israeli society. Based on this approach, the Poalim in the Community Foundation in the Social Banking Center supports hundreds of initiatives aimed at bolstering employment, education, and financial resilience, and contributing to the reduction of inequalities among hundreds of thousands of adults, children, and adolescents in every part of Israel. This activity is conducted in partnership with non-profits, social organizations, and public and government institutions, and takes the form of community engagement, monetary donations, money-equivalent contributions, financing and running workshops by the Financial Growth Center, and extensive volunteering activities by the employees and managers of the bank. In every activity, we aim for the beneficiaries of our support to serve as power multipliers – passing the positive impact on to others by volunteering themselves. For example, students who receive scholarships from the bank are required to volunteer for social causes. Together, we multiply the impact, changing reality for wide circles of Israeli society.

Our focus areas for social action

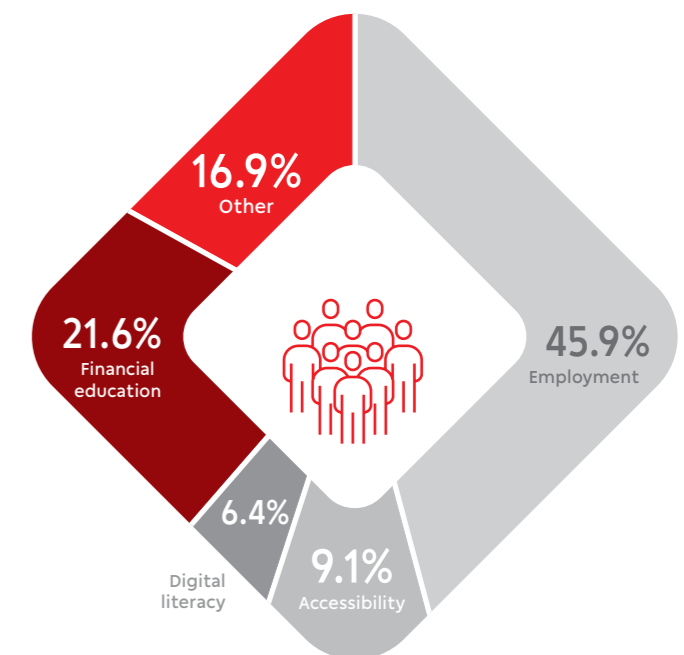
The focus areas for social action led by the bank in the last three years were selected by juxtaposing the needs of Israeli society with the Sustainable Development Goals (SDGs) of the United Nations and the core capabilities of the bank as a financial organization:

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

In addition to these focus areas, we are committed to being attentive to social needs as they emerge in real time, and stepping up to respond. Accordingly, we also allocated resources to support causes related to health care, well-being, and employment, to aid people hurt by the COVID-19 crisis, women who are victims of violence, victims of the Meron tragedy, and more. At this writing, there is war in Ukraine. In this difficult time, we resolved to assist thousands of refugees through monetary donations to aid missions working in Ukraine on behalf of the Jewish Agency for Israel and the Maccabi World Union. We also initiated a fundraising campaign through the Bit application, in collaboration with the non-profit organization Spirit of Israel, to purchase necessary supplies for refugees.

35.9
million NIS
social investments of
Bank Hapoalim in 2021¹⁸

Distribution of community investments in 2021



Bank Hapoalim was voted the leading organization in social action and contribution to the community again this year, of all business organizations in Israel, in a survey conducted by CI in January 2022.*

* The survey included 1,012 participants.

◆ Responsible action to benefit society and community

18. Including the Financial Growth Center, the Shared Value Fund, and subsidiaries overseas.

Principal social investments in 2021

Employment and social mobility

The COVID-19 pandemic caused upheaval in the employment market, with many people, including business owners, finding themselves out of work. The crisis primarily affected young people in the early stages of their careers and adults aged 45 or older, as well as population segments already underrepresented in the job market in ordinary times; accordingly, we continued to support initiatives in the area of employment in 2021. Our goal was to promote high-quality training and placement for people from socially and geographically peripheral regions, by providing tools and guidance; supporting entrepreneurship, small businesses, and high tech; and encouraging higher education and empowering the generation of the future. The key social impact of the promotion of quality employment is increased income from work, which reduces the effects of demographic variables and socioeconomic background and heightens social mobility, independence, sense of competence, and individual well-being.

The impacts of our activity

In 2021, we sponsored and supported **27 employment** initiatives in which **13,114 people** received tools and individual guidance in the area of employment, of whom **1,709** have already found work. According to an impact study we conducted with Deloitte, the scope of the annual economic effect of the social investment in these employment initiatives is **NIS 246** million, of which **NIS 73.8** million in direct economic impact arising from the social investment of the bank¹⁹.

Selected activities:

- ◆ We supported the establishment of two contact centers that provided assistance and occupational guidance to approximately 10,000 people:
 - ◆ 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 support for personal motivation. Over the last year, 8,500 people received tools and individual guidance on finding work through this program, free of charge.
 - ◆ Employment coaching with the non-profit organization Chasdei Lev – Providing knowledge, tools, and individual guidance for joining the job market. Approximately 1,500 people contacted the center, which is staffed by occupational mentors who provided career development advice free of charge.
- ◆ 75 women from peripheral regions joined the job market as a result of our support for the foundation of four employment initiatives, in Ofakim, Sderot, Yeruham, and Safed, in partnership with Group Nineteen, led by the social entrepreneur Hana Rado.

These programs are aimed at promoting direct employment for people living in peripheral regions in the areas of software, digital services, and bookkeeping.

- ◆ 119 at-risk adolescents joined the job market within a collaboration with the non-profit organization Dualis.
- ◆ 380 university graduates from the Arab community received job placement assistance through programs by the non-profit organizations Kav Mashve, Co-Impact, and Citizens Build a Community, which work with academic institutions and major employers.
- ◆ 950 men and women from the Arab community received guidance on joining the job market at a job fair held in collaboration with the non-profit organization ItWorks, of which 160 people also participated in courses and occupational training.
- ◆ Approximately 400 men and women from the Arab, ultra-orthodox, and Ethiopian-origin sectors found work at high-tech companies through our support for non-profit organizations specializing in this area, including Kamatech, Portland, and Tech Career.
- ◆ 250 men and women received occupational training at four employment centers of the non-profit organization Mona, operating in Kafr Qasim, Beit Hakerem, Idan Hanegvev, and the Eastern Negev. The centers apply a unique model linking the local government with regional industries. Training is provided in an environment that simulates a factory; the program has a high placement rate of 80%.
- ◆ Over 500 people in Migdal Ha'emek received support to promote employment in a project in collaboration with the non-profit organization Lehetiv, of which 50 participants received job placements.

- ◆ 150 people were employed at sales fairs by the non-profit organization Shekulo Tov, sponsored by the bank across Israel.
- ◆ 120 newly discharged IDF soldiers from the ultra-orthodox community received support and assistance in finding work through the non-profit organization Atid Israel, with sponsorship from the bank.
- ◆ 70 people with combat-related post-traumatic stress disorder received mentoring and occupational retraining for selected professions through the non-profit organization Restart and volunteers, including volunteers from the bank. This program helped 35% of participants join the job market.

Supporting entrepreneurship, small businesses, and high-tech

Small businesses are a key pillar of the Israeli economy and an important growth driver. These businesses create jobs, cultivate entrepreneurship and innovation, and provide employment opportunities for many diverse segments of Israeli society. The bank has therefore undertaken the goal of supporting small businesses and entrepreneurship, in collaboration with relevant organizations.

Examples of selected activities supported by the bank in 2021:

- ◆ We supported the establishment of an innovation and entrepreneurship center for small businesses and start-ups in the Galilee region, in collaboration with the non-profit organization Initiative to Encourage Economic Renewal. The center is a platform for development and growth of small businesses and start-ups in the food-tech industry, through various programs. The investment resulted in support for 58 start-ups, over 245 entrepreneurs, and 320 small businesses.
- ◆ 1,757 small businesses received a support package from the non-profit organization Keren-Shemesh, sponsored by the bank.
- ◆ 100 men and women who lost income due to the COVID-19 crisis participated in the program From Employee to Self-Employed, in collaboration with the non-profit organization Future Enterprises, which provided knowledge, tools, and mentoring, free of charge, for setting up a new business as a new source of income.
- ◆ 70 small businesses owned by women received guidance, tools, and knowledge on economic growth, in collaboration with the non-profit organizations Jasmine and A Business of Your Own.

2,797
small
businesses
received knowledge,
tools, and guidance
for economic growth,
sponsored by the bank.



Bit revolutionizes donation fundraising in Israel

In 2021, the bank took part in ten nationwide fundraising campaigns, in which the Bit app served as a key channel for donations. During the year, approximately NIS 14 million was raised through the app for children and adults with disabilities, wounded IDF veterans, and holiday meals for people in need.

19. Based on average wages per employee position in 2022, which stood at approximately NIS 144,000 for workers in Israel.

Encouraging higher education and empowering the generation of the future

Education and learning are key components contributing to the reduction of social inequalities, through stronger academic capabilities of young adults and adolescents and qualifications for twenty-first century professions. Investment in education also contributes to the cultivation of young leadership, excellence, and a sense of competence. Accordingly, we decided to establish two scholarship funds: Poalim Success and Growing With You, which is targeted to the Arab community. We also support additional scholarship funds and educational initiatives.

Encouraging higher education

300 students, most from peripheral regions, 180 of which are from the Arab sector, received scholarships in a total amount of approximately NIS 2 million. As part of our social strategy in which beneficiaries become power multipliers, our scholarship recipients volunteered to instruct approximately 3,000 people on financial education and digital literacy; each student volunteered for an average of 100 hours.

The impacts of our activity

At the end of the year, we examined the social impact of the program in which beneficiaries received instruction from scholarship recipients, and found the following outcomes:

- ◆ **62% of participants** said they knew how to prepare for expected expenses, compared with 20% before the program.
- ◆ **66% of participants** said they tracked family income and expenses in an orderly way, compared with 24% before the program.
- ◆ **48% of participants** said they paid into a savings account, compared with 17% before the program.

The economic impact of the scholarships granted by the bank: obtaining higher education and an increase in income for the students who completed their degrees. An impact study performed by the bank with Deloitte indicates that the scholarship raised the graduates' earning power by an average of 0.44 income deciles.

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

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

5,335
adolescents
received guidance and
instruction on personal
development, development of
entrepreneurship, and future
participation in the job market.

Selected activities supported by the bank in 2021:

- ◆ 2,000 adolescents from peripheral communities participated in entrepreneurial programs by the non-profit organization Unistream, which offered them the opportunity to experience founding a start-up company, from the idea phase to business development. 95% of the graduates of this program over the years earned full high-school matriculation certificates, and 61% continued to higher education.
- ◆ 160 at-risk adolescents and young adults participated in financial education workshops providing tools for entering the job market, in a long-standing collaboration with the non-profit organization Elem. 200 adolescents also received occupational direction and guidance.
- ◆ 700 adolescents from the youth villages Carmiel and Kedma took jobs at social cafes operated at the villages with the support of the bank, and received tools for participation in society and in the job market.
- ◆ 1,000 adolescents participated in English enrichment studies, in a joint project with the non-profit organization Abraham Initiatives, which is dedicated to Arab-Jewish coexistence.
- ◆ 250 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.
- ◆ 120 adolescents participated in an entrepreneurship and leadership development program by the non-profit organization Lead.
- ◆ 260 adolescents about to begin military service from Kiryat Malachi participated in a project by the Maglan Friends Association, with the support of the bank, providing financial knowledge and skills such as preparation for interviews in the IDF and in the job market.

- ◆ 370 adolescents participated in a program by the non-profit organization Initiative to Encourage Economic Renewal, which encourages student entrepreneurship.

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 20% of the population²⁰. Bank Hapoalim considers accessibility for people with disabilities a significant social value and an integral part of its service concept and social responsibility, rooted in the belief that the Israeli economy and society as a whole benefit from maximization of the individual potential of every person with a disability. The bank therefore works to improve quality of life for people with disabilities and the way they are treated in society. In 2021, we continued efforts to empower hundreds of thousands of children and adults with disabilities through a range of projects in collaboration with selected non-profits and organizations in this field, including Variety, Adi Negev, Ma'agalei Shema, the Jordan River Village, Krembo Wings, House of Wheels, AlManarah, and more. These organizations and non-profits work to support people with disabilities in all areas of life and help them maximize their individual potential and achieve optimal inclusion in society.

In 2021, we focused our activities dedicated to people with disabilities in two main areas:

1. Promoting employment of people with disabilities

The employment rate among people with disabilities of working age is

The impacts of our activity:

- ◆ **63,000 people** with disabilities gained the use of assistive devices thanks to donations of the bank (including wheelchairs and hearing aids).
- ◆ **700 children** and adolescents with disabilities were able to participate in experiences such as summer camps and family vacations.
- ◆ **57,000 hours** of therapy were provided for children and adolescents with disabilities.
- ◆ **980 people** with disabilities received support for employment (training and placement, in collaboration with major organizations).
- ◆ **7 start-ups** developing assistive technologies received assistance from the bank.

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. As part of our activity in this area, we led the issue of employment of people with disabilities at the Israel Economic and Social Forum, studying needs of major employers. We also supported projects promoting employment for people with disabilities through various non-profit organizations, such as the foundation of a department at the Shalva Center dedicated to training and employment for people with disabilities, which helps produce Shalva events and conferences. In another employment project, in collaboration with the Access Israel Foundation, hundreds of job seekers received training and tools for preparation for the world of work, as well as connections to employers, who offered a range of relevant positions.

Selected activities in 2021:

- ◆ **Social tech** - Within the ambition of the bank to spur innovation and entrepreneurship dedicated to social objectives, we founded the

Accessibility Section at the 8200 Impact Social Accelerator in 2019. The third session of this program was held in 2021, providing guidance to start-ups developing initiatives, services, and solutions for people with disabilities (for further details, see the section "Supporting the growth of high-tech companies" on p. 28).

- ◆ **Support for ALYNnovation, the innovation center of ALYN Hospital** - The center operates a unique model for collaboration with start-ups, aimed at empowerment and improved functioning for children and adolescents with disabilities in Israel and worldwide through the development of technologies to assist rehabilitation and everyday life, together with local and international organizations and companies.

- ◆ **HackAutism** - A social and technological venture promoting innovative solutions to challenges faced by people on the autism spectrum. In 2021, we hosted the opening conference of the Autism Friendly initiative, which provides employers with tools to perform the necessary adaptations for the employment of workers on the autism spectrum.

20. According to data of the Equal Rights for Persons with Disabilities Commission, Ministry of Justice, 2020.

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

- ◆ We sponsored major fundraising broadcasts for the non-profit organizations Variety, Shalva, Special in Uniform, NATAL, Krembo Wings, and Friends of IDF Wounded Veterans, which are dedicated to 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 campaigns.
- ◆ Within the ambition to empower people with disabilities and foster their inclusion in all areas of life, the bank includes people with disabilities in its advertising campaigns, which reflect the diversity of Israeli society.

In 2021, the bank won the Diversity in Advertising award for its work in inclusion of diverse populations in its marketing campaigns, within a competition held by the Israel Marketing Association and the Residence of the President.

Digital literacy for senior citizens

Bank Hapoalim has resolved to assist senior citizens in enhancing their digital independence in all areas, thereby contributing to improvement of 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 (for further information regarding the activities of the bank in this area, see the section "Supporting senior citizens" on p. 42).

Over **61,770** senior citizens received knowledge and tools for the development of digital skills in 2019-2021.

Financial education

Financial education is an important element of the bank's investment in social causes, as part of its commitment to the promotion of astute financial behavior for the general public in Israel, rooted in the belief that action in this area will lead to economic growth and a thriving future society. The Financial Growth Center was established in 2018, as a hub for learning and acquiring knowledge and tools supporting astute financial behavior; its services are offered to the general public nationwide free of charge. The learning materials at the center concern economic topics, matched to important financial crossroads such as the growth of a family, taking a mortgage, digital marketing for a business, career change, pension planning, and more (for further details, see the section "Financial Growth Center" on p. 39).

Projects that have become a 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 seventeen years. During Passover in 2022, visitors to the sites could enjoy guided tours (given by tour guides, whose livelihood suffered during the coronavirus crisis), as well as various workshops and tours in collaboration with small businesses in Southern Israel.
- ◆ **Art exhibition** – In 2021, the annual art exhibition of Bank Hapoalim, which has been held for eighteen years, was dedicated to aiding and promoting ten organizations and non-profits working for women in various areas, including empowerment of young women leaders and assistance for women who have been victims of violence

over **200k** people visited dozens of museums and heritage sites opened to the public free of charge, at the initiative of the bank and with its full sponsorship

and survivors of prostitution, aimed at providing tools for personal and financial growth and independence. The exhibition helped raise awareness of warning signs of violence among tens of thousands of women from every part of Israeli society; resources in the amount of approximately NIS 1.4 million were raised for the ten selected organizations (for further details, see the section "Economic empowerment for women" on p. 52).



Our country may be tiny but there is so much in it!
This year too, Bank Hapoalim invites you to travel in our tiny country to dozens of sites that are open free of charge to everyone

◆ bank hapoalim

- ◆ **The Erech Laderech initiative for training of non-profits** – An initiative for empowerment of the third sector, in collaboration with the non-profit organization Alumot, in which non-profit groups and organizations are provided with business and management tools to promote long-term robustness, based on the ability to raise resources from a variety of sources. In 2021, we opened a session of this program targeted to managers at municipalities across Israel, attended by more than 120 managers from 76 towns.

1,100 non-profit organizations have received guidance and training through the Erech Laderech Initiative since it began in 2017. Participating organizations reported²¹ resources raised in a cumulative amount of NIS 40 million.

- ◆ **Support for Olympic and Paralympic sports** – Bank Hapoalim is the official sponsor of the Olympic Committee in Israel and of the Paralympics delegation of Israel in the last three years. The Israeli athletes personify the values the bank seeks to promote, including competition, perseverance, and striving

for excellence. The bank's financial support for Israel's elite athletes is aimed at enabling them to focus on training and sports, so that they can aspire to live their dream of representing Israel at the greatest sports event in the world, the Olympics. In advance of the Tokyo Olympics, the bank provided two sponsorships: a general sponsorship for the Olympic Committee in Israel, and personal sponsorships in the form of individual monthly stipends for ten Olympic and Paralympic athletes. Following the impressive successes of Linoy Ashram, Artem Dolgopyat, and Paralympic swimmer Mark Malyar, who won gold medals at the 2020 Tokyo Olympics, the bank granted each of them an additional personal award of NIS 180,000. Their coaches, Sergei Vaisburg, Ayelet Zussman, and Yaakov Binenson, also received a grant of NIS 90,000 each.

In honor of the centennial of the bank, we introduced an initiative in which employees were invited to propose ventures with an impact on causes close to their heart, with the option to harness the resources of the organization to realize the ideas. Employees submitted proposals through a dedicated platform on the intra-organizational portal, and selected other employees to partner with in the development and promotion of the ventures. The ventures created received support and guidance from the Social Banking Center. **1,600 employees participated in this process, and a range of meaningful social initiatives were put into practice.**

21. Data received from the project administration for 2017-2021.

Our wholehearted volunteers

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

Approximately 4,300 bank employees volunteer; 380 Volunteer Leaders across all units of the bank serve as liaisons between the Poalim Volunteers unit and the volunteers at bank units and branches. The Volunteer Leaders encourage, initiate, and share ideas for community activities, support and help each other in their 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 for people in need; assistance for people with disabilities; and lectures on astute financial behavior, offered nationwide.

Impact strategy

The Poalim Volunteers unit pursues activities in five 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 continually attentive to hardships of local communities; in events of extensive harm, we create immediate solutions, if necessary. For example, during Operation Guardian of the Walls, branch employees and employee volunteers from southern Israel distributed food packages to members of the security forces.
- 4. A series of nationwide volunteering events** – Good Deeds Day, when over 2,100 employees participated in volunteer activities at 140 venues in a wide range of areas across Israel; nationwide distribution of gift packages for holidays of the three religions in Israel (Purim, Eid al-Adha, and Christmas); nationwide food distribution to elderly Holocaust survivors and families in distress before Passover, the Tishrei holidays, and Hannukah; and more.

Over
4,300
volunteers
participated in
community activities
during 2021

~
495,000
volunteering hours²²

were invested in Poalim
Volunteers activities



Bank
Hapoalim
volunteers

22. Of which approximately 220,000 hours of activity through the Summer Youth community program for employees' children.



In the photo: Bank volunteers packaging food packets for Passover, sent to families in need.

A volunteering tradition – the Summer Youth Community program

This was the ninth year of the Summer Youth Community program, in which children of employees aged 15-18 participate in activities for the community at various institutions during summer vacation. This year, over 1,000 adolescents participated, at 270 sites: summer camps, day programs for at-risk youth, elderly care facilities, organizations for children and adults with special needs, and more. The involvement of employees' children in community activities, and the experiences they share with their families, contribute to a sense of meaning and to the development of social, values-driven leadership beginning in the teen years, as they gain familiarity with the needs of Israeli society. Our survey of the participating adolescents and the non-profits where they volunteered indicated that the Summer Youth Community program was beneficial and valuable for the non-profits, and gave the adolescents a sense of pride and meaning.

Volunteering platforms

Retiree volunteering:

Volunteering that requires activity during work hours is referred to retirees of the bank, through a dedicated portal. In 2021, dozens of bank retirees volunteered to support hospital wards, in response to the increased need for volunteers at medical institutions. The Employee Volunteering unit supports the activity of the retirees by sending materials such as games, craft supplies, books, etc. to the places where they volunteer, at their request.

Adopting units:

Branches and head-office units of the bank have adopted more than 500 social organizations working across Israel to benefit disadvantaged population groups, and participate in a wide range of activities dedicated to them. The bank encourages its branches and units to adopt non-profits and social organizations, and to conduct ongoing guidance and mentoring activities

with them, in which bank employees can share their professional knowledge. For example, the High-Tech Branch units adopted an activity of the non-profit organization Unistream by mentoring teen groups in start-up development processes; corporate headquarters employees adopted two schools, as part of the A Different Lesson program, to teach financial education for children; volunteers from the technology units, in collaboration with the non-profit organization Restart, worked with a severely disabled wounded IDF veteran to find a technological solution to assist with his disability; and more.

Family volunteering in the Family Mentors program:

The bank enables employees to volunteer with their families. In 2021, families of bank employees hosted at-risk children and adolescents for holidays and vacations, celebrated birthdays with them, and regularly kept in touch and stayed involved with them.

Matan - Investing in the Community

The bank has collaborated with the Matan Foundation to benefit the community since 1999. In the Matan Campaign, employees at the bank are given the opportunity to strengthen disadvantaged population groups and help promote a wide range of social causes. In 2021, employees of the bank donated a total of NIS 615,000, 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 total of approximately NIS 19 million has been donated to Matan in this way.

Measurement and evaluation

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

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

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

Appreciation for excellence

To reflect the importance we accord to commending and appreciating our volunteers, fifty outstanding volunteers are selected annually, of hundreds of employees recommended by their colleagues and managers. The outstanding employees are given the opportunity to present their contribution to the community, and they receive recognition and appreciation for their volunteer work, expressed in a certificate of excellence and a modest monetary gift. In addition, a Volunteer of the Month (an individual or a group of volunteers) is selected each month, and their activity is shared with all employees through the banking portal.

over

500 social organizations

and educational institutions have been adopted by units of the bank

~

120 Holocaust survivors

received weekly calls from a regular bank employee volunteer, to dispel loneliness and form friendly relationships, in collaboration with the non-profit organization Zikaron BaSalon

~

800 children from families in need

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

3,500 food packets

were packaged and distributed before the holidays of Rosh Hashanah, Passover, and Hannukah to families in financial distress, elderly people, and Holocaust survivors

over

20,000 gift baskets were distributed

to children and adolescents in residential and day care facilities and in shelters for survivors of abuse

~

1,100 books

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

over

100,000 beneficiaries

received assistance and support through various volunteer activities



Enhancing employees' capabilities and well-being

A responsible work culture

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

The bank promotes an appropriate and responsible employment environment, and ensures compliance with the provisions of the law with regard to the terms of employment of its employees and of all workers employed on its premises. The bank also adheres to universal principles and norms that protect human rights in employment, as specified in the UN treaties²³ and in the declarations of the International Labor Organization (ILO), on issues including the freedom of association, the right to conduct collective negotiations, and the prevention of discrimination and inequality.

Characteristics of the work environment at the bank:

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

Over the last year, we instilled the organizational values through means including the relaunch of the Code of Values and Ethics (for details, see the section "Embedding the Code of Values and Ethics") and a new measurement of the Organizational Cultural Change Index. The results of the measurement indicate significant improvements, in comparison to the baseline, of 17% in the connectedness index and 12% in putting values into practice – evidence of the positive trend in the development of the bank's organizational culture.

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

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

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

The five organizational values were translated into seventeen desirable behaviors, reflecting the ways in which each focus area 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.

²³ UN Global Compact; UN International Bill of Human Rights; UN international Convention on Economic, Social and Cultural Rights; and UN Guiding Principles on Business and Human rights.

Our employees²⁴

7,788²⁵

total employees of the bank in 2021

45.1 years

average age of Bank Hapoalim employees

17.6 years

average tenure

98%

of the employees of the bank

are employed full time

824

new employees

were hired at the bank in 2021

90%

of employee positions are of internal employees

compared with 88% in 2020, while 10% are positions staffed by external agencies²⁶ (compared with 12% in 2020)



In the photo: Shoshi Afriat - Poalim Invest Beer-Sheva, Doron Wynne - Poalim invest Petach-Tikva

85.8%
under collective agreements

85.8% 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

753 employees

left the bank, of which 190 retired

304
employees took parental leave²⁷

302 women and two men took parental leave in 2021. 145 women and one man returned to work after parental leave during the year. Most employees returning from parental leave resume their previous positions, or begin a new position at their request

71%
of employees hold academic degrees

In 2021, 311 employees received financing for tuition in undergraduate and graduate degree programs, and 23 employees received financing for language and bookkeeping courses

Education level of employees of the bank

Age	Education level	Bachelor's degree	Master's degree	Doctoral degree	No academic degree	Total	Percentage of degree holders in each age group
18-21					88	88	0%
22-30		262	50		472	784	40%
31-40		920	536		298	1,754	83%
41-50		1,138	1,026	5	487	2,656	82%
51-60		706	656	7	638	2,007	68%
61+		141	86		272	499	45%
Total		3,167	2,354	12	2,255	7,788	71%
Percentage		40.7%	30.3%	0.2%	29.0%		100%

Segmentation of employees by age and gender

Age	Women	Men	Total	שיעור
Up to 30	673	199	872	11%
31-50	2,882	1,528	4,410	57%
Over 51	1,527	979	2,506	32%
Total	5,082	2,706	7,788	100%

New employees hired, by age and gender

Year	2019				2020				2021			
	Women	Men	Total	%	Women	Men	Total	%	Women	Men	Total	%
Up to 30	216	78	294	62%	263	84	347	73.2%	383	141	524	64%
31-50	95	81	176	37%	67	57	124	26.2%	130	155	285	35%
Over 51	2	5	7	1%	2	1	3	0.6%	4	11	15	2%
Total	313	164	477	100%	332	142	474	100%	517	307	824	100%

Departure of employees, by age and gender

Year	2019				2020				2021			
	Women	Men	Total	%	Women	Men	Total	%	Women	Men	Total	%
Up to 30	213	63	276	42%	163	38	201	22%	248	91	339	45%
31-50	89	68	157	24%	91	51	142	16%	114	95	209	28%
Over 51	130	89	219	34%	385	183	568	62%	122	83	205	27%
Total	432	220	652	100%	639	272	911	100%	484	269	753	100%

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

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

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

27. Women returning from parental leave are entitled to an hour-long absence (parenting time). A dedicated lactation room is also available at the bank headquarters.

Employee absences

Sick days*	Vacations ²⁸	Reserve military duty	Total
112,753	173,294	1,657	287,704

* Including reported illness and illness of a family member.

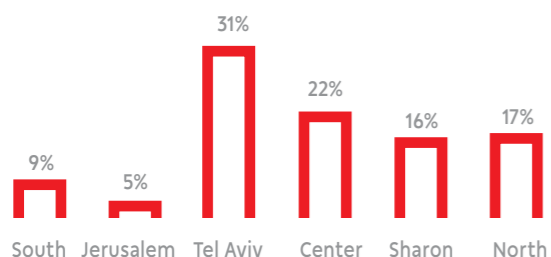
Employee absences by gender

Sick days		Vacation		Reserve military duty		Total	
Women	Men	Women	Men	Women	Men	Women	Men
83,581	29,172	113,829	59,465	44	1,613	197,454	90,250

Distribution of employees by type of employment agreement

	Permanent employees	Temporary employees	Senior employees	Total
Collective contract	71.6%	14.2%		85.8%
Personal contract	0.2%	12.7%	1.3%	14.2%

Distribution of areas of residence of employees of the bank



People Analytics

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

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 – to update and develop a leadership model suitable for the present time, as a key to growth and change.

In 2021, a participatory process was carried out at the bank, calling on all employees to help shape our new leadership model. 253 employees and managers from all parts

of the organization took part. A similar process was conducted with Forum 100, the senior executive forum at the bank. Insights derived from these processes were formulated to create the new leadership model: Growth-Generating Leadership. **The five components of the leadership model are:**

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

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

In addition to embedding the leadership model, we are designing development programs for all managers within the organization, encompassing the following elements:

1. Leader-Ship

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

- A series of meetings for executives held every two months, covering highly advanced leadership and management content.
- We Meet – A WeWork-style team development center.
- Mentoring for managers embarking on their first management role.

2. Guidance for managers during change processes

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

3. Field meetings

The Leadership and Organizational Development Center team holds meetings with managers and employees of the various units to provide assistance and impart knowledge and tools they need to cope successfully with the challenges of leading organizational change.

4. Development of implementation tools

Development of kits and supporting materials to help managers promote employee connectedness, manage remotely, and instill the chosen cultural focus areas. 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.

3,078 managers at all levels participated in management and leadership development programs in 2021



28. Excluding employees on unpaid and paternal 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.

97%
of employees and managers

took part in performance evaluation and feedback session

In the photo: Tali Levi – Poalim Invest, Jerusalem



Organizational portal:

- ◆ Our organizational portal serves as a key arena for knowledge management, intra-organizational communication, and conveying messages within the bank. The portal offers:
 - ◆ Management of and access to organizational knowledge (work processes, rights and obligations, etc.).
 - ◆ Management of and access to professional knowledge (processes, data, and supporting information).
 - ◆ A professional desktop with access to systems and applications within the organization.
 - ◆ Latest news from the organization and various divisions.
 - ◆ A platform for sharing exceptional personal and team achievements, and for getting to know employees and professional units.
 - ◆ The comment feature for items posted on the portal encourages open conversation within the organization.

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.

- ◆ **Portal to Go app** – The mobile application provides an accessible platform for intra-organizational communication and dialogue through cellphones, at any place and time, and serves as another tool to enhance employee connectedness. The app 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.

26.4
million views

of content were recorded on the organizational portal and the Portal to Go app in 2021

- ◆ **Open communication with bank management** – We accord high importance to direct dialogue with employees, as an opportunity to listen to authentic voices. Insights and issues arising from the field are passed on to be addressed by the relevant professional functions. Channels for dialogue in 2021:
 - ◆ Poalim Live – A quarterly meeting, broadcasted live on Zoom, of the CEO and members of management with all employees of the bank. At the meeting, the strategic plan and annual financial statements are presented and employees' questions are answered.

- ◆ Regular visits to bank branches by the CEO, board chairman, and members of management throughout the year.
- ◆ Centennial Picnic – Roundtable meetings, held in honor of the bank's hundredth year, of members of management with employees who signed up in advance. The picnics are informal meetings, held in open-air natural surroundings or special locations, allowing participants to get to know each other and converse freely.
- ◆ **Communication supporting employee connectedness** – In a time when social distancing and remote work became integral parts of our routine, we saw it as exceptionally important to enhance employees' connectedness to each other. We introduced a series of activities designed to give expression to employees' individuality and provide an opportunity to get to know each other better. These included videos produced for the portal in which employees shared their hobbies. We also started the Picture of the Week project, in which employees took photos of a special moment during the week and shared their personal experience with it.

This year, we celebrated the centennial of the bank. In honor of the occasion, we created a magazine issue, titled Poalim – Banking with You for 100 Years, compiling personal stories shared by bank managers and employees, historical photos of the bank, and the results of the Great Employee Survey. The magazine was distributed to all employees in digital form. During the year, additional activities were held to celebrate the centennial, led by many units of the bank, including artist workshops and a poster competition for employees in honor of the 100th year, internal campaigns, and events to benefit society and the community. We are preparing a major event for employees, subject to constraints depending on developments related to COVID-19.

- ◆ **Performance evaluation and feedback process for employees and managers** – In 2020, a new process was implemented at the bank for performance evaluation and feedback, developed in alignment with the new organizational culture. Within the process, the evaluation form has been simplified to reflect the new values of the bank. The evaluation procedure was developed based on a collaborative process encompassing thought sessions and interviews with hundreds of employees and managers, relayed into significant insights which we implemented. The new performance evaluation and feedback process is based on an employee-centric, customer-centric approach and 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.* In 2021, we integrated the new leadership model into managers' performance evaluation forms, so that it would become part of the measurement scale in the following year.

* In 2021, 5,685 Feedbacks were received for 957 employees.

Working from home

At the outbreak of the coronavirus crisis, the need arose to maintain social distancing. To preserve business continuity under these circumstances, in early 2020 we quickly prepared the technological infrastructure and the process 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.



5,500 employees have the infrastructure to work remotely, and can choose to do so up to two days a week

The Agile approach

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 focus areas. The Agile approach is reflected in adoption of the mindset composed of the Agile values and principles, realized through work processes and supporting organizational structures. The Agile journey at the bank began several years ago, with the formation of multidisciplinary software development

teams in the Technology Division containing all necessary personnel: developers, designers, testers, and more. The next stage was to experience an integrative business and technological organizational structure responsible for end-to-end development of a product. The Retail Credit Tribe, created in 2019, is a unit consisting of several multidisciplinary teams charged with developing and managing credit products for the retail customers of the bank. The newly organized "tribe" format allowed improved productivity and better response times for our customers, and reinforced connectedness and employee satisfaction.



The bank now has seven tribes composed of about a thousand employees, run based on the Agile approach and guided by Agile coaches

Future plans

- Create new tribes.
- Add implementation of Agile tools and practices in non-technological business fields to improve productivity and response time for our customers.

Promoting equal opportunities

Non-discrimination

Bank Hapoalim employs, promotes, and makes decisions regarding employees based on pertinent considerations, such as qualifications and performance, without discrimination due to religion, race, sex, political views, sexual orientation, disabilities, medical conditions, socioeconomic status, or marital status.

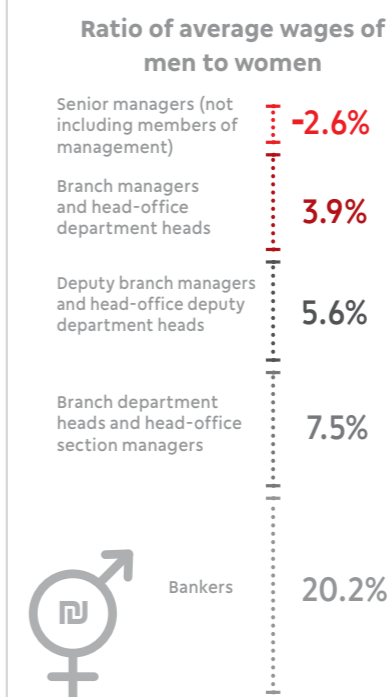
No justified complaints of discrimination were filed at the bank in 2021.

Equality in wages and terms

Bank Hapoalim is fair and transparent with regard to the terms of employment of its employees. In general, terms for bank employees under collective contracts are determined according to a role book, which is available on the organizational portal and contains information regarding the terms of employment and benefits granted to employees at each rank and position. The publication of the role book contributes to transparency and allows oversight over the terms of salaries.

Basic wages and the associated 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. Pursuant to Amendment 6 of the Equal Wages Law, as of June 1, 2022, employers are required to issue a public report presenting data in percentages on average monthly wage gaps between their men and women employees.

Employers are also required to provide every employee with information regarding the category to which they belong, including information about wage gap percentages in that category. We are preparing to meet the requirements of the law and issue the report accordingly. The reporting will be conducted in accordance with the 1996 Equal Pay for Men and Women Workers Law, and will present the wage gaps according to the requirements of the law, using segmentations that differ from those presented in this report.

Preventing sexual harassment

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

the Supervisor of the Prevention of Sexual Harassment at the bank or to one of the regional operations officers appointed as sexual harassment prevention trustees." The bank has appointed a senior executive to oversee the prevention of sexual harassment. Operations managers at the branches have also been named sexual harassment prevention trustees, charged with identifying incidents and relaying them to the officer responsible for the

prevention of sexual harassment at the bank. Complaints are investigated by the Supervisor of the Prevention of Sexual Harassment in absolute confidentiality. Within its commitment to the prevention of sexual harassment, in 2018 the bank adopted a voluntary code for the prevention of sexual harassment and received certification in this area from the Israel Standards Institute.

The bank established and published a procedure and regulations in the area of the prevention of sexual harassment, which are posted on the organizational portal, in the procedures system, in public spaces at the bank, on its website, and at its branches. The page dedicated to the prevention of sexual harassment on the organizational portal contains all relevant information, including the bank's procedures and rules, videos on simulations of scenarios, an instructional video on the Law for the Prevention of Sexual Harassment, examples of incidents that have been addressed, and an instructional presentation for Learning Hours.

The bank also holds training sessions for employees and managers throughout the year. All employees are required to complete a tutorial on this subject at least once annually; managers of the first rank or higher participate in additional training, in person or via Zoom.

The board of directors and board of management of the bank receive an annual report on the number of complaints and the way they have been addressed.

Activities to raise awareness in 2021:

- ◆ 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.
 - ◆ A conversation for learning and feedback was held at a retirement conference.

2021 plans - status:

2021 plans	Status
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.	✓ Completed
Production of postcards with messages regarding the prevention of sexual harassment.	Did not occur due to reprioritization

Future plans

- Training sessions at manager conferences.
- Surveys to examine the absorption of this issue among employees of the bank.
- Training for all employees through the video on the Law for 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 underrepresented in the job market²⁹, 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.

~
34%

of the employees of the bank

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

29. 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.

55.4%³⁰

of the management tier at the bank consists of women



From right to left: **Gili Kakon**, Deputy Mortgage Department, Kiryat Ono; **Ruti Desta**, Deputy Branch Manager, Kiryat Gat; **Hagit Adri**, Head of the Business Banking Department, Rehavia; **Ranin Abd al-Hai**, Head of the Business Banking Department, Ramat Hasharon; **Michal Daniel**, Head of the Mortgage Approval Team, Poalim by Telephone.

65.3%

of the employees of the bank are women, compared with approximately 48% women in the labor market³¹

Data on gender by management tier

Rank	Women	Men	Total
Members of management	3	9	12
Senior management	29	47	76
First-tier management	258	286	544
Middle management	920	632	1,552
Employees	3,872	1,732	5,604
Total	5,082	2,706	7,788



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. 418 leading companies from 45 countries in fifty different sectors were included in the index in 2021. 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.

30. The percentage of women managers in the business divisions is 56.8%. The business divisions consist of the three divisions that interact directly with customers: the Retail Banking Division, the Corporate Banking Division, and the Financial Markets and International Banking Division. The percentage of women in the technology divisions is 40.5%.

31. From the Labor Force Survey, December 2021, Central Bureau of Statistics.

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.
- ◆ 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.

- ◆ Sign-language interpretation for employees with hearing impairments in meetings with multiple participants, including via Zoom.

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 ten 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.
- ◆ **Hiring people with hearing impairments and deafness for the written communications section of the Poalim by Telephone call center** – The bank has recruited four employees with hearing impairments or deafness. The unique recruitment process for these positions was designed and adapted for people with hearing impairments, in collaboration with relevant non-profits and organizations, from the interview stage to accessible testing and the orientation and training process during 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. In recognition of the importance of mutual support among employees coping with special-needs parenting, we founded the Special Parents community at the bank, in collaboration with the non-profit organization Keshet – Connecting Special Families. Over a hundred employees are members of the community, which meets both in person and virtually to receive knowledge and practical tools and attend lectures with value for the members. The community has also become a venue for information sharing and support among members.

11%
of the bank's employees
are from underrepresented
population groups

6.2%
of the bank's employees are of
the Arab sector³². People of the
Arab sector constitute 4.3% of the
management tier of the bank

32. 4% in the first management tier and 15% in middle management.

22.4%

of employees hired
at the bank in 2021 are
from underrepresented
population groups

1.8%

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



2021 plans - status:

2021 plans	Status
Partnership in a leadership initiative for people with special needs.	✓ Completed
Development of a mentoring and empowerment program for employees of Ethiopian descent.	Launched in early 2022
Creation of a pool of potential managers of the Arab sector.	To be addressed as part of overall management potential
Continued proactive seeking of suitable candidates for available positions at the bank from underrepresented population groups.	✓ Completed
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.	✓ Completed

New initiatives in 2021

- ◆ 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 Ethiopian Jewish community, we produced a video released to all employees of the bank showcasing the culture of the bank's Ethiopian-origin employees. Ethiopian-origin employees also received three hours' leave as a benefit to mark the Sigd holiday.

Future plans

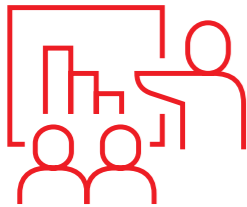
Plans for 2022:

- Implement a mentoring program for employees of Ethiopian descent.
- Include diversity in the leadership model; hold workshops on this topic for managers at the bank.
- Provide diversity training to hiring staff at the bank.
- Create an ERG (employee resource group).

Goals for 2030:

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

Developing professional skills



The bank leads a culture of organization-wide life-long learning (LLL), and works to maintain employees' professional qualifications and cultivate their ability to cope with present and future challenges. This effort forms the foundation for creating business value, enhancing employees' sense of pride and connectedness with the bank, and ensuring our competitive advantage in the digital age.

The learning culture at the bank evolved in 2021, through measures aimed at adapting to a dynamic and changing world. We expanded the range of learning solutions and transitioned to a hybrid digital model, to respond to business needs and future challenges. This process emphasized strengthening digital learning platforms and developing infrastructures to allow learning at individual work stations at the bank and during remote work. Through these platforms, up-to-date content can be made accessible and learning opportunities can be created for all employees. We also promote the development of the skills employees need, through various tools and resource to promote personal development.

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

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

We are in the midst of a transition from a campus that teaches in classrooms to an organization that views learning as a way of life and promotes learning by a variety of means. These include remote learning, hybrid learning (combined in-person and independent study), synchronous and asynchronous remote sessions, online courses, podcasts, videos, and more.

All of these elements support the improvement of professional and personal competence, and the business performance of employees; they form a solution for rapid training, particularly in view of the retirement of experienced employees. In 2021, we completed 315,735 hours of learning, or 39,467 days of learning for employees, 70% of which occurred in the business divisions³³. The programs emphasize effective learning and imparting maximum business value to the employee. Over 5,000 employees also enhanced skills needed for the evolving world of work through various platforms we developed, such as the Upgrade-U website and remote lectures.

In recognition of the importance of the retention of knowledge at the bank, we initiated a structured process to retain the knowledge of retiring employees, as part of our routine work processes. We are also promoting a micro-learning model, to maximize flexibility in the time and pace of learning. We measure the effectiveness of learning processes using various tools, ranging from specific indicators of ROI and development to sampled evaluation questionnaires. We have also transitioned to working with the Agile approach, which contributes to heightened focus on providing business value and a rapid, high-quality, precise response to learning needs, improved processes for planning and development of learning, and optimized use of learning resources.

Platforms promoting learning and development of skills

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

◆ Upgrade-U

Upgrade-U was developed to promote a culture of continual learning at the bank and develop curiosity and the desire to learn among our employees, and in view of the awareness that interpersonal skills have a significant impact on employee competence. Upgrade-U is an online learning site for independent study of a range of courses focused on skills needed in the evolving world of work, such as mastery of Excel, presentation design, empathy, business English, spoken Arabic, building a personal brand, career management, influence and persuasion, dealing with resistance, and more. Learning on the website is achieved through short, focused courses taught by top lecturers, along with videos and articles. Launched for the use of all employees of the bank in March 2021, the site contains approximately 150 content items that can be accessed for learning at any place and time; new content is added every month. To date, approximately 30% of the employees of the bank in all divisions have experienced learning on the website.

◆ Professional forums and learning communities

The bank holds a range of professional forums, such as forums for analysts, real-estate experts, compliance officers, investment advisors, digital experts, and more. We also introduced the Learning Leaders Team, to promote an organizational cultural of continual learning, from the strategic perspective of expanding the impact of continual learning to maintain a competitive advantage during times of change, which has a powerful effect on connectedness and business growth. The forum consists of representatives of the divisions of the bank selected for their ability to lead learning processes and their in-depth understanding of the professional challenges and business focus areas; representatives participate in the forums in addition to their regular duties. The forum conducts shared professional discourse on the way learning advances business and contributes to improved performance, provides practical tools for managing effective learning processes, and carries out peer learning processes through exposure to successes and challenges from selected bank units and leading learning organizations in Israel.

Banking training and development of business skills

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

Bankers' training includes instruction when they begin working in a new position, and programs to retain and improve professional qualifications in various areas of banking. The training process is connected to the banker's work station desktop, and focused on learning about the tasks required for their position and contributing to shorter

onboarding and improved performance. Banking training is conducted in synchronous and asynchronous hybrid formats, emphasizing shared responsibility for learning of the learner, their manager, and the organization. Some learning takes place at the workplace, within the branch or unit, integrated with mentoring processes led by knowledge experts at the unit, with the support of the Campus. Most content is suited for independent study and accessible to all employees through various platforms, such as tablets, the bank's portal, the learning system, etc. Training programs are developed based on mapping of the skills needed to perform a role. In addition, focused training programs are tailored to knowledge gaps of specific categories of employees; intra-division professional training is held at each of the divisions of the bank, including Finance, Risk Management, Legal Counsel, and more. Targeted professional training is also provided for bankers at the central back offices and at the Poalim by Telephone call centers, from basic instruction for all new employees to advanced training for experienced employees, aimed at achieving expertise in specific knowledge areas.

Developing the skills of the future

Based on mapping of needs among the employees of the bank, and benchmarks from leading global organizations in this field, we held several lecture series for remote learning, developed in alignment with skills needed for the evolving world of work. The series concerned the use of digital tools for business purposes, such as finding information online and employer branding on social media; tools and techniques for conveying a message, such as verbal, visual, and written communications; and effective navigation of the age of information.

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



5,240
employees
participated in
training programs*

In the photo: Valeria Plotima - Poalim Invest, Rishon LeTsiyon

Learning in 2021³⁴

57%

of employees participated in training*

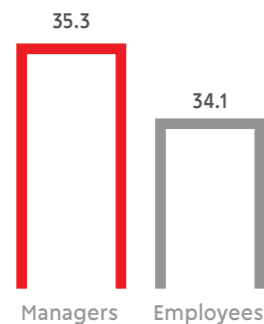
40.5

average hours of learning at the bank**

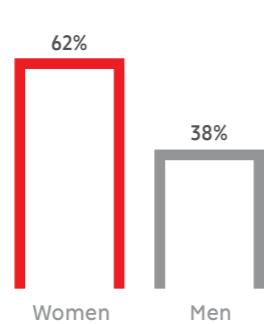
39,467

days of learning at the bank**

Average hours of instruction by rank*



Training programs by gender**



474

employees took courses at external venues, gaining skills and qualifications for the development of their personal careers and to attain skills required in the new era of work and banking***

* Includes external workers and part-time employees. The results reflect a culture of learning among employees and managers.

** Bank employees only.

*** Includes part-time employees; does not include external workers.

34. The data reflect new measurement processes adapted to the approach to learning at the bank, in light of the transition to a hybrid digital learning model.

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. 32,000 queries to MASHAB were processed in 2021, sent by 7,600 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; travel; parking; newspapers; employment permits and visas; and entitlement to mobile phones, cafeteria points, daily expenses, and more.

- ◆ **Support center for employees-** 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, 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. Guidance and assistance processes for employees are conducted in partnership with the well-being staff of the bank. Any employee can request assistance directly from the well-being employees; the service is confidential.

- ◆ **Employee loans** – The Bank Employees Credit (ELH) system offers loans to eligible employees of the bank through a quick, simple, user-friendly procedure on the bank's website. During the pandemic, employees who experienced financial difficulties were given the option to defer loan payments.

Unique Actions in 2021

- ◆ Staying in touch with employees who are sick with COVID-19; monetary gifts given in partnership with the employee union, to lift employees' spirits during quarantine.
- ◆ Continued 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.

Targeted workshops for bank employees on astute financial conduct

As an organization with financial expertise that offers tools and knowledge on astute financial conduct

to the general public, we accord high importance to making this information accessible to our employees and their families as well. Over the years, we have held dedicated workshops for employees to impart knowledge and tools for better management of their household budget.

In 2021, we offered digital workshops, in collaboration with the Financial Growth Center, to the employees of the bank, to encourage meaningful behavior change in how participants manage their finances. Interested employees who completed the workshops also received individual guidance on astute financial conduct, over a period of four months, from the non-profit organization Chasdei Lev, sponsored by the bank.



Green Passes

In early 2021, with the national rollout of coronavirus vaccines, the bank joined the effort to inform and encourage employees to get vaccinated. We produced a video in which employees who had gotten the vaccine shared their personal experience, and we provided budgeting for special activities as an incentive for units whose employees were vaccinated. Throughout the year, we issued rules and procedures for employees, within the Organizational Green Pass, for cautious return to routines and protection of their health, responsibly and in line with the Green Pass rules established by the state.

Guidance for organizational change processes

As part of the innovative banking vision of Bank Hapoalim as a dynamic business organization, we occasionally adapt our organizational structure to support the growth of our business and continue to deliver meaningful value for our customers. The robustness of the bank is demonstrated by the capability and competence of both managers and employees to cope and successfully navigate changes and transitions. Accordingly, we ensure that change is managed on three levels:

- ◆ Providing guidance to managers through the Leadership and Organizational Development Center, including mapping and formulation of plans to prepare for the change with each of the stakeholders influenced by the transition (employees, suppliers, and business partners), and the provision of appropriate support tools.
- ◆ Formulation of a trajectory for intra-organizational communication of the changes, in collaboration with the managers leading the change.
- ◆ Individual, personal guidance by human-resources experts for employees and managers in change processes, including during onboarding, mobility, or role changes, while adhering to the values of equal opportunities, transparency, and fairness.

Hiring and onboarding new employees at the bank

As part of the innovative banking vision, we recruit bankers to deliver value offers, advisory services, and tailored financial guidance to our customers. In talent recruitment processes, we also recruit professionals in the areas of technology, digital services, innovation, and analysis to take part in the leadership of innovative and significant projects. As part of our growth in the area of real estate, we strengthened our mortgage advising staff with expert advisors who deliver a broad range of up-to-date services and solutions to our customers. During the year, we ran an intra-organizational campaign to encourage employees to recommend new hires who are a good fit for the bank. We also launched a new careers website, allowing the general public to discover opportunities offered by the bank in the areas of employment and career development. We participated in virtual job fairs in which job seekers were invited to join the bank. Talent recruitment processes involve

innovative methods to proactively find employees with the education, skills, and significant experience best suited to the needs of each position. Recognition of the importance of the employee experience as a key value, beginning with the hiring process, leads us to continually work to improve and adapt recruitment and screening, in line with the developments in the job market. Onboarding processes have been adapted to the post-COVID world and are conducted through digital platforms. We also use advanced tools, such as avatar testing – interactive videos that simulate the work environment of a branch, and

digital interviews conducted through the Webcand platform. The screening process includes an escape-room activity designed to examine dynamics among candidates in an innovative and experience-based way. Entering a new role presents a professional, social, and personal challenge for employees. To help employees settle in quickly, create a positive onboarding experience, and strengthen their sense of connectedness, we assign new employees a “buddy” – a colleague who is there for the employee continuously through the orientation phase.

Future plans

- Develop innovative technologies and processes for employee screening and onboarding.
- Adapt and shorten hiring processes for banking roles, to create an innovative and positive experience for the candidate.

279
jobs were posted on
the Maavarim system

470
new appointments
were approved³⁵, of
which 328 were pro-
motions of managers

Encouraging growth and development

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

Within the change in mobility processes at the organization, and to encourage employees to take the important step of applying for a new role, we introduced a new mobility policy, offering employees opportunities for transition among different units and positions.

Employees and managers are invited to view and apply for available positions at the bank, through the Maavarim (“Transitions”) system, as part of our ambition to provide employees with employment and development opportunities, and maintain transparency and equal opportunities.

Restart

In view of the technological developments and accelerated automation processes, to prepare for the challenges of the future and the new world of work, we launched the Restart initiative, which offers bank employees opportunities for professional development and retraining during their work at the bank. Employees maintain occupational relevance, and bring their accumulated experience at the organization to their new role.

About thirty employees have participated in this learning and development process to date, entering positions as data and credit analysts. In early 2022, a new track was added to this program for systems analysts. Employees who take part in Restart attend training at a leading school, with guidance from professional content experts at the bank, within the organizational learning process. After they successfully complete the training, some of the employees enter new positions in the Technology Division, while others are part of the potential pool of professionals.

Transforming the employee experience at the Technology Division

The Technology Division of Bank Hapoalim, one of the largest development organizations in the Israeli economy, is responsible for the technological aspect of the activity of the bank, from information-technology infrastructures to system development and the use of the most advanced technologies. The division employs approximately 1,500 workers in a wide range of technological occupations, so that employee experiences vary greatly. This complexity, combined with intense competition in the high-tech market over employee recruitment and retention, led us to launch the Employee Experience project, in which we examined the employee experience within the division with the aim of strengthening and empowerment in this area. The project team, which consisted of more than 25 employees of all units in the division, from a range of different roles, chose to focus on three employee experience journeys: feedback and appreciation processes, onboarding for division employees, and the experience of employees assigned to the division by a software company. The project was managed based on the Agile model; the team was divided into three work groups, and aimed to generate solutions quickly and with maximum impact. We implemented a substantial number of the solutions formulated. Feedback indicates significant improvement in the employee experience in the selected three journeys. To further strengthen employee connectedness in the Technology Division, we formed the Newsroom, an initiative in which fifty employees of the division voluntarily serve as reporters creating news items. The group publishes the Code Review, an internal newsletter sent to all employees of the division every Thursday and posted for all employees of the bank on the organizational portal.

News items address the activity of the division, advanced technologies on the market, and other areas of interest, such as leadership, employee retention, the relationship between music and coding, and more. Items are posted on the intra-organizational communication channels of the bank; some appeared as posts on social media or in newspapers as opinion columns, articles, and interviews, which drew great interest in the division and its activities.

35. In 2021, 84% of the open positions were filled by bank employees.



In the photo: Bank employees from the Poalim Wonder Team at the Tel Aviv Samsung Marathon.

Well-being and promotion of healthy lifestyles

Well-being services

Employees of the bank benefit from an extensive array of social and well-being services in many different areas, including subsidizing day care for children. These services provide solutions for a broad range of employee preferences and needs: leisure activities, healthy lifestyles, enrichment for employees and their families, and more. 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 vacation getaways, memberships at cultural centers, theater performances, the Good Movie Club, sports facilities, fitness centers, and swimming pools.

Promotion of healthy lifestyles among employees

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

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

Employee union

The employee union is a strategic partner and a key stakeholder of the bank. Labor relations between management and the employee union are characterized by partnership and continual dialogue. The roles fulfilled by the employee union include protecting each employee's rights and obligations; developing cultural, instructional, and social activities; and organizing mutual assistance among employees. The numerous activities of the union for the well-being of employees include 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 85.8% 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 from the board of management budget, designed to assist employees who encounter financial difficulties or family crises.

- ◆ **Management and employees' joint fund** – A foundation financed from the board of management budget, designed to assist employees who encounter financial difficulties or family crises.

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 program (2020-2022) for voluntary early retirement with preferred terms is in progress at the bank; over 900 employees are expected to participate. The early retirement terms in the program are based on age and duration of service; when the wishes of the organization and the employee align, employees are offered early retirement until the lower of legal retirement age or for eight years. The bank arranges professional advisory services to assist employees in making the decision best suited to them and their families.



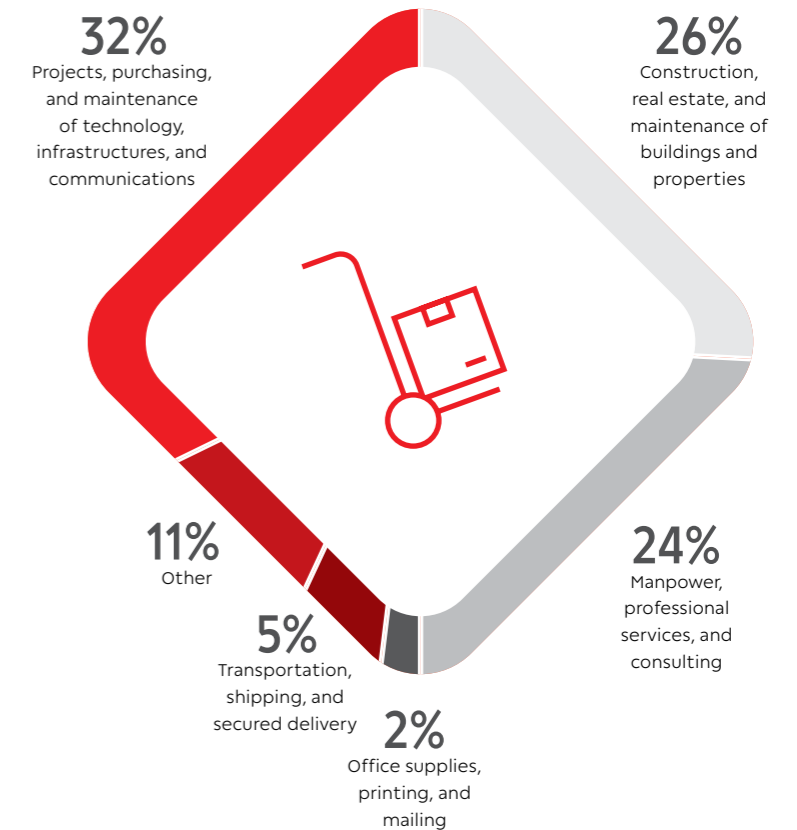
Responsible supply chains

Profile of the bank's supply chain

The operational activity of Bank Hapoalim, as a banking organization, is based on a supply chain that consists of a pool of suppliers of goods and services, of varying sizes (large, mid-sized, small, and micro businesses), encompassing thousands of companies in fields such as logistics, technology, professional services, and more. We contracted with approximately 2,500 suppliers from this pool during 2021.

~
94%
of the bank's purchasing
is from suppliers who are located and employ workers in Israel

Distribution of Bank Hapoalim purchasing in 2021



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. This year, as we worked within the constraints of the pandemic, the operating model for purchasing was adapted, without compromise on oversight and proper procedures. 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. In agreements with relevant suppliers concerning events, cancellation/postponement clauses were added, to protect both the supplier and the bank.



Responsible purchasing

As part of our corporate responsibility philosophy, 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.

Implementation of the policy was adapted to contracting practices at the bank and to the nature of the various suppliers:

Responsible purchasing

Mandatory

Binding criteria for all suppliers (required norms of responsible conduct)

Binding criteria adapted to the unique characteristics of each of the different purchasing groups

The policy sets forth the following principles and guidelines for managing supplier relationships:

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

Voluntary

Preference criteria (additional quality items) in the evaluation of proposals for significant contractual engagements

Embedding ESG principles in supplier agreements

Corporate purchasing conducts frequent 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.

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 2021, we acquired equipment for special projects, gift packages, and various gifts from suppliers who employ people with disabilities. **Total purchasing from socially conscious suppliers reached approximately NIS 3 million.**

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

In addition, suppliers commit to maintaining appropriate environmental policies and management systems to protect the environment, including the use of environment-friendly materials. Emphasis is also placed on the supplier's commitment to the prevention of bribery and corruption, and on the prohibition on giving and receiving favors, for the supplier and its employees, in all areas of its business.

Since 2014, every supplier in a working relationship with the bank has signed a document derived from the bank's code of ethics, and has made a commitment to act accordingly.

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 regularly visit suppliers, including via Zoom, in order to become more closely acquainted with their activity, learn about new products they are offering, consider future collaborations, and more.



2021 plans – status:

2021 plans	Status
Update of the responsible purchasing policy.	✓ Completed
Encouraging suppliers to apply corporate responsibility and join the Maala ratings.	✓ Completed
Creation of a process to include ESG considerations in supplier selection.	An outline was examined for gradual implementation in 2022

Future plans

- Include ESG questionnaires in supplier selection.
- Include ESG questionnaires in setup for new suppliers.

Protecting the rights of workers employed by contractors

We have agreements with various contractors for the provision of security, cleaning, and cafeteria services, through employees of the contractor who are assigned to the bank. In order to ensure the protection of contractor workers' rights, the agreements between the bank and the contractors stipulate the obligation of the contractors to provide the following to their employees, among other matters: minimum wage, and other rights granted to workers in Israel under labor laws; 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 social responsibility approach. In order to protect the safety of contractor workers in the area of construction, such as in the construction of new branches and buildings, an orderly procedure is

maintained, including the formulation of a safety plan for the project by a safety engineer, approval by the National Fire and Rescue Authority, and supervision by a regional security officer. An annual seminar on safety and security is held at the bank. To ensure that the rights of contractor workers employed on our premises are protected, we operate a dedicated contact center for them, within the Human Resources Area. The bank informs contractor workers of the existence of the contact center, and has them sign a document explaining their rights. Three inquiries from external contractor workers were processed by the center in 2021. We also engage the services of Hilan for review of the terms of payment of suppliers to their employees. During 2021, Hilan conducted reviews at all of the employment contractor companies engaged by the bank.

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. All new and existing suppliers are required to communicate the content of the code, annually, to every employee they assign to the bank.

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. In 2021, we continued to support this initiative and add diverse suppliers of the bank to the project.
- ◆ Within our ambition to expand our spheres of influence on society and the environment, and to promote the absorption of ESG principles among our suppliers, in 2021 we invited selected suppliers to join the Maala rating index. Maala corporate responsibility ratings are aimed at evaluating the social and environmental commitment and impact of companies and organizations, and offers participating companies annual measurement, gap mapping, and identification of opportunities for improvement.



EESG

Environment

Responsible action to protect the environment

Protecting our environment

Within the bank's corporate responsibility, and in recognition of the importance of sustainable environmental management, we have formulated a comprehensive, formalized policy in this area. The environmental policy reflects business and environmental conduct aimed at preserving and improving existing conditions, while maintaining economic, social, and environmental balance for the benefit of future generations.

Key points of the environmental policy of the bank:

- ◆ The bank seeks to achieve the proper balance between economic development and protection of the environment in its business decisions.
- ◆ The bank complies with regulations and laws on environmental issues, 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.

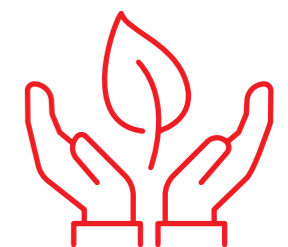
Environmental management at the bank devotes special attention to areas related to or directly affected by its business activities:

- ◆ Development of eco-friendly services and products;
- ◆ Management of environmental risks in project financing;
- ◆ Energy consumption and energy efficiency;
- ◆ Encouraging green transportation and reduction of fuel consumption;
- ◆ Reducing the consumption of paper resources;
- ◆ Encouraging green purchasing (office supplies and peripheral computer equipment);
- ◆ Reducing the consumption of water resources;
- ◆ Waste - reuse, recycling, and responsible disposal;
- ◆ Expanding the environmental awareness of employees, and mobilizing them to reduce the environmental impact of the bank, based on the approach that their partnership is essential to create change; the hope is that our employees also become agents of change in their home and family environments.

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

increase efficiency, and examination of environmental impacts across the full life cycle of the resource. All of these elements are 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 2021. This certification is in effect until 2024. The standard covers all premises of the bank in Israel. The bank's compliance with the standard is reexamined annually. Bank Hapoalim is the first financial institution in Israel to obtain certification under this standard, which applies to all activities of the bank in Israel.

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



Providing financing to promote a green environment

We are committed to the promotion of sustainable financing and responsible investments, for the support of the social and economic growth of Israel, and to support global efforts to fight climate change for future generations. Accordingly, we are working to increase financing and investments in green projects and to guide our customers through the transition to a low-carbon economy, thereby supporting and promoting efforts to mitigate carbon emissions (climate mitigation) and adapt infrastructures in order to cope with climate change (climate adaptation). These efforts include, among other things, financing solutions for customers of the Corporate Banking Division and the Retail Banking Division, the issuance of the first Green Bond in Israel, targeted deposits, and investments in renewable-energy projects through Poalim Equity.

Renewable energy

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

- ◆ **Solar energy** – Financing for dozens of projects for customers of the Corporate Banking Division building solar-energy facilities and systems across Israel and overseas, including photovoltaic and thermosolar power plants (Ashalim). The bank also grants credit to private and business clients of the Retail Banking Division for the installation of solar-energy systems.
- ◆ **Wind energy** – Financing for wind farms at Sirin, Gilboa, Emek Habacha, and Bereshit in the Golan Heights, at a total capacity of approximately 320 megawatts.
- ◆ **Hydropower** – Financing and construction of a pumped-storage power plant in Kochav Hayarden, with installed capacity of 340 megawatts.
- ◆ **Geothermal energy** – Financing of geothermal energy production projects outside Israel, including in developing countries, such as Guatemala and Honduras.

In 2021, we continued to offer our business and private customers market-leading solutions for financing of the installation of solar-energy systems:

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

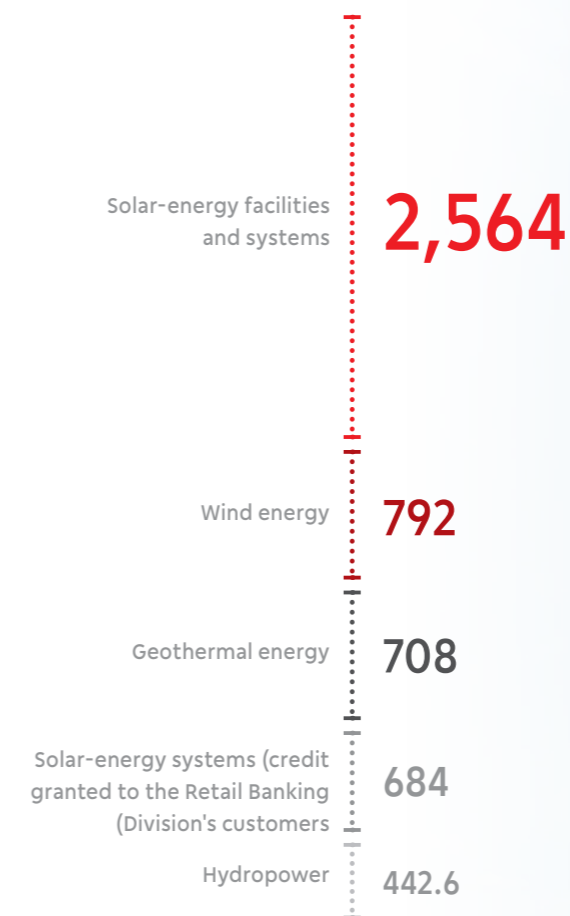
"Rate Regulation is a state initiative allowing households, farmers, and businesses to install solar-energy systems for the production of electricity, for their own use or for sale at a predetermined price to the Israel Electric Corporation. The bank identified this initiative as an opportunity for the 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 2021, we continued to offer potential customers, including farmers, farm owners, and business and private clients, financing for the installation of solar-energy systems. Credit granted by the bank to customers for this purpose in 2021 totaled approximately NIS 684 million, more than double the amount of the preceding year.

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.



Credit for renewable energy in NIS M



Energy efficiency

The bank has financed several energy efficiency projects in the business sector, as well as urban infrastructure projects in the area of environment-friendly street lighting. The bank also won a tender to establish a state-backed fund to grant 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.

Clean transportation and mass transit

Traffic density on Israeli roads is one of the highest in the OECD³⁶, leading to significant pollution. Within its efforts to reduce pollution, the bank has financed several projects promoting mass transit and clean transportation, such as the construction and expansion of the light railway project in Jerusalem – an electric train used by about 170,000 passengers daily, which contributes to the reduction of air and noise pollution, and is expected to help achieve a 12% reduction in motor-vehicle use in Jerusalem by 2030.

Green building

The Israeli green building standard (Israel Standard 5281) was introduced in 2005, with the aim of reducing the negative impacts of construction processes and building use on the environment; as of March 2022, it will gradually become the binding standard for construction in Israel. Estimates by the Ministry for the Protection of the Environment indicate that construction in line with the standard will reduce greenhouse-gas emissions from buildings, and

cut back electricity consumption by approximately 30%. The bank has financed several residential and commercial construction projects across Israel based on green building standards, in compliance with the requirements of the Ministry for the Protection of the Environment.

Waste treatment and the prevention of pollution

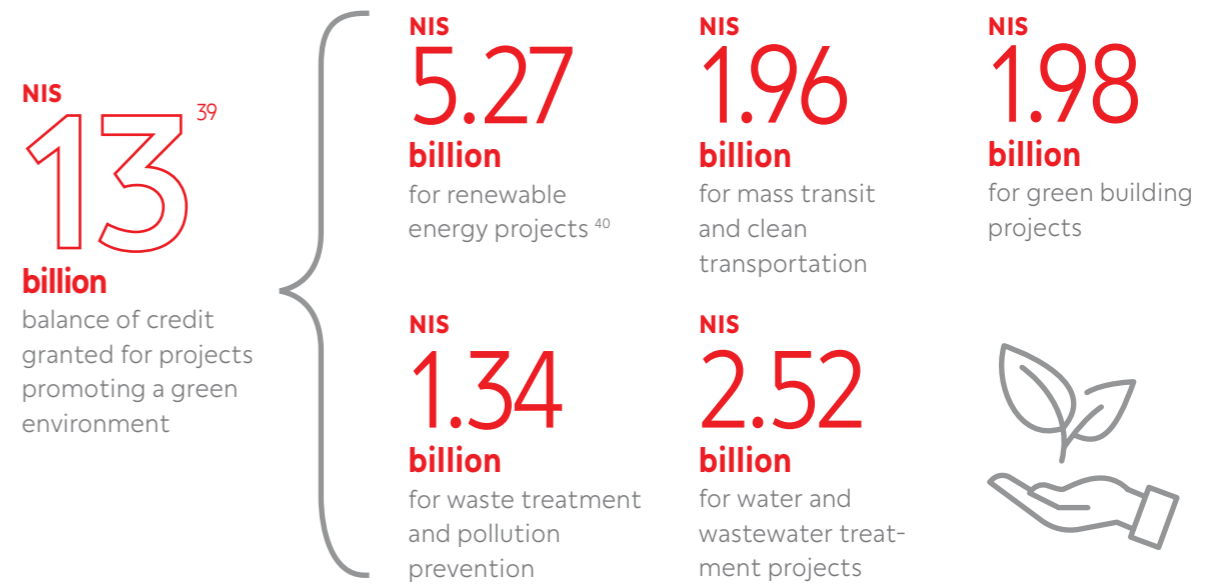
In 2021, the bank provided financing for several waste-treatment initiatives in Israel, including hazardous waste treatment plants; construction of a facility for sorting, separation, and recycling of household and urban waste; and green electricity production from biogas. The bank is also financing the construction of the Zero Waste facility for urban waste treatment of the Shafdan (Greater Tel Aviv Wastewater Treatment Plant), which has a capacity of at least 1,000 metric tonnes of waste per day. When completed, the facility will recycle about 200,000 metric tonnes of urban waste annually, leading to a reduction of approximately 50% in waste removed for burial. The plant will also have an energy center generating clean electricity from biogas, with a capacity of approximately 12 megawatts.

Water and wastewater treatment

The State of Israel has coped with water shortages for years, due to factors including scarce precipitation and dwindling natural water sources³⁷. Given

Israel's geographical location, the climate crisis exposes it to harm to its natural water sources and water quality; Israel has a high water stress risk that may continue to worsen³⁸. Water desalination is one method of generating new water from existing water resources. The bank therefore financed the desalination project at Palmachim, and has taken part in financing of desalination projects in Hadera, Ashkelon, Sorek, and Ashdod, as well as the planned desalination plant in the Western Galilee, designed for a capacity of 100 million cubic meters of water. The volume of desalinated water currently generated by projects in which the bank has participated in financing stands at 594.7 million cubic meters per year, or about 88% of desalinated water in Israel.

Other methods of optimal utilization of existing water sources include wastewater treatment, and use of the treated wastewater and sludge for agricultural purposes; water purification using biological means; and construction of water reservoirs to make wastewater and floodwater usable through water treatment and recovery for irrigation. The bank participates in financing for several cleantech companies operating in these areas. It also serves as a financier for the expansion and upgrade of infrastructures for Igudan (the Dan Region Association for Environmental Infrastructure), which is responsible for development and adaptation of wastewater infrastructures in the Dan region for future needs and expected population growth. The Shafdan, part of the Igudan infrastructure, currently provides about 134 million cubic meters of treated water for agriculture, and approximately 70% of the water consumed by agriculture in the Negev region.



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

Green CoCo Bonds were issued for the first time in Israel by the bank, in line with the ICMA Green Bond Principles. The bonds were issued in an international private offering in October 2021, and drew demand of over USD 2.6 billion from dozens of institutional investors from the United States, the European Union, Britain, Israel, and other countries around the world.

The bank intends to use an amount equivalent to the consideration from the offering to finance projects promoting a green environment, in the areas of renewable energy, green transportation, green building, waste recycling, and energy efficiency. The bond issue supports the ambition of the bank to continue to promote financing and investments in green infrastructures in Israel and to help achieve the goals of the State of Israel in the transition to a low-carbon economy.

Environmental impact⁴¹ of financing granted by Bank Hapoalim for green projects

An impact study by BDO indicates that green projects financed by the bank (as of the end of 2021) **will lead to the reduction of carbon dioxide emissions by 1.1 billion metric tonnes per year, which are 1.4% of total emissions in Israel.** The financial savings resulting from the emissions cut are estimated at NIS 2.2 billion⁴³.

2021 plans – status:

2021 plans	Status
Increased volume of financing and investments in projects promoting a green environment.	Credit balances for green projects grew to NIS 13 billion.

Future plans

- Increase financing for projects promoting a green environment to NIS 20 billion by 2030.

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

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

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

39. Balances as at December 31, 2021, balance sheet and off-balance sheet.

40. Includes NIS 77 million in credit for energy efficiency projects.

41. Attributed only to the bank's share of the credit granted to the projects.

42. Analysis of the environmental impact of the credit granted, based on calculation of the carbon dioxide emission savings over the lifetime of the project.

43. Present net value of emissions reduction over 20 years, at a discount rate of 3.5%.

Managing climate and environmental risks in our business activities



Global awareness of the existence and scope of environmental risks has risen in recent years. In particular, concerns are mounting over risks arising from

climate change, in view of current climate phenomena and scientific data illuminating the scale of these events. Financial organizations, including banks, are exposed to these risks when they grant financing or invest in companies directly or indirectly exposed to climate and environmental risks in their routine operations.

Decision-makers in various countries, as well as in Israel, are formulating policies and action plans to contend with the effects of climate change. These impacts have far-reaching implications for humanity and require harmonious and effective solutions, through cooperation and coordination among states, businesses, and people. Like other central banks, the Banking Supervision Department in Israel accords high importance to addressing environmental and climate risks. As early as 2009, banks were required to include environmental risk management in their overall management of risks; over the last year, the Bank of Israel has been working on formulating regulation of climate risks and the relevant disclosures.

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

Environmental risks

Based on the definitions of the Network for Greening the Financial System (NGFS) and the respective definitions of the Banking Supervision Department at the Bank of Israel, the term environmental risks refers to risks that derive from the exposure of a financial institution and/or the financial sector to activities

that have the potential to cause environmental degradation, such as air and water pollution, ground pollution, loss of biodiversity, deforestation, and loss of ecosystems, or to be affected by such harm.

Environmental risk identification methodology at the bank includes, among other things, mapping of potential environmental risk by economic sector, and analyzing and addressing environmental risk aspects individually, at the level of the borrower and the investment. In examination and approval processes for credit applications and major investments in sectors identified as exposed to heightened environmental risk, such as mining and quarrying, industry, energy production, wastewater services, waste treatment and purification, and others, environmental risks that may have a material effect on borrowers based on their business activities are addressed individually. Environmental risk is rated on a scale of 1 to 5 in an analyst review based on established thresholds. 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.

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 and reputational risks. 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 risks 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 Equity and in the proprietary portfolio, is managed using methodology identical to risk management in financing.

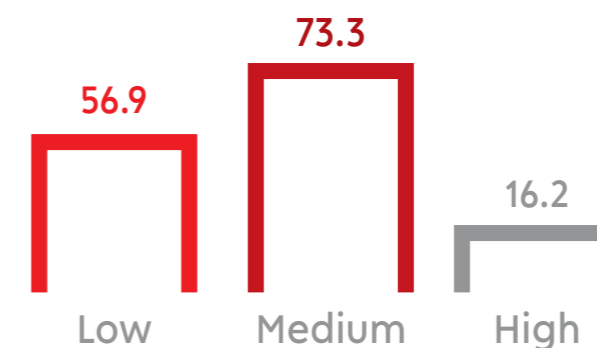
Risk management at the bank is performed based on a global view of the bank's activity in Israel and at its branches abroad, with due attention to the activity of its subsidiaries, based on policy formulated and approved by the board of directors of the bank. Financial and operational risk control and 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.

Climate risks

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

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

Segmentation of environmental risks⁴⁴ in credit balances in 2021
(exposure balances in NIS billions)



44. Segmentation of environmental risks in balances of credit to customers who meet the established thresholds.

Financial regulation in the area of climate risks in Israel is still being formulated. In December 2020, the Supervisor of Banks sent a letter to the banking corporations concerning general expectations on the subject of the management of environmental risks, with an emphasis on climate risk. This was part of a process being conducted at the Banking Supervision Department to formulate and specify a framework for the management of environmental and climate risks in the Israeli banking system. In light of the importance we accord to climate change management and the ramifications it may have for the bank, in terms of exposure to financial and other risks, in 2021 we formulated an annual and multi-annual work plan to create a comprehensive climate risk management framework, based on study of global trends and practices in this field. Implementation of these plans has begun:

- ◆ Formation of a dedicated function in the Risk Management Division to oversee climate risks.
- ◆ An interdivision forum on climate risk management was established, to share knowledge and trends and formulate milestones and future steps.
- ◆ A sectoral heat map was created for transition risks in the financing and investment activities of the bank, and used to identify areas of business activity exceptionally exposed to transition risks, through in-depth analysis to understand trends in the development of the underlying risk and its mitigation in each field. The heat map allows relatively rapid scanning of the credit and investment portfolio to identify focus areas of comparatively high sensitivity to transition risk, and will form the foundation for proactive focus on analysis and decision-making processes at the level of the customer and new transaction in these fields.
- ◆ **Based on the heat map, we formulated an initial outline of policies for transition risk management in the financing and investment activities of the bank, referring, at this stage, to the sectors most exposed to these risks, first and foremost the fossil fuels sector. Within this process, among other matters, the bank has decided not to finance or invest in new coal and oil exploration and production projects. A decision was also made to gradually scale back holdings in companies engaged in coal and oil activities in the proprietary portfolio of the bank, to zero by the end of 2026.**

Future plans

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

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 emissions reporting system of the Ministry of Environmental Protection in 2010. Since then, we have reported to the recording system in accordance with the established methodology. Indirect energy consumption (Scope 2) used for electricity has the most significant impact on the bank's carbon footprint. As described below, steps are being taken to achieve greater efficiency and reduce this consumption. We also

manage and monitor other indirect emissions in the supply chain, such as in paper consumption, water consumption, employee flights, and more.

Emission of substances that damage the ozone layer

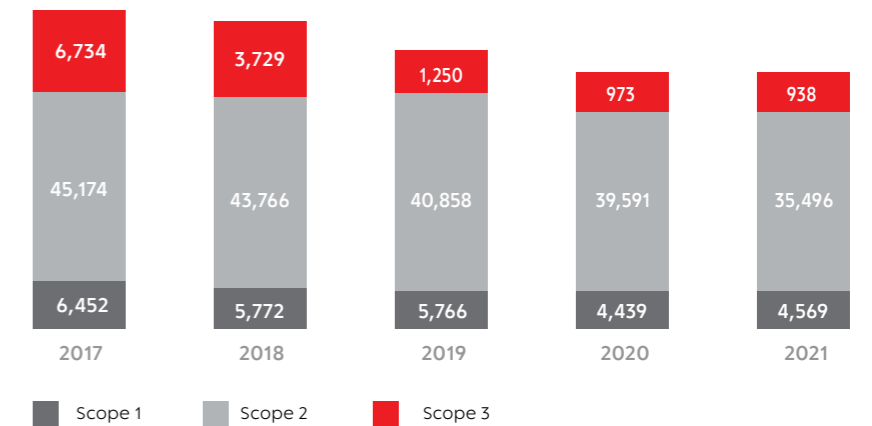
In general, the bank uses five main types of air-conditioning systems: split air conditioners, central air conditioners,

VRF systems, cooling towers, and chillers. Older legally usable systems are based on freon gas, which may harm 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 refrigerant gas, of which more than 85% is the environment-friendly R-410A. When air-conditioning systems are replaced, we pump out the gas to prevent leaks. In the reported year, air-conditioning systems were refilled with an initial

quantity of approximately 102 kg of R-410A gas, and emissions reached approximately 3.7 metric tonnes CO₂eq.

Carbon footprint of Bank Hapoalim in 2021: The total carbon footprint of the bank in 2021 is 41,003 metric tonnes CO₂eq (including all three scopes), down approximately 9%⁴⁵ from 2020. Total Scope 2 emissions decreased by approximately 10.3%, due to a significant decrease in electricity consumption.

Carbon footprint of the bank – breakdown by scope (in metric tonnes CO₂eq)⁴⁶



Distribution of carbon footprint by scope



Carbon footprint intensity of the bank (in metric tonnes CO₂eq)

Year	2017	2018	2019	2020	2021	Change vs. 2020
Total	58,360	53,267	47,874	45,003	41,003	-8.9%
Per employee	6.72	6.43	5.87	5.80	5.26	-9.3%
Per square meter	0.202	0.186	0.175	0.169	0.160	-5.2%

45. Data on electricity consumption for December 2021 have been optimized.

46. A methodological update was applied to Scope 3 emission coefficients in 2017-2020, based on emission coefficients of the Department for Environment, Food, and Rural Affairs (DEFRA) in the United Kingdom, with data optimized accordingly.



60%
decrease in the bank's carbon footprint over the last decade

Over the last decade (2012-2021), the carbon footprint of the bank has decreased by approximately 60%, 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

Within our commitment to take action to reduce emissions in our activities and help cope with the climate crisis, we sponsored the foundation of a **carbon plantation in the Negev region**, through the Social Banking Center. Led by Kessler Projects for the World, in collaboration with the Volcani Center Agricultural Research Organization, the venture will be the first carbon plantation in Israel and in the Middle East. The plantation consists of pongamia trees, able to grow in a desert environment due to their low water requirements, which help fight global warming by reducing greenhouse gases and air pollution that damages the atmosphere. Fruit from the trees can also be used to produce raw materials for various industries, such as protein for the food industry and oils for the biofuel industry. The first 500 trees were planted in November 2021. The bank's support for the development of the plantation, an Israeli product that can serve as a model for plantations to be created in Israel and elsewhere, is meaningful beyond the carbon sequestration by the 500 trees already planted in the Negev desert.

Through this project, the bank earned 100 carbon credits (100 metric tonnes of carbon removed from the atmosphere), which are offset against its carbon footprint.

2021 plans - status:

2021 plans	Status
The bank aspires to continue to reduce greenhouse-gas emissions from its operations every year. The goal is an additional reduction of 60% by 2030.	~9% decrease relative to 2020 ⁴⁷ .

Goals for 2030

• Further reduce the carbon footprint of the operations of the bank by 60%⁴⁸, and reduce the impact of our business on greenhouse-gas emissions, to support the achievement of the climate goals of the State of Israel.

Improving energy efficiency and reducing electricity consumption

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

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

Energy efficiency

The bank uses computerized command and control systems to manage 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, with adaptations for remote work. The bank maintains energy oversight through training for field crews and testing to ensure full coordination in the interface of the central control rooms with branches and buildings. The control systems are accessed proactively every two weeks to ascertain that there is



58%
of the electricity consumption of the bank

comes from private suppliers who produce electricity based on natural gas, as of the end of 2021

no significant change in consumption and that the bank is on track for its planned reduction of consumption. The bank also engages an external energy efficiency firm to run monthly reviews of energy consumption intensity. An energy survey is performed every five years, and validated annually with the Ministry of Energy.

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 and over fifty split air conditioners with R-22 refrigerant were installed in 2021. In addition, 180 CoolMaster controllers were installed, to automate temperature control and thereby improve energy savings.

Green IT

Another way we work towards energy savings and efficiency is through the use of green IT at the branches and offices of the bank. Energy efficiency is a parameter in IT equipment purchasing tenders, spurring bidders to offer more advanced, efficient equipment. We also do not rely on manufacturers' descriptions of the performance of the various components, instead running tests on server hardware and software, printers, and peripheral equipment at a dedicated laboratory. In 2021, we continued to purchase small computers with reduced power consumption, delivered in recyclable packaging. Concurrently, we endeavor to improve and upgrade existing equipment and reduce purchases of new equipment. Over the last several years, we have also been transitioning to IPT in landline communications, in order to upgrade to a system managed digitally through a central IT hub. This change eliminates the need for local switchboards at each branch, leading to savings in power consumption. In 2021, we implemented a new automatic hibernation process for IT systems and phones, based on monitoring of hours of activity at branches and management buildings.

47. Data on electricity consumption for December 2021 have been optimized.

48. Relative to the operational carbon footprint in 2020, which stood at 45,003 metric tonnes CO2eq.

Examples of projects aimed at actively improving energy efficiency in 2021

financial investment vs. annual cost savings and avoided emissions

Description of activity	Investment (NIS)	Annual savings (by unit of consumption)	Avoided emissions ⁴⁹	Time to recover investment	Avoided emissions
VRF air-conditioning system installation	NIS 4,000,000	2,683,800 kWh	NIS 1,610,280	2.5 years	11,284 metric tonnes CO2eq
Acquisition of small computers with reduced power consumption	NIS 280,000	95,000 kWh	NIS 52,000	5.5 years	45 metric tonnes CO2eq
Total	NIS 4,280,000	2,778,800 kWh	NIS 1,662,280	2.5-5.5 years	1,329 metric tonnes CO2eq

Management and measurement of power consumption

The bank administers a database on electricity consumption, regularly updated according to changes in the premises of the bank. The database enables us to examine the monthly and annual consumption patterns of each property, compare it to buildings of similar size and designation at the bank, and 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 possible inefficiency in consumption or a malfunction.

Data on the bank's total power consumption in 2021 indicate a decrease of approximately 6.5% compared with 2020. This

decrease, in line with the consistent downward trend in power consumption at the bank in recent years, joined the reduced consumption 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 be noted that as 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, decreased by approximately 8.6% relative to 2020.

Power consumption at Bank Hapoalim – multi-annual

Year	2017	2018	2019	2020	2021	Change vs. 2020
Total (kWh)	86,232,616	86,217,677	83,123,204	79,366,534	74,215,420	-6.5%
Total (GJ)	310,437	310,383	299,243	285,718	267,176	-6.5%
Bank area (m ²)	288,897	280,600	273,697	266,820	256,463	-3.9%
Consumption per square meter (kWh)*	267.5	274.3	268.1	258.9	252.7	-2.4%

* 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 typical power usage at the bank. In 2021, this figure was calculated based on overall consumption of 64,820,272 kWh.

49. Savings data are based on internal estimates drawn from purchasing data and energy control systems.

2021 plans - status:

Plans	Status
Continued replacement of lighting fixtures at the branches with LED bulbs and installation of LED lighting in all new buildings of the bank.	✓ Completed with increased activity at branches and buildings
Examination of purchasing of electricity from additional energy suppliers.	✓ Completed

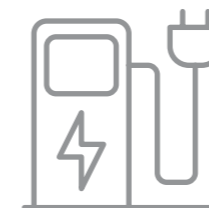
Future plans

- Continue to install new VRF air-conditioning systems with R-410A refrigerant at all branches of the bank that currently have older systems.
- Continue the transition to the use of LED light bulbs at the branches of the bank.

Reducing fuel consumption in transportation

We are working to cut back fuel consumption in our vehicle fleet and in the internal transportation system between our branches and offices, in various ways, including the following:

- ◆ Transition to hybrid vehicles in the leasing fleet, 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.
- ◆ Reduced mileage and flights due to the transition to remote work, and meetings held via Zoom whenever possible, along with increased use of conference-call systems.
- ◆ Encouraging employees to commute by bicycle – The bank provides showers and bicycle parking spots for employees at the head office who ride bicycles to work.
- ◆ Improved logistical transport processes – Delivery lines were cut back by 64% in 2021 and a transition was made to centralized orders, to achieve a significant reduction of shipping volumes at the bank. When branches are merged, we donate or sell the equipment that becomes available, which also reduces transport needs.
- ◆ In 2021, annual fuel consumption increased by approximately 3% in comparison to 2020, but was about 19% lower than in 2019 and previous years. These figures reflect less travel by bank employees to the offices of the bank and to meetings. We frequently monitor fuel consumption and mileage of leased vehicles, to calculate the carbon footprint of the bank and the segmentation of emissions from travel.



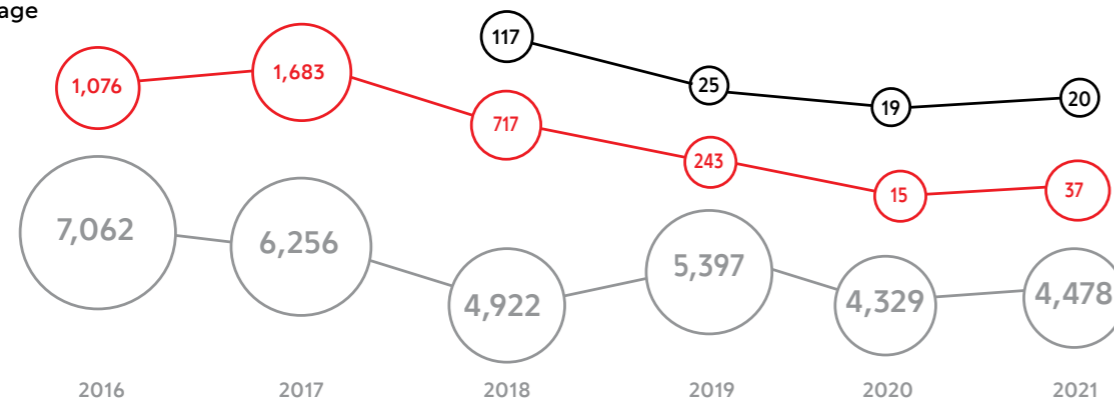
Year	2017	2018	2019	2020	2021
Number of vehicles in leasing fleet	1,039	1,001	1,029	1,021	1,003
Of which hybrid vehicles in the fleet	15	48	99	151	187
Annual fuel consumption for transportation (in liters, gasoline and diesel)	2,746,344	2,203,957	2,380,344	1,858,315	1,923,133

Emissions from transportation (tons CO2eq)

Diesel – mileage

Employee flights

Gasoline – mileage



Notes:

Mileage emissions presented above are included in total emissions in Scopes 1 and 3, as noted below:

- a. In 2021, vehicle mileage emissions constitute approximately 98% of total Scope 1 emissions, and emissions from employee flights constitute approximately 4% of total Scope 3 emissions. Emissions from hotel stays are calculated separately, at approximately 6 metric tonnes CO2eq.
- b. In 2020, vehicle mileage emissions constitute approximately 98% of total Scope 1 emissions, and emissions from employee flights constitute approximately 2% of total Scope 3 emissions. Emissions from hotel stays are calculated separately, at approximately 2 metric tonnes CO2eq.
- c. 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. Emissions from hotel stays are calculated separately, at approximately 8 metric tonnes CO2eq.
- d. 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. Emissions from hotel stays are calculated separately, at approximately 9 metric tonnes CO2eq.
- e. 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. Emissions from hotel stays are calculated separately, at approximately 37 metric tonnes CO2eq.

2021 plans – status

2021 plans	Status
Addition of electrical vehicles to the bank's fleet, with home charging stations provided.	✓ A pilot project was conducted for managers, in which home and office charging stations were installed and incentives were given to prefer electric vehicles over gasoline-fueled cars.

Future plans

- Continue to add electrical vehicles to the bank's fleet, with home charging stations provided.
- In early 2026, we plan to relocate the headquarters and head offices of the bank to a building to be built near a train station and major transportation arteries, offering convenient access for employees and reduced reliance on private vehicles.



In 2021, the bank added 36 hybrid vehicles to its fleet. This led to immediate annual savings of approximately 84 metric tonnes CO2eq in Scope 1 emissions

Reducing paper consumption

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 2021, 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 continued development of the digital platforms at the bank, combined with the ongoing COVID-19 crisis, have reduced the use of paper and the need for customers to visit branches in person. Infrastructure enabling employees to work from home as part of the new routine and continued replacement of personal printers with central printers at the bank's headquarters have also led to significantly reduced printing volumes at the offices of the bank.

Paper consumption reduction efforts in 2021:

- ◆ **Digital mortgages** - Applications for new mortgages and mortgage refinancing require in-principle approvals, a procedure involving multiple forms. In view of the rising demand in the mortgage market and our desire to provide customers with optimal, efficient service while protecting the environment, we developed digital infrastructure for the submission of preliminary mortgage applications. This feature allows extensive paper savings. We intend to continue to mechanize the processes involved in applying for and granting a mortgage.
- ◆ **Signing of credit documents on the bank's website** - In 2021, we continued the process of raising customers' awareness of the option to receive and sign credit application documents in digital form, without printing and without visiting a branch in person.
- ◆ **Digital empowerment for senior citizens** - Our programs instructing senior-citizen customers on the use of the bank's digital platforms have been successful, contributing to increased use of the digital channels by these customers. As a result, there is less need for senior citizens to visit branches in person, further reducing printing.
- ◆ **Fax-free banking** - In 2021, we began a process of discontinuing the use of fax machines at the bank. Activities

formerly conducted via fax are replaced by structured digital forms and options to send digital messages. This change is expected to lead to savings of approximately 10,000 faxes sent per month.

- ◆ **Digital pay slips for employees** - We developed an option for bank employees to receive their pay slips in digital form, eliminating the need to print the document.

Paper consumption:

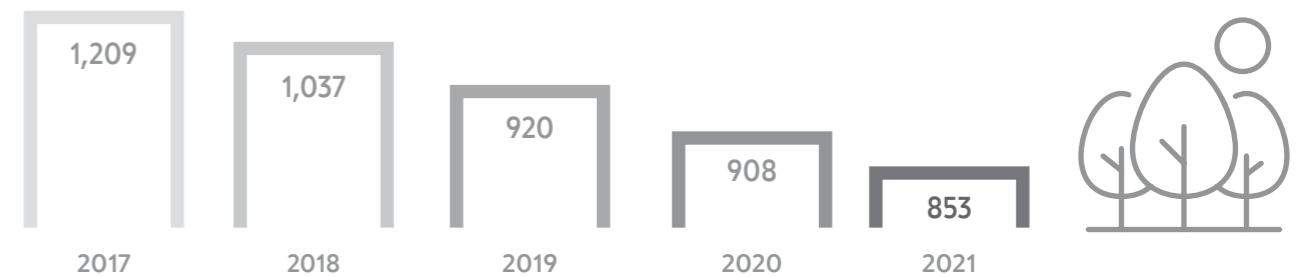
55 metric tonnes

Paper consumption at the bank decreased by approximately 55 metric tonnes in 2021, relative to 2020

70 thousand customers

registered for the service allowing them to receive messages electronically, through the bank's website or their e-mail inboxes in 2021

Paper consumption at the bank (in metric tonnes)



Cardboard recycling:

59.5 metric tonnes

of cardboard were collected and transferred for recycling in 2021

Paper recycling:

~376.9 metric tonnes

of paper were collected and transferred for recycling in 2021

2021 plans – status

2021 plans	status
5% reduction in paper consumption at the bank in 2021, relative to 2020.	✓ Completed 6% reduction
Allowing employees to receive pay stubs digitally instead of in printed form.	✓ Completed

Future Plans

- Computerize mortgage application and refinancing procedures at the Retail Banking Division.
- Computerize and digitize credit application and approval processes in the Corporate Banking Division.

In early 2026, we plan to relocate our headquarters and head-office employees to a central building compliant with the LEED Gold green building standard. As part of the move, we plan to digitize archives, which will save tens of millions of pages a year.

Reducing additional environmental impacts

Production and service processes in banking have a minor direct environmental impact, as the bank's activity is essentially administrative and the service it provides to its customers is primarily delivered through digital means. Nonetheless, it is important to us to cut back on the additional environmental impacts of our activity. We engage our employees in the process of reducing the environmental impact of the bank, based on the approach that their partnership is essential to create change, and in the hope that employees will become promoters of change in their own right. In addition, we seek to extend our influence on environmental conduct to employees' communities; together with their families, ourIn addition, we seek to extend our influence on environmental conduct to employees' communities; together with their families, our employees are a force for change numbering in the tens of thousands. Towards that end, we provide our employees and their families with knowledge and tools to support green behavior, through recycling, energy savings, reduced paper consumption, transition to reusable dishes and utensils, and more.

Management of water resources

Water services are received from various water corporations and local authorities, which are also responsible for wastewater treatment through municipal sewage systems. We routinely examine and monitor water consumption, to identify exceptional consumption and unique consumption patterns. The bank has installed seventeen Wint command and control systems designed for smart management of water resources, used to analyze customer and employee traffic to adapt water consumption to the system. In 2021, these systems helped identify leaks and malfunctions, leading to savings of approximately 511 cubic meters of water.

We reduced water consumption at the bank by approximately 9.5% in 2021.

Promoting green building at the bank

In 2019, we updated the purchasing specifications of the bank for the renovation of existing buildings and for the construction of new offices and branches, according to green-building principles. An expert consultant on green building was also appointed to adapt the technical specifications of materials to green-building standards. It is important to note that many bank branches are located in shopping malls and commercial centers not owned by the bank, where we cannot alter the infrastructures of the buildings. However, we work to embed as many elements of green building as possible at these properties. Routine construction processes at the bank throughout the year gradually integrate environment-friendly elements, as necessary, such as efficient air-conditioning units, energy-efficient LED lighting, shading to save energy in air conditioning, and acoustic ceilings.

In early 2026, the employees of the headquarters and head offices are planned to move to an innovative new building, which will be built in compliance with the LEED Gold standard. The relocation will enable the bank to significantly cut back resource consumption, including electricity and water. The site is located near a train station and major transportation arteries, allowing convenient access for employees and reduced reliance on private vehicles.

Turning waste into a resource and preventing environmental pollution

The environmental trends of recent years have highlighted the fact that one person's waste is another's resource. Without proper treatment, waste pollutes the environment and damages soil, water, and air quality, while contributing to global warming. The bank promotes the collection and responsible disposal of waste through the following activities, among others:

- ◆ **Collection of electronic waste** – We strictly maintain responsible disposal of disused computer equipment. Equipment unsuitable for donation is transferred for responsible recycling and burial 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. At the bank's backup IT site, Rotem, scrapping is performed on site to cut back on shipping. Reusable IT equipment is returned to the bank for refurbishment, to be reused or donated. **Within the collaboration with Ecommunity,**

more than 1,400 computers have been donated to the community over the last few years. We also invite employees to bring electronic waste from their homes to the collection center at the offices of the bank in Tel Aviv.

- ◆ **Removal of fluorescent bulbs** – Old fluorescent bulbs are collected and transferred to Ecommunity for dismantling, crushing, and 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** – 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.
- ◆ **Disposal of used ink cartridges** – Used ink cartridges are removed for recycling and reuse. The bank uses recycled ink cartridges only.

We encourage our employees to collect and recycle waste as a matter of routine. Towards that end, we have placed a variety of waste collection and recycling receptacles at the buildings of the bank. We use the receptacles to promote recycling of paper, electronic waste, bottles and cans, batteries, clothing, and medication. The waste is collected and treated by licensed operators.



Summary of waste data – Bank Hapoalim, 2021

Type of waste	Weight	Processing
Paper	376.9 metric tonnes	Recycling
Cardboard	59.5 metric tonnes	Recycling
Electronic waste*	47.8 metric tonnes	Recycling
Construction waste	1,999.2 kg	Dismantling and burial
Fluorescent bulbs*	826 kg	Dismantling and burial

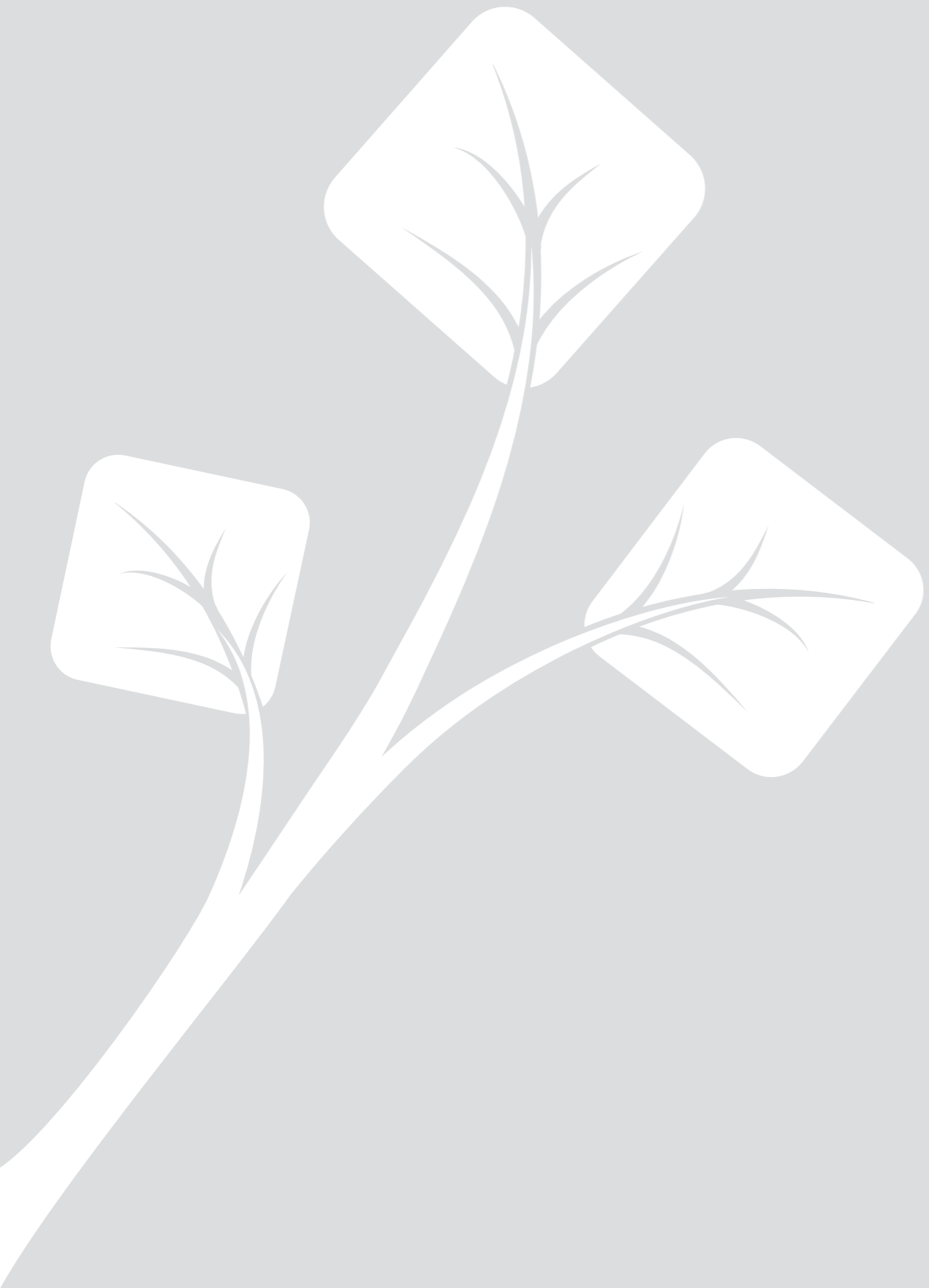
* Although the bank does not deal with hazardous waste, this type of waste may contain hazardous substances, including metals and gases, and is therefore managed by licensed facilities.

• 487 metric tonnes of waste were collected in 2021, out of which 484.2 metric tonnes were recycled and 2.8 metric tonnes were dismantled and buried by licensed disposal contractors.

• Disposal of medications: Eight sacks of unused medications were collected from receptacles at the bank's buildings, estimated at a value of NIS 30,000. Unexpired medications are donated to patients in need through the non-profit organization Haverim Lerefuah (Friends for Health).

2021 plans – status

2021 plans	Status
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.	A system was installed at the head office, contributing to savings of approximately 318 cubic meters of water.

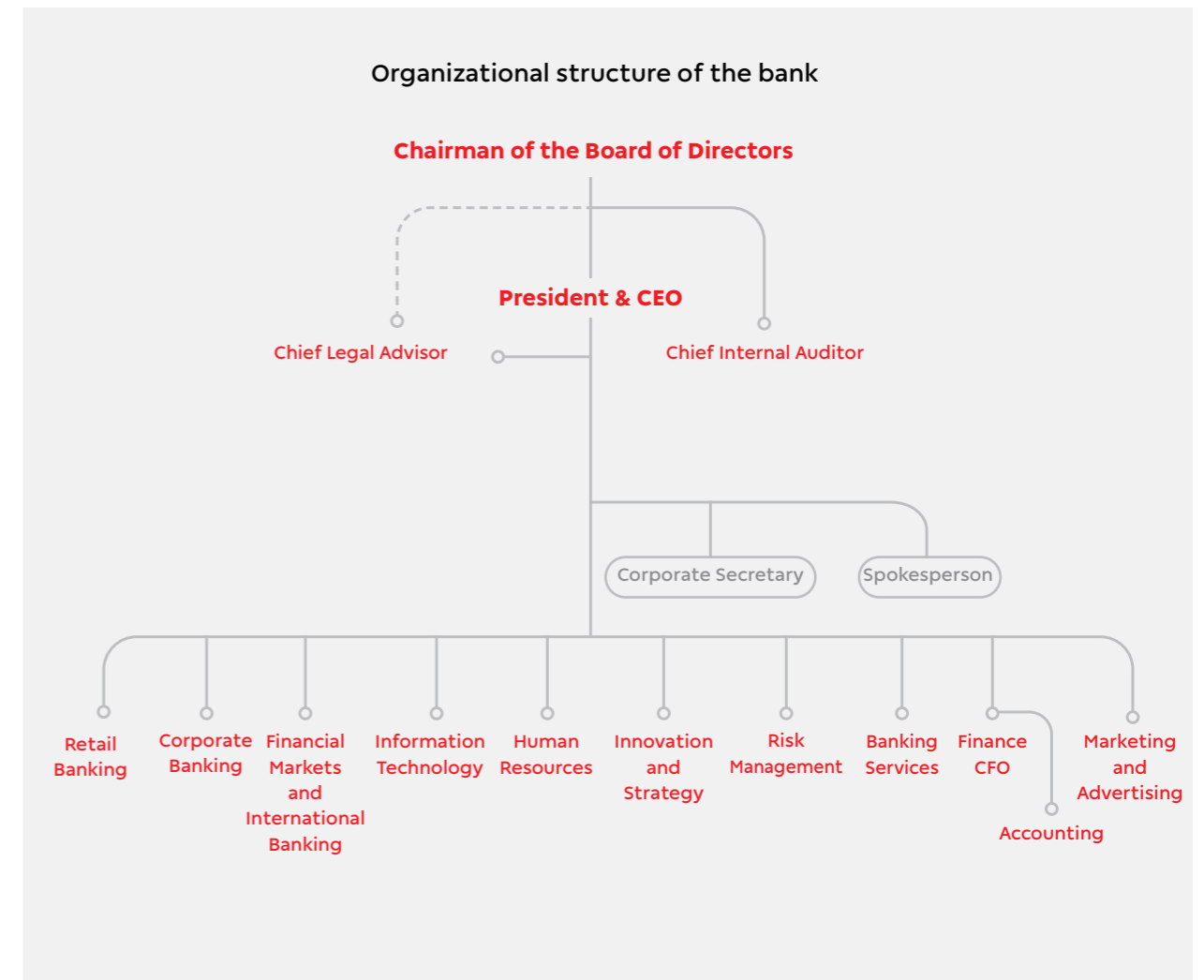


ESG

Governance

Bank profile

Bank Hapoalim was founded in 1921 with the mission of aiding and promoting all workers of the Jewish Settlement (the Yishuv) in the land of Israel. Among its founders were the leaders of the Yishuv at the time: Yitzhak Ben-Zvi, Berl Katznelson, Yitzhak Tabenkin, David Remez, and others, whose signatures still appear on the Memorandum of Association of the bank. In 2021, the bank celebrated its centennial with a series of activities, including a stamp issued by the Israel Post to commemorate the occasion. The bank is a "banking corporation" and holds a "bank" license under the directives of the Banking Law. The bank was privatized in 1997, and the controlling interest was transferred to Arison Holdings (1998) Ltd. and others. In November 2018, the bank became a banking corporation without a controlling core.



Corporate governance, ethics, compliance, and information security

The bank group operates in Israel, in all of the various areas of banking and in areas related to banking. 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 activity in the area of global private banking outside Israel. In view of the economic and political situation in Turkey, and as part of its strategic plan, the bank is acting to sell its investment in Bank Pozitif (for additional information, see the Annual Financial Statements for 2021, p. 73-74).

Shareholders

The bank has only one type of shares – ordinary shares. All ordinary shares have equal rights, for all intents and purposes, including voting rights, the right to dividends, and rights at liquidation. Changes in capital and rights, including increases in registered share capital and the creation of new shares, are detailed in the company articles, which can be viewed on the bank's website. The bank does not have preferred stock. The procedure for the issuance of preferred stock would require amendment of the articles of the bank, with the approval of the shareholders at a general meeting. Annual and special shareholder meetings are convened in accordance with the Companies Law, 1999. Accordingly, one or more shareholders with at least one percent of the voting rights at the general meeting may ask

the board of directors to include a matter on the agenda of a future general meeting, provided that the matter is appropriate for discussion at a general meeting. 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); votes are held separately on each relevant item at the general meeting. Reports and notices to shareholders are sent through the online notification system of the Tel Aviv Stock Exchange, and are available in English on the bank's Investor Relations website.

Governance and control

As a part of the banking system in Israel, Bank Hapoalim operates in a broad legislative environment consisting of primary legislation, standards, and regulations with which the bank is obligated to comply: the Banking Ordinance, the 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.

Internal audit

Internal audit operates independently and objectively, as the third line of defense at the bank, in accordance with Proper Conduct of Banking Business Directive 307. The internal-audit function is directly subordinate to the board of directors and reports directly to the board of directors, including the chairperson of the board of directors and the audit committee. The work of internal auditing addresses a range of topics, including matters aligned with the corporate-governance approach of the bank, such as ethics and compliance oversight, information security and cybersecurity, customer privacy, the prohibition of money laundering and financing of terrorism, and more. Further details regarding internal audit work are available in the financial statements and in the articles of the corporation, which can be viewed on the website of the bank.

External auditors

The external auditors of the bank serve as an external, independent line of defense, responsible for accounting audits at the bank. Pursuant to Proper Conduct of Banking Business Directive 302, at least every three years, or at the end of the period of the appointment of the external auditors, whichever is later, the audit committee must hold a discussion of the possibility of replacing the external auditors of the bank. As stated in the articles of the bank, the external auditors are appointed annually at the general meeting, unless the meeting resolves on an appointment for a longer period of up to three years. The partner responsible for the audit at the accounting firm cannot perform this function for more than five consecutive years. Further details regarding the external auditors are available in the financial statements and in the articles of the corporation, which can be viewed on the website of the bank.

The bank reports on legal proceedings in which it is involved, as required by the Public Reporting Directives of the Banking Supervision Department (for details, see Note 25 to the Financial Statements).

Board of directors

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, other than negligible relationships. Furthermore, a director whose business or regular occupation creates a conflict of interest between the director and the bank, as defined in Directive 301, cannot serve, including in the event that there is a concern that a conflict of interest may emerge. In this context, candidates for service as a director of the bank sign a declaration stating that they have the required qualifications, including the requisite knowledge, education, and experience, and that their other occupations do not create a conflict of interest with their ability to serve as a director of the bank. These declarations are released within the meeting summons report on the online notification system of the Tel Aviv Stock Exchange, and are available in English on the bank's Investor Relations website. In addition, in accordance with Directive 301, at least one-third of the directors at the bank are external directors. At this writing (April 2022), a total of nine directors serve at the bank, of which six are external directors: three external directors under the definition in the Companies Law, and three external directors under the definition in Directive 301.

Directors are appointed at Bank Hapoalim in accordance with the provisions of the law and the Proper Conduct of Banking Business Directives of the Bank of Israel, and with the approval of the Banking Supervision Department. At a banking corporation without a controlling core, directors are generally appointed at an annual general meeting, or at a meeting convened pursuant to Section 35A of the Banking Law, unless the Supervisor of Banks approves a vote at a special meeting. Candidates for service as directors are proposed to the general meeting of a banking corporation without a controlling core by the Committee for the Appointment of Directors, a designated

committee comprising five members, headed by a retired judge, appointed by the Governor of the Bank of Israel pursuant to the Banking (Licensing) Law, 1981 (the "Designated Committee" and the "Banking Licensing Law," respectively). Two members, proposed by the head of the committee, are representatives of the economy, subject to the Government Companies Law, or relevant senior academics, and two are external directors on behalf of the bank, proposed by the other committee members.

In accordance with the Banking Ordinance, in addition to the Designated Committee, only material holders (holders of more than 2.5% of the means of control of the bank) or a society of holders (as stated in the Banking Ordinance) may propose candidates for service as directors to the general meeting, provided that there is no director already serving on their behalf. The board of directors of the bank is not permitted to propose candidates for such service, and officers of the banking corporation are not permitted to act to cause or prevent the appointment of a particular director. The Banking Ordinance establishes restrictions and qualification conditions for the service of all directors at a banking corporation without a controlling core, including restrictions on affiliation with the banking corporation or with officers or material holders thereof, restrictions on holdings of means of control of the banking corporation, and restrictions on the duration of service. The term of service for each director is three years. Voting on the appointment or end of service of each candidate/director is held separately. Pursuant to the provisions of the Banking Ordinance, as long as the bank is a banking corporation without a controlling core, more than half of the directors serving immediately after the previous annual meeting cannot be replaced at a general meeting, unless approval is granted by the Supervisor of Banks.

In 2021, two new directors were appointed at the bank: Mr. Yoel Mintz, appointed as an external director under Directive 301, and Ms. Ronit Schwartz, appointed as a director with “other” status. Concurrently, the term of service of the Chairman of the Board, Mr. Ruben Krupik, who also serves as an external director under Directive 301, was extended. Mr. Stanley Fischer ended his service, for personal reasons, at the end of June 2021; Mr. Richard Kaplan ended his service on November 25, 2021. Further information regarding candidates for service on the board of directors of the bank proposed by the Designated Committee in 2021 and the resolutions of the general meeting on this matter are available in the reports of the bank and on the bank's website. Pursuant to the provisions of the Banking Ordinance, a vote on the appointment of directors is held, separately for each candidate, at the general meeting. Prior to convening a general meeting the agenda of which includes the appointment of directors or the termination of their service, advance notice is issued at least 21 days before the publication of the meeting summons notification. The meeting summons 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; cumulatively, they possess knowledge and education in various fields, including law and regulation, finance and accounting, banking, management, risk management, technology and cybersecurity, and corporate governance.

Details regarding the education and experience of the directors are available in Standard 26 of the Annual Financial Statements of the bank for 2021. 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 of a banking corporation, including knowledge of the construction of SOX processes, at an auditing firm; service as a director at a banking corporation for at least nine years, or as chairperson for at least three years; or equivalent experience approved by the Supervisor of Banks. As at the end of 2021, nine directors with professional qualification serve at the bank, of which eight have accounting and financial expertise, and six have banking experience, according to the regulatory definitions. Some of the members of the board of directors are also

experts on risk management, including credit risks. The performance of the board of directors is evaluated in accordance with Section 59 of Directive 301 and the provisions of the Board of Directors Procedures. The effectiveness of the work of the board of directors is evaluated every two years, for the board of directors' internal needs. The board of directors discusses the findings that emerge from the evaluation process. The most recent effectiveness evaluation was conducted in 2021 and completed in the first quarter of 2022.

The members of the board of directors undergo professional training, in accordance with Proper Conduct of Banking Business Directive 301, based on an annual professional training program adapted to the development, strategy, and complexity of the bank, which addresses professional topics and matters related to the functions of the board of directors and to corporate governance. In 2021, training and instruction was held for members of the board of directors on various subjects, including ESG trends in Israel and globally; climate change, including a survey of current initiatives and trends among leading global banks; innovation; generally accepted accounting principles on current expected credit losses (CECL); fintech and global trends; the new post-COVID economy; market risk creation, measurement, and monitoring tools; and awareness of cybersecurity and information leakage. As of the end of 2021, the risk management and control committee consists of four members, who have accumulated extensive experience with the committee's work. The members of the board of directors attend training on risk management (for examples in 2021, see above). 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 2021, 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; fairness in products and responsible marketing; 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 ESG, 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 ESG plan; an annual discussion and approval of the ESG 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 2021, 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.

44 meetings of the plenum of the board

of directors and 111 meetings of the board committees were held in 2021 (for further information regarding the activity of the board of directors, see page 423 of the Annual Financial Statements for 2021). Average attendance of directors at board meetings stands at approximately 97%. Details regarding the attendance rate of each director are presented in the Corporate Governance Questionnaire in the 2021 Periodic Report. The audit committee convened 36 times, with an attendance rate of 97%. The remuneration committee convened 4 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. Due to the coronavirus outbreak, in 2020 and 2021 many of the meetings of the board of directors and board committees were held using advanced means of communication, according to case rate levels and the restrictions imposed and according to the instructions of the Banking Supervision Department on this matter. 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.

Remuneration of officers

On March 28, 2016, the Knesset passed the Financial Corporations Officer Remuneration Law (Special Approval and Non-Deduction of Expenses for Tax Purposes due to Exceptional Remuneration), 2016 (the "Remuneration Limit Law"). The remuneration policy

is presented to the shareholders for approval at the general meeting or at a special meeting, once every three years. The remuneration policy for officers of the bank is aligned with the directives of the Remuneration Limit Law, the Companies Law, and the directive of the Banking Supervision Department regarding remuneration policies at banking corporations, and was approved by the general meeting of the bank, most recently in October 2020 (in respect of the years 2021-2023). At the same time, the terms of service and employment of the chairperson 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, and 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. We were in compliance with this policy in 2021. 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 2021, and in the report dated September 17, 2020, convening the general meeting for the approval 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.
- ◆ To base annual bonuses on the return on equity of the bank, as well as on the attainment of measurable and non-measurable, quantitative and qualitative personal performance targets, matched to the overall strategic plan of the bank and of its secondary units and to the work plans derived from this 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. Achievement of the return on equity threshold establishes the threshold condition for distribution of an annual bonus to officers; discretionary bonuses may be granted in the event that the threshold conditions are not achieved.

Tax policy

The bank manages its tax policy at the level of the group, and pays tax in accordance with the requirements of the law, maintaining cooperation with the tax and law authorities in Israel, in all geographical regions in which it operates, and adhering to directives regarding compliance, disclosure, and reporting. The bank also supplements its tax in Israel in respect of its earnings from activities overseas, in full coordination with the tax authorities. We follow the provisions of the law and the OECD standards with regard to taxation and tax planning. Accordingly, we refrain from tax planning and avoid the use of tax havens and offshore accounts; we do not engage in base erosion and profit shifting; and we apply country by country analysis, in which detailed financial data regarding each country in which we operate is presented.



Business continuity in emergencies

The bank 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 Business Continuity Risk Management and Operational Resilience Unit, established within the Risk Management Division in 2021, serves as a second line of defense in the area of business continuity risks and emergency preparedness. The business continuity policy was also adopted by the subsidiaries, in Israel and overseas, and at the overseas branches of the bank, in line with the corporate governance policy and guidelines of the Bank of Israel. 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.

As part of its preparedness for business continuity, the bank is prepared to handle a range of possible scenarios, which are presented to and approved by the board of management and board of directors annually. Due to the spread of the coronavirus, the bank is operating using work formats that vary according to the waves of the pandemic. Various actions are taken when a wave is gaining power, such as changes in work formats, increased work from home, splitting of critical units, and more. The bank applies the emergency regulations for the reduction of the spread of the coronavirus, the instructions of the Ministry of Health and the Bank of Israel, and other binding regulations in full, in order to ensure the continued delivery of service to its customers through the various channels. Department heads and branch managers have been appointed as "coronavirus supervisors" and assigned the responsibility of implementing all guidelines applicable to their units. The bank is in contact with its essential suppliers to ensure continued and continuous service, as well as with its subsidiaries in Israel and overseas and its overseas branches, and with its various partners in the banking system and in financial services. The bank reports to the Bank of Israel at the frequency it determines, or upon exceptional events, according to the instructions. The work schedule is updated from time to time, according to instructions and various developments. In particular, in late 2021 and during the first quarter of 2022, in light of the Omicron outbreak, the bank prepared to activate business continuity plans according to plans for operating with a reduced workforce, while fully implementing the binding national emergency regulations and supplementary solutions to ensure functional continuity and protect the health of employees and customers. Within its business continuity preparedness, the bank is prepared to address a range of possible scenarios.

Risk management and systemic risks

The risk-management strategy of the bank group is designed to support the achievement of the strategic objectives of the group as a whole, while identifying and quantifying risks, establishing risk ownership, and maximizing business value, taking into consideration costs in terms of risk, by every responsible function at all levels of the organization. Accordingly, each business function is responsible for managing the risks in its activity, while the Risk Management Division serves as a second line of defense – an independent function responsible for guiding, challenging, monitoring, and independently reporting risks. Risk management at the bank is based on a uniform methodology, from a comprehensive perspective, adapted to regulatory requirements, with the aim of supporting informed risk-taking in order to maximize the group's profitability at a risk level aligned with its risk appetite and risk tolerance, congruent with business benefits. The Banking Supervision Department has set forth guidelines concerning risk management in the Proper Conduct of Banking Business Directives. The directives detail the requirements of the Banking Supervision Department for the management of the various risks to which a banking corporation is exposed, and stipulate fundamental principles for the management and control of risks, including suitable involvement in and thorough understanding of risk management by the board of directors of the banking corporation, the management of risks by a risk manager who is a member of the board of management, the employment of tools for the identification and measurement of risks, and the creation of means for supervision and control, including the existence of an independent risk-control function. The bank operates in accordance with the guidelines of the Banking Supervision Department.

Risk control and the assessment of financial risks and operational risks are performed based on a uniform methodology at the group level, under the direction of the Risk Management Division, taking into



account the unique characteristics of the activity of each subsidiary and overseas activity; risks are measured and managed independently at each company, and an overview is presented to the management of the bank. Any risks in new products or processes are identified through an orderly procedure, based on the policy for the launch of new products and processes. Models used to assess risks are tested prior to implementation and periodically, based on the bank's model validation policy. The bank performs comprehensive examinations to assess the risks to which it is exposed and estimates the materiality of such risks, within the ICAAP (Internal Capital Adequacy Assessment Process). For details, see Chapter 3, "Review of risks", on p. 74 of the Financial Statements.

In the management of risk, the bank takes various systemic effects into account. The bank routinely examines the potential effects of various financial and operational systemic scenarios, within its regular internal stress testing and the uniform scenarios of the Bank of Israel, on capital and liquidity ratios and on the operations and customer service of the bank, and prepares accordingly. The goal is to ensure resilience in the face of various crises, and

to allow continued banking operations, in recognition of the responsibility of the bank towards its customers and various stakeholders, and understanding of the importance of banking to the functioning of the economy.

Preparations for preserving the continuity of banking operations and the financial robustness of the bank take the form of business continuity preparedness, procedures, and policies, as well as analyses, assumptions, and contingency plans addressing financial aspects of such events. In this context, note that as a large bank (holding over 20% of the balance-sheet assets in the Israeli banking system), Bank Hapoalim is required to maintain a capital ratio of 10% (rather than 9%). This capital adequacy contributes to the financial robustness of the bank and supports the continued activity of the bank and the economy in times of crisis. Along with all of the above, the bank takes into consideration the potential impact on the markets of its management of liquidity and various market exposures, and is prepared to maintain operations in the event of disruptions in the markets.

Safety

Within the responsibility of the bank towards its employees, its suppliers, and everyone who visits its premises, we work to minimize and prevent safety hazards at all of our locations and include safety considerations in our decision-making processes at all levels, to reduce adverse health impacts on our employees, suppliers, customers, and any other relevant parties.

The safety policy of the bank establishes the responsibilities of the various functions within the bank for the management of potential safety and hygiene risks on the premises of the bank, in accordance with the provisions of the law and requirements of government agencies, while maintaining some of the most advanced standards of safety and hygiene. The Safety Committee, chaired by the Head of Logistics, convenes quarterly and receives a current status report on safety management, and reports accordingly to the board of directors and board of management. 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.

Professional safety oversight at the bank is performed by the Security and Safety Department, which continually works to identify, assess, and locate risks and establish safety procedures and plans, including preventive actions built into the work plans and action plans of the bank. 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. Internal testing and a management review to track and monitor policy implementation and attainment of targets are conducted; external professionals apply controls to safety systems and to the functionality of equipment in the head-office buildings and branches.

The bank has safety and hygiene management systems based on the OSHAS 18001 standard. Information systems are used to manage and monitor the bank's safety systems, in order to manage safety events, monitor the functionality of equipment, and track the implementation of employee training programs. The bank's Security Center monitors 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.

Safety risk assessments are performed routinely, in accordance with the law and with the bank's safety procedures. The bank maps and specifies the preparedness and responsiveness necessary according to risks identified in respect of emergency situations and crowd events; accidents and safety incidents; purchasing and renting processes; employment of external contractors; construction and renovation, including working at height; road safety; and fire and electrical safety. Frequent audits are performed in these areas, and safety

performance controls are monitored to ensure compliance with policy and with the requirements of the law. Emphasis is also placed on office work, which is characteristic of most of the work at the bank; aspects addressed include ergonomics, lighting, noise, office air quality, and other factors that may impair employees' health and cause occupational diseases.

We hold instructional, training, and educational activities, as part of structured work processes and to raise awareness and heighten responsibility regarding safety. Employees are required to refresh their knowledge through annual safety tutorials. They also participate in safety education in person on potential risks, in areas including accident prevention, evacuation, and electrical and fire emergencies, held by certified external companies. Safety and security trustees at each unit of the bank receive targeted training and are responsible for the preparedness of the unit and for holding periodic escape drills. A dedicated content area on the organizational portal of the bank presents safety and security tips and procedures for employees, as well as a form for reporting work accidents.

In 2021, the number of work accidents⁵⁰ decreased to one, compared with three in 2020. Cumulative lost time from accidents in 2021 reached 85 days, compared with 35 days in 2020. The lost time injury frequency rate and the total recordable injury frequency rate stood at 0.013, compared with 0.039 in 2020.

In 2021, in light of the ongoing coronavirus pandemic, we took actions including training, prevention, and comprehensive sanitization of areas in which cases of COVID-19 were discovered, through an expert company, and maintained continuous contact with the Ministry of Health. We also made every effort to avert recurring contagion, by supplying disinfection supplies and masks, 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 split so that they could work in fixed pods, and restrictions were placed on the number of participants in events and social occasions, according to the decisions of the management of the bank. All of these measures were communicated to employees on a regular basis through the organizational portal and the Portal to Go application.

Code of values and ethics 100%

The code of ethics and conduct of the bank, "Our Way: A Code of Values and Ethics," constitutes a declaration of our identity and uniqueness as employees of Bank Hapoalim. The code reflects the bedrock values of the bank and delineates the expectations and behaviors we are all adopting and striving to uphold, among ourselves and towards our customers and other stakeholders. The code is designed to be used by employees and managers, in all units and at all ranks, as a compass for appropriate conduct in coping with ethical dilemmas during their routine work.

The new vision of the bank, launched during 2021, is an expression of our commitment to growth through innovative and fair banking. To ensure that we are able to realize our new vision and integrate its business, organizational, and cultural components, we formulated a foundation of values to guide our actions, and the rules of conduct derived from this foundation. Within this process, we redefined the five core values that guide the way we operate, do business, and benefit the economy, society, and the environment:

- ◆ **Focus** – dedicated to customers' best interests;
- ◆ **Delivery** – making it happen;
- ◆ **Partnership** – working together, for you;
- ◆ **Growth mindset** – growth and development;
- ◆ **Fairness** – fairness and responsibility.

Each of the core values is relayed into key behaviors for application of the values in practice. Taken together, they form a comprehensive organizational approach integrating a customer-centric worldview with quick, flexible deployment to deliver optimal responsiveness grounded in partnership, boldness, and aspiration to continual improvement. We also refreshed the code of ethics of the bank, in the spirit of the values, and established our rules of ethics in reference to our stakeholders.

100%
of employees took part in the launch of the new code of ethics and values supporting the new vision

86%
of employees completed a learning module on the new code of ethics launched in late 2021. The new code of ethics was communicated and publicized to all employees through the organizational portal

50. The data refer to employees of the bank, based on a calculation of 200,000 hours of work (hwkd), at 8 hours per day. There were no cases of loss of life as a result of a work accident in 2020-2021.

Channels for reporting ethical issues

Bank Hapoalim encourages every employee who encounters an ethical dilemma or violation of compliance directives to report and/or consult on the issue without concern (including anonymously), providing protection under all laws and maintaining confidentiality. The bank accords high importance to employee reports as a means of identifying and locating deficiencies and flaws, investigating the issues, promoting work process improvements, and strengthening alignment with the norms and values of the bank. Employees of the bank are required to report to the relevant functions on cases that raise concern of violation of the norms and values of the bank, such as:

- ◆ Breaches of the law, policies, and procedures.
- ◆ Inappropriate activity by employees, managers, and directors in any area.
- ◆ Attempts to circumvent monitoring and reporting systems of the bank.
- ◆ Unfair, unethical, or irresponsible conduct towards customers of the bank.
- ◆ Discrimination, harassment (including sexual harassment), and disrespectful or offensive behavior.

Bank employees who suspect any violation of the bank's values and norms by any other employee can use several open or anonymous reporting methods, as detailed in the code of ethics, including the anonymous channel on the organizational portal, which is available at all times.

Knowledge refreshment on this topic, including the communication channels, is conducted twice annually by the Chief Compliance Officer Area in collaboration with the Human Resources Area and the Internal Audit Area. Notices are sent in individual letters and portal messages describing the channels available to employees for inquiries and reports, examples of situations requiring a report, and past reported incidents and conclusions drawn from them.

To ensure that employees who submit reports are protected and do not suffer any harm as a result of the report, a process and procedure have been developed and approved by the board of directors in order to safeguard these employees and maintain their anonymity, subject to all laws. The Human Resources Area protects employees of the bank from retribution or harassment, including worsened terms, withholding of promotion, or dismissal. Internal audit serves as another channel for employees to contact in the event that they believe they have not been adequately protected.

Throughout the year, audit, risk-management, and human-resource functions maintain a shared interface to assess and manage ethics risks and risks related to possible violations of the code of ethics. Internal audit at the bank also reviews the usage of the bank's systems to ensure and implement the code of ethics. In the event that behavior or action inconsistent with the bank's code of ethics is identified, an in-depth examination is conducted, and relevant measures are applied to prevent and remedy the problem, in addition to routine audit activities and the lines of defense at the bank. The process of evaluating employees' performance also includes examination of how they uphold the

ethics and compliance rules of the bank, and completion of their required study of regulatory issues.

Once annually, within the annual compliance report by the Compliance Officer, the board of management and board of directors receive a report on the number of inquiries, nature of the inquiries, and type of reporting (open or anonymous). The audit committee receives a report on inquiries received every six months. Reports on employee protection, if granted, are submitted to the audit committee each quarter.

In 2021, inquiries and consultations regarding ethics were received from employees through various channels, both openly and anonymously. The inquiries concerned a range of subjects, such as potential conflicts of interest, issues related to receiving gifts, and norms of behavior at the bank. In addition, eleven cases of suspected impairment of 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, according to the measures available to the bank, primarily termination of employment, removal from a management position, suspension of promotion, suspension of a bonus, reprimand letters, clarification conversations, etc. The bank also reported three incidents of embezzlement or suspected embezzlement to the Bank of Israel, pursuant to Proper Conduct of Banking Business Directive 351.

Whistleblower mechanism

In accordance with the Protection of Employees Law of 1997, the bank has a whistleblower protection mechanism to allow employees to report incidents of corruption. The mechanism is based on the ethics inquiry and reporting channels described in this section, and includes the same protections and instructions, as well as reports to the board of management and board of directors.

2021 plans - status:

2021 plans	Status
Launch of a code of ethics adapted to the new cultural focus areas, and application of processes to instill the code.	✓ Completed

Future plans

Continue the process of instilling the code of ethics and cultural values among all employees of the bank, as well as external staff.

Preventing bribery and corruption

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

We believe that corruption and bribery are destructive, and we absolutely reject these practices. We are committed to the implementation of the policy of the bank in this area at the level of the board of directors, the board of management, and every employee, including adjustments of work processes to prevent such occurrences.

Activities and processes for the prevention of corruption and bribery have been in place at the bank for many years, in various contexts, including the prevention of corruption in connection with customer accounts (see details in the section "Compliance and pre-

vention of money laundering and financing of terrorism," below) and employee conduct. The corruption and bribery prevention policy of the bank is applied at the level of the group, as well as to suppliers and third-party subcontractors that provide services to the bank. Implementation of the policies and procedures and the application of controls are under the responsibility of each division of the bank, and supervised and led by the chief compliance officer of the bank. Risk assessment and oversight of the effectiveness of content and procedures are applied by the compliance officer and reported to the board of management and board of directors. In addition, pursuant to Proper Conduct of Banking Business Directive 351, in the event of reasonable concern or a significant incident of embezzlement, the bank must submit an immediate report to the board of directors, internal audit, and the Supervisor of Banks,

unrelatedly to reports to other agencies, including law-enforcement agencies.

The bank has a system of content, processes, controls, and procedures designed to prevent corruption and bribery (for details regarding the lines of defense, see the section "Compliance and prevention of money laundering and financing of terrorism," below). The bank has also added detailed sections to the code of ethics reflecting its position on the prohibition of corruption and bribery and on receiving or giving gifts or favors, with the aim of making a clear and unequivocal statement to all of the bank's internal and external stakeholders regarding its policy in this area (see the Code of Ethics on the bank's website).

In late 2021, a supervisor of the prevention of bribery and corruption was appointed in the Chief Compliance Officer Unit at the bank to lead an enforcement plan.

Compliance and prevention of money laundering and financing of terrorism

The areas of responsibility of the chief compliance officer of Bank Hapoalim are derived from Proper Conduct of Banking Business Directive 308, Compliance and the Compliance Function at a Banking Corporation ("Directive 308"). Accordingly, the Chief Compliance Officer Area comprises the following professional functions:

- ◆ The Money Laundering Prohibition Department, which handles all of the components of the prohibition of money laundering and prevention of terrorism financing, including the declared money policy applied to foreign residents.
- ◆ The Securities Enforcement and Compliance Unit, which is responsible for enforcement of the Securities Law, 1968; the Joint Trust Investments Law, 1994; and the Law for Regularization of the Occupation of Investment Advising, Investment Marketing, and Investment Portfolio Management, 1995 (hereinafter:

the "Securities Laws"), and ensuring adherence to the various compliance directives, including with respect to the bank's fairness towards its customers 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 Unit, which is responsible for ensuring compliance and the prohibition of money laundering at the bank's offices outside Israel, control over correspondent banking, and cross-border issues.
- ◆ The Protection of Privacy and Competition Law Enforcement Unit, which handles a range of matters related

to the protection of privacy at the bank and compliance with laws concerning competition and the prohibition of discrimination.

- ◆ The Coordination and Monitoring Department, which has responsibilities including liaison with the compliance units of the bank, processing reports of the chief compliance officer, managing technological systems in the area of compliance, and overseeing training in this area.
- ◆ Hetz ("Thinking Compliance") Expert Center – Responds to the business units on issues of international taxation, the prohibition of money laundering, and compliance systems.

The Chief Compliance Officer Area operates in accordance with a group compliance policy approved by the board of directors and updated annually. The compliance policy

sets forth rules regarding the full range of matters in the areas of the prohibition of money laundering and financing of terrorism, compliance and enforcement in securities, conflicts of interest, compliance in international taxation, the fairness of the bank towards its customers, advising customers, protection of privacy (excluding information-technology aspects), and taxation aspects relevant to products or services for customers. The policy emphasizes corporate control and the interaction with subsidiaries and branches outside Israel, based on the directives of laws that pertain to the activity of the bank, such as Proper Conduct of Banking Business Directive 308; the Prohibition of Money Laundering Law, 2000; the Counter-Terrorism Law, 2016; Proper Conduct of Banking Business Directive 411; Proper Conduct of Banking Business Directive 306; securities laws; amendments to the Income Tax Ordinance; and relevant Income Tax Regulations. The compliance policy also addresses competition law and the prevention of discrimination.

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 laws concerning securities; development of training systems; knowledge management and infrastructure surveys; analysis of new products and services; system development; and more.

The activity of the Compliance Area of the bank and the effectiveness of compliance risk management are supervised through:

- ◆ The board of directors' committee on risk management and control and the audit committee.
- ◆ The board of directors and management of the bank, which receive quarterly and annual reports containing 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, reports of exceptional events, and violations.

- ◆ The compliance officer also has a channel for direct reporting to senior management and the board of directors if necessary, as part of the ways of securing the status of the compliance function at the bank.

Monitoring and control processes

The control system at the bank group consists of three lines of defense, some of which encompass more than one component of control, as detailed below:

- ◆ **The first line of defense (business units, including headquarters and unit compliance officers)** – consists of controls applied within the units. These controls are applied on two levels:
 - ◆ Controls by the business functions – applied to processes related to the activity of existing customers. Controls are also applied to internal processes at the bank.
 - ◆ Controls by compliance officers and enforcement trustees at the business units – applied to the first line of defense.
- ◆ **The second line of defense** – comprises controls applied by the chief compliance officer, the Risk Management Division, the Finance Division, the head of information security, and legal counsel.
- ◆ **The third line of defense** – consists of controls applied by internal audit, which audits compliance issues and the second line.

Training in the area of compliance

Understanding the importance of fair business conduct and the need to identify exceptional customer activity is crucial in the context of compliance risk; accordingly,

various measures are taken to instill this awareness, including instructional content and tools integrated into training and work processes of managers and bankers. Training is conducted both online and in person, in individual and group settings, as necessary.

The following resources are available to employees who wish to consult or report on relevant matters:

- ◆ The network of branch/regional/divisional/area compliance officers.
- ◆ The Subjective Reporting System.
- ◆ The compliance site on the banking portal.
- ◆ The Hetz Expert Center - provides support on the prohibition of money laundering, CRS, FATCA, and the use of compliance systems, and can be contacted through an online system or by telephone.
- ◆ Communication with the professional units by e-mail or telephone.
- ◆ A system for anonymous queries.

Prohibition of money laundering and financing of terrorism

The bank sees the management of money laundering and terrorism financing prevention risk as vital to the international fight against terrorism and organized crime, and to the goal of protecting the stability and credibility of the bank. The bank therefore has a policy on the prevention of money laundering and terrorism financing, aligned with the provisions of the law, which sets forth binding standards for the Bank Hapoalim Group. The key policies and standards implemented by the various functions can be viewed on the bank's website. The policies and procedures of the bank for the prevention of money laundering and terrorism financing include ordered means and measures, such as the Know Your Customer procedures, which consist of:

- ◆ Identification requirements, prior to opening a customer account or altering an existing account, for familiarization with the customer's identity, occupation, source of income, and capital, as well as the purpose and circumstances of the opening of the



92%
of employees completed learning modules on compliance and regulation, composed of eight tutorials on a range of essential topics, as part of the annual learning curriculum

- account. For business clients, including corporations, the examination also encompasses ownership structure, control, and affinity relationships.
- ◆ Verification based on various means, such as face-to-face identification, declarations, questionnaires, documents, data, reports, and publicly available information, as well as verification with relevant external parties. Expanded due-diligence testing is conducted as necessary, according to customer profiles.
- ◆ Monitoring, tracking, controls, and routine updates of information regarding existing accounts, to ascertain that transactions performed are consistent with the information available to the bank regarding the customer, including the customer's profile and sources of capital.

In accounts opened or administered for a PEP (politically exposed person) in Israel or in a foreign country, ordered procedures apply to the required due diligence and controls for routine monitoring of the customer's activity. Opening an account for a foreign PEP requires approval by senior management; in the event that risk exposure is identified, the approval of the chief compliance officer is required, as well as monitoring of the activity in reference to the Israeli designated terrorism list, the OFAC list, and the lists of the European Union and United Nations. In accordance with the law, documentation of documents, transactions, and information pertaining to the prevention of money laundering and terrorism financing is retained in the records of the bank for at least seven years. Training on the prohibition of money laundering and terrorism financing is provided to bank employees both in person and through tutorials and

knowledge pages on the portal, along with lessons-learned procedures. Within our strict compliance with the law, Bank Hapoalim is committed to accepting only declared funds in the accounts of its customers, whether they are residents of Israel or of other countries. The bank is required to avoid situations in which money is received in a customer account that has not been declared to the tax authorities in Israel, or to the tax authority in the customer's country of residence, with special caution exercised with respect to offshore countries. In 2021, the Chief Compliance Officer Area held 273 compliance and training sessions at branches and relevant units of the bank, with the aim of obtaining an unmediated impression of work processes related to compliance, listening to the voices on the ground, and identifying and examining compliance risks. Due to COVID-19, meetings and training were conducted remotely.



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 bank's transition to working remotely with its customers, raised the risk that this situation would be exploited for cybercrime purposes. Cyberattacks increased around the world, particularly extortion, impersonation, and theft of money; we saw the sophistication of such attacks grow, and incidents of large-scale leakage of personal and private information were widely reported in the media. Given this complex situation, the cyber defense units of the bank mobilized to support change in the conduct of the bank and its customers, and prepared to quickly deliver the safest possible solutions to allow continuity of business activities. Cyber defense at the bank is managed according to the requirements of the Bank of Israel, with an emphasis on Proper Conduct of Banking Business Directive 361, Cyber Defense Management; Proper Conduct of Banking Business Directive 357, Information Technology Management; Proper Conduct of Banking Business Directive 362, Cloud Computing; Proper Conduct of Banking Business Directive 363, Supply Chain Management; and Proper Conduct of Banking Business Directive 367, E-Banking. The bank is also certified under the information-security standards ISO 27001 and 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 reviews of compliance with the annual work plan. The overall information-technology strategy and policy of the bank are also discussed periodically. Details regarding the members of the committee and their professional experience in this field are available in the annual report and on the website of the bank. The board of directors of the bank also receives reports of material events and findings from security surveys and periodic penetration tests. In 2021, there were no cyberattacks involving exposure or leakage of sensitive information or the information of employees or customers, and no fines or sanctions were imposed on the bank in this area. The information security and cybersecurity policies of the bank are applied to most parts of the group, while a few subsidiaries operate independent information security and cybersecurity systems, due to the nature of their activities, in the spirit of the policy of the bank, with the required adjustments. Alongside the internal control systems, the information-security

and cybersecurity policies and systems also undergo reviews by external parties – external consulting firms perform occasional process quality reviews to examine the implementation of the policies and measures, and the Cybersecurity Unit at the Bank of Israel conducts ongoing oversight. The cyber defense units of the bank are managed by the Chief Information Security Officer (CISO), who reports to the Head of Information Technology, and oversees the cybersecurity activities of the bank. The CISO's 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.
- ◆ Development, monitoring, and follow-up of implementation of a comprehensive, detailed plan for coping with cyber risks at the bank.
- ◆ Promotion of awareness of cybersecurity threats, and conducting training on ways of 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.
- ◆ **Operational defense** – In 2021, contingency plans for cyberattacks were written and updated, and procedures for coping with attacks were updated within a lessons-learned process and adjusted to new regulatory directives. This activity, including challenges and employee practice at various ranks of management, is carried out routinely and treated as a focus area.
- ◆ **In-depth defense** – Embedding multiple layers of defensive technologies and cybersecurity controls. The controls refer to human-resource aspects, organizational infrastructure, policies, procedures, technologies, business aspects, and more.
- ◆ **Encryption** – The bank maintains encryption between its internal and external systems, as well as within the network of the bank, in line with regulatory requirements, prevailing standards, and risk assessments.
- ◆ **Resilience and recovery** – Investment in plans to preserve business continuity and recover from logical failure events and cyberattacks.
- ◆ **Instruction and training** – The bank routinely conducts cybersecurity training and instruction for relevant parties, with training programs updated regularly. Activities to promote awareness of cybersecurity threats are held for employees of the bank, subsidiaries, subcontractors, and boards of directors in the group. In addition, efforts have been made to promote awareness among customers and suppliers of the bank, through lectures, information on the bank's website, publication of articles, and collaboration with the Israel National Cyber Directorate during Cybersecurity Awareness Week.
- ◆ Lectures to promote awareness of cybersecurity threats are mandatory for certain categories of employees, such as users with high-level permissions, high-sensitivity units, employees with serial failures in phishing drills, etc.

In 2021, we focused on raising awareness of cybersecurity risks, secure conduct, and information leakage risks. **As part of this effort:**

- ◆ Lectures were held to raise awareness, for bank employees, subsidiaries, subcontractors, and boards of directors in the group.
- ◆ Awareness tutorials were developed on organizational cybersecurity, prevention of physical leaks, and impersonation, as well as tutorials on specific issues.
- ◆ Phishing drills were held.
- ◆ Signs were posted on the premises of the bank, emails were sent, and newsletters were distributed on cybersecurity issues and prevention of information leakage.

- ◆ **Continual examination** – Information-security testing of the bank’s systems is conducted routinely, including through independent external consultants, according to regulatory requirements. The compliance of the bank with the cyber defense policy and with the directives of the Bank of Israel is also assessed periodically. Security surveys and evaluations of the bank’s resistance to risks are performed periodically, including information-security surveys. Systems designated as high-risk by the bank are reviewed prior to the implementation of major changes and in advance of beginning to use new systems, at a frequency of at least once every eighteen months. The surveys are a means of ensuring that the bank’s systems are protected against penetration, unauthorized access, and damage. Material findings are reported to the board of management, the board of directors, and/or the relevant committees. We also act continually to adapt protective systems to the accelerated changes and developments in the digital space.
- ◆ **Corporate governance** – Cybersecurity risk management methodology is formulated to establish methods of

cybersecurity risk management 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, including procedures for reporting and escalation. Training in this area is provided on a regular basis. The bank routinely examines the

effectiveness of its plans to address threats and its ability to respond to such threats.

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.

2021 plans - status:

Plans 2021	Status
Launch of a plan for awareness of cyber risks and prevention of information leaks for employees, customers, and suppliers of the bank.	✓ Completed
Preparation and operational readiness for cyberattacks – cybersecurity drills and preparation of contingency plans for operational defense against developing cybersecurity threats.	✓ Completed
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.	✓ Completed

Future plans

- Fortify and deepen operational defenses.
- Support business and technological innovation at the bank, while protecting the bank and its customers from intensifying threats.
- Strengthen programs for raising awareness of cybersecurity threats among employees, customers, and suppliers.

Protecting customers’ privacy

The protection of privacy at Bank Hapoalim is established and managed in accordance with the Protection of Privacy Law, 1981, the Protection of Privacy Regulations, and other relevant laws, and is subject to supervision by the Privacy Protection Authority. Bank Hapoalim operates within a comprehensive, innovative privacy policy, written and approved according to the significant developments in this area in recent years. The privacy policy of the bank applies to the group as a whole; relevant subsidiaries commit to the policy with the necessary adjustments for their activities. This policy also applies to suppliers, service providers, and other stakeholders, and may vary according to the type of service, including various online services.

The privacy policy of the bank addresses the ways in which information is collected from users and visitors of the bank’s online channels, consent for the use of information, protection of personal information, protection of banking secrecy, and more. In addition to the approval of the policy by the board of management and board of directors, it is discussed by the audit committee and the corporate governance committee. The board of directors of the bank is responsible for supervising the implementation of the policy at the bank, including annual examination of the policy; supervision of exposure levels, with discussion of the principal risks; and supervision of the bank’s treatment of breaches and suspected breaches of the privacy protection laws.

The protection of privacy at the bank is managed by extensive professional staff, including protection of privacy supervisors at the divisions and protection of privacy supervisors at areas and units with higher-sensitivity activity in this respect.

The chief compliance officer serves as the control and enforcement function for the implementation of the policy at the bank. Information-technology aspects, including information security and cybersecurity, are under the responsibility of the Information Technology Division (see the section “Information security and cybersecurity”). We continually work to optimize the protection of customers’ privacy to the extent possible, and include privacy protection considerations in the process of developing new products at the bank. A professional team from one of the leading law firms in Israel, specializing in privacy issues, advises the bank on all matters related to the protection of privacy, including the privacy policy of the bank.

Implementation

The privacy protection functions of the bank are responsible for maintaining and monitoring the implementation of the protection of privacy procedures, identifying and remedying gaps, and providing instruction and training to all relevant parties. Training is conducted based on an annual plan, in person as well as online using tutorials, for employees and bankers in relevant roles (including external workers). Information and procedures on the protection of privacy are posted on the bank’s portal.

15 training sessions (in person and via Zoom) were held in 2021 in which hundreds of relevant bank employees participated

Control processes

In 2021, we carried out a broad operation to map processes that use customers’ personal information and examine the legal foundation for the use of the information (consent-based or legally permitted). A comprehensive formal risk assessment in the area of the protection of privacy is also performed annually, to map privacy risks and examine their impact on user data. In addition, an audit on the protection of privacy was performed by the Internal Audit Area of the bank in 2021.

Customer consent

In general, our data collection conforms with privacy protection laws and is undertaken with the consent of the subjects of the information, as required. Customers who use the online services of the bank are informed directly of the type and nature of personal information collected, the channels through which it is collected, the purposes for which it is used, and the manner in which it is processed. As part of consent management, the bank ensures that the communication with the customer is accompanied by a message informing them whether they are submitting the information under a legal obligation or according to their wish and freely given consent. The use of e-banking services is based on opt-in customer consent; the option to cancel the service by opting out is provided. Materials regarding information security and recommendations for safe use of the online channels are available to customers on the bank’s website, in Hebrew.



Information is only transferred to third parties under a legal requirement, such as a judicial order, or based on customer consent. In the event of information transfers that are unusual in reference to an ordinary business procedure to which the customer has consented, they must sign a banking secrecy waiver. Customers can refrain from signing the form if they do not wish the information to be transferred. All information transfers to third parties are performed for the purpose of the provision of banking services. No information transfers are performed for non-banking purposes, such as selling information to a third party engaged in collecting and selling information to various interested parties.

We are committed to the protection of banking secrecy, and we are not permitted to disclose information to third parties regarding customers' accounts, business, conduct, or any other matter related to the bank-customer relationship. Information is submitted to government authorities in accordance with the law or under a judicial order. Our duty to maintain banking secrecy is not limited to the period of the legal contract or relationship between the bank and the customer; it also applies to the period following the closure of a customer's account, or following a customer's death, for an unlimited duration. The bank has a zero-tolerance policy for breaches of the requirements of the bank in the area of privacy. Breaches of the directives of the bank lead to comprehensive investigation of the facts of the incident, a lessons-learned process, disciplinary proceedings if necessary, and the imposition of significant penalties on employees, according to the circumstances.



Retention of information

Pursuant to the Privacy Protection Regulations (Information Security), records of business and technological actions are retained in the databases of the bank. We maintain a large number of physical, administrative, and technological controls (such as encryption, limited authorizations, monitoring tools, protective tools, and more) in order to protect all aspects of information, including its confidentiality, completeness, and availability. Accordingly, access to information concerning the customers of the bank on the bank's computers is permitted exclusively to trained bank

employees, solely for the purposes of their work. The period of time for which customer information is retained varies according to the business process and the information collected. Retention also meets customer expectations to receive information retrieval services from the bank. Each year, hundreds of requests for historical information retained on the bank's systems are submitted to the bank. Pursuant to Section 14 of the law, the bank permits requests for perusal, amendment, or deletion of the information to be submitted, in writing, with details of the request.

In accordance with the guidelines of the Privacy Protection Authority, in cases of leakage of personal information, the bank immediately informs the Privacy Protection Authority, while reporting to management and the board of directors as necessary, and acts according to its instructions to inform the subjects of the information, to the extent that they may be harmed by the leak. In 2021, three 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.

2021 plans - status:

Plans 2021	Status
Implementation of a new consent management system to improve customers' control over the transfer of information to third parties for the purpose of customization of offers in the digital channels.	✓ Completed
Update of the section on the use of personal information in the terms and conditions for accounts.	✓ Completed
Update of the digital privacy policy.	✓ Completed
Process mapping using a new system we have developed for identification of the use of personal information, and creation of appropriate controls based on the mapping.	✓ Completed continues to be performed annually

Committed to humanity, equality, and non-discrimination

Bank Hapoalim is a major financial institution in Israel, with a direct impact as an employer and as a service provider on more than 2.5 million people, and an indirect impact on a wide circle of stakeholders. This extensive influence obligates us to act responsibly towards the community and society in and beyond Israel, and to protect the human rights of all of the stakeholders of the bank, including employees, customers, members of the community, suppliers, and supply-chain workers.

We believe in the equality of all people and in their fundamental rights, as reflected in the Universal Declaration of Human Rights of the United Nations, and in the principles set forth in the Declaration on Fundamental Principles and Rights at Work of the International Labor Organization. Based on this philosophy, the bank has signed the UN Global Compact on the protection of human rights and labor rights, protection of the environment, and fighting corruption.

The protection of human rights is an integral part of the value system underpinning the business and social activities of the bank, including the provision of services and products, which proclaims that every person should be treated with decency and respect, regardless of race, religion, ethnicity, 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 practical considerations and detached from any

political perspective. We are committed to providing service to all of our customers, regardless of race, religion, ethnicity, country of origin, sexual orientation, views, political affiliation, age, marital status, or place of residence. We serve a diverse customer base through a broad nationwide branch network, emphasizing the creation of value adapted to the needs of specific sectors, such as the Arab population, the ultra-orthodox (Haredi) population, senior citizens, and people with disabilities. During the process of development of financial products and service channels, potential impacts on society and the environment are assessed, and considerations pertaining to the protection of human rights and accessibility to the various segments of the population are taken into account.

We work to protect our customers' privacy through strict adherence to formalized procedures and by following the clear policy established in this area, in line with the Protection of Privacy Law. The bank's policy reflects its commitment to ensuring the availability, confidentiality, completeness, and reliability of customer information. We accord high importance to information security and cyber defense, and we invest extensive resources, both technological and human, to maintain customers' privacy and the confidentiality of banking information in all channels, through the use of some of the most advanced cyber defense methods and information-security products in the world.

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 declarations of the International Labor Organization (ILO), including, among other matters, with respect to the freedom of association and the freedom to conduct collective negotiations. As part of our commitment to our employees, we care for their health and well-being, and we provide an appropriate and responsible work environment free of discrimination, harassment (non-sexual), 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 or minors in contradiction of the provisions of the law, and we do not practice forced employment of any kind. We compensate our employees appropriately and we respect their right to association and collective representation. The protection of rights in the area of employment is monitored by various means, such as satisfaction surveys, regular tracking and processing of employee inquiries, and continual dialogue with employees.

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 for them 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. As part of this effort, we support an extensive range of activities by community organizations in Israel

promoting the human rights of various population groups and segments in Israel. One reflection of this approach is our efforts to promote accessibility in Israeli society, by developing and improving access to banking products targeted to this cause, and through extensive collaborations with social organizations, with the aim of enabling people with disabilities to exercise their fundamental right to receive full service, independently and with dignity.

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 interfaces with the bank and the service provided by the bank, including human-rights issues. All cases are rigorously investigated and addressed accordingly. The service compact on customer communications is displayed to customers at the branches of the bank, on the bank's website, and at self-service stations.



ESG metrics - multi-annual development

Environment

Area	Metric	2017	2018	2019	2020	2021
Environmental credit granted	Balance of credit (balance sheet and off-balance sheet) for projects promoting the environment (NIS billions)	6	8.7	6.4	10.9	13
Energy consumption	Total electricity consumption (kWh)	86,232,616	86,217,677	83,123,204	79,366,534	74,215,420
	Electricity consumption per m2 (kWh)	267.5	273.6	268.1	258.9	252.7
	Percent annual change in electricity consumption (year on year)	-0.18%	-0.02%	-3.6%	-4.5%	-6.5%
	Diesel fuel consumption (L, for transportation and generators)	9,898	138,327	12,016	16,102	29,000
	Gasoline consumption (L, for transportation)	2,746,344	2,160,630	2,369,178	1,851,816	1,915,882
	Total consumption of electricity, diesel, and gasoline (MWh)	111,340	107,281	104,818	96,391	91,953
Consumption of materials	Paper consumption (metric tonnes)	1,209	1,037	920	908	853
	Water consumption (m3)	108,125	92,480.1	79,489.2	68,488.4	61,954
Waste treatment	Paper recycling (metric tonnes)	760	746	575	487.5	376.9
	Cardboard recycling (metric tonnes)	15.3	18.2	23.6	45.4	59.5
	Recycling of electronic waste at the bank (metric tonnes)	94	101.5	62.7	96.1	47.8
	Responsible removal of construction waste (kg)	2,284	1,866	2,356	1,972	1,992
	Responsible removal of fluorescent bulbs (kg)	1,230	1,179	757	1,128	826
	Total waste (metric tonnes)	872.8	868.7	664.4	632.1	487
	Total waste sent for recycling (metric tonnes)	869.3	865.7	661.3	629	484.2
	Total waste sent for dismantling and burial by licensed disposal contractors (metric tonnes)	3.5	3	3.1	3.1	2.8
Carbon footprint	Carbon footprint (metric tonnes CO2eq)	58,360	53,267	47,874	45,003	41,003
	Scope 1+2 greenhouse-gas emissions (metric tonnes CO2eq)	51,626	49,538	46,624	44,030	40,065
	Percent annual change in carbon footprint (year on year)	3%	-9%	-10%	-6%	-9%

Social

Area	Metric	2017	2018	2019	2020	2021
Accessibility of banking services to a wide range of customers	Number of branches of the bank (retail)	259	237	215	189	174
	Percentage of accessible branches and buildings	96%	95%	99%	99.5%	100%
	Number of ATMs and self-service devices accessible to people with blindness	616	752	1,210	1,301	1,218
	Percentage of branches located in geographically peripheral regions	40%	45%	43%	41%	41%
Investment in the community	Community donations and investments (NIS millions)	40	42	43.9	50.5 ⁵¹	35.9
	Number of employees who volunteer	3,500	3,600	3,500	4,000	4,300
Employment profile	Number of employees of the bank (standalone)	8,687	8,290	8,162	7,757	7,788
	Percentage of employees under collective agreements	90%	89.4%	88.2%	87.2%	85.8%
	Percentage of employee absences due to illness (including illness of a family member)	5.62%	5.65%	5.58%	6.76%	5.91%

51. Includes NIS 19 million donated through the Peretz Naftali Fund.

Area	Metric	2017	2018	2019	2020	2021
Diverse employment at the bank	Women as a percentage of total employees	65%	66%	65.6%	65.5%	65.3%
	Women as a percentage of total managers	52.6%	53.2%	54%	54%	55.4%
	Percentage of Arab employees	6.3%	6.4%	6.2%	6.3%	6.2%
	Percentage of hires from underrepresented population segments	17%	22%	20%	21%	22.4%
Training and development of human capital	Percentage of degree holders	66.7%	68%	69%	71%	71%
	Number of days of learning per year	43,211	60,360	53,681	28,255	39,467
	Average annual hours of learning per employee	42.5	52.8	51.2	28.6	40.5
	Investment in professional training for bank employees (in NIS millions)	53	63	65	42	57
	Percentage of employees who received annual feedback on performance evaluation	99%	99%	99%	99%	97%
	Percentage of participants in the Organizational and Social Change Index (until 2019, the Organizational Climate Survey)	83%	81%	80.6%	70%	81%

Corporate governance

Area	Metric	2017	2018	2019	2020	2021
Economic performance (NIS millions)	Total revenues	12,577	13,774	13,208	13,176	14,392
	Net profit attributed to shareholders	2,660	2,595	1,799	2,056	4,914
	Operating and other expenses	8,121	8,960	8,776	7,501	7,803
	Of which, salaries and related expenses	4,300	4,188	4,108	3,836	4,333
	Tax payments	1,355	2,383	1,912	1,716	1,604
	Dividends paid to shareholders	861	496	1,000	720	1,478.8
Direct economic value for stakeholders	Economic value distributed by the bank group to stakeholders: operational expenses, salaries and related expenses, donations and sponsorships, provision for taxes, dividends (NIS millions)	10,981	11,507	11,501	9,862	12,274
Board of directors	Number of board members (as of the end of 2021)	10	7	9	9	9
	Percentage of external directors (as defined in the Companies Law and in Proper Conduct of Banking Business Directive 301)	50%	57%	55%	55%	66%
	Percentage of women on the board of directors	16%	14%	22%	22%	33%



GRI content index and Global Compact COP

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103-1		Explanation of the material topic and its boundary	61, 104-107	
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103-2		The management approach and its components	113-117	
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302-1		Energy consumption within the organization	114, 116	
302-2		Energy consumption outside of the organization	Not relevant	
302-3		Energy intensity	114	
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GRI 305: Emissions 2016		GRI 103: Management approach 2016		
	103-1	Explanation of the material topic and its boundary	110-112	7,8
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	GRI 305: Emissions 2016			
	305-1	Direct (Scope 1) GHG emissions	110-112	7,8
	305-2	Energy indirect (Scope 2) GHG emissions	110-112	7,8
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	305-4	GHG emissions intensity	111	7,8
	305-5	Reduction of GHG emissions	111-112	7,8,9
	305-6	Emissions of ozone-depleting substances (ODS)	110	7,8
	305-7	Nitrogen oxides (NOX), sulfur oxides (SOX), and other significant air emissions	Not relevant	7,8

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GRI 401: Employment 2016	GRI 103: Management approach 2016			
	103-1	Explanation of the material topic and its boundary	73	1,2,6
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	103-3	Evaluation of the management approach	73	
	GRI 401: Employment 2016			
	401-1	New employee hires and employee turnover	75	6
	401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	92-93	
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GRI 402: Labor/ Management Relations 2016	GRI 103: Management approach 2016			
	103-1	Explanation of the material topic and its boundary	74, 90, 93	2,3
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	103-1	Explanation of the material topic and its boundary	86-87	6
	103-2	The management approach and its components	86-87	
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	GRI 404: Training and Education 2016			
	404-1	Average hours of training per year per employee	88	
	404-2	Programs for upgrading employee skills and transition assistance programs	87-88, 90, 93	
	404-3	Percentage of employees receiving regular performance and career development reviews	79, 149	
GRI 405: Diversity and Equal Opportunity 2016	GRI 103: Management approach 2016			
	103-1	Explanation of the material topic and its boundary	82-85	1,6
	103-2	The management approach and its components	82-85	
	103-3	Evaluation of the management approach	82-85	
	GRI 405: Diversity and Equal Opportunity 2016			
	405-1	Diversity of governance bodies and employees	83-85, 149	
	405-2	Ratio of basic salary and remuneration of women to men	81	
GRI 406: Non-discrimination 2016	GRI 103: Management approach 2016			
	103-1	Explanation of the material topic and its boundary	81, 37	1,2,6
	103-2	The management approach and its components	81, 37	
	103-3	Evaluation of the management approach	81, 37	
	GRI 406: Non-discrimination 2016			
406-1	Incidents of discrimination and corrective actions taken	81		

Standard	Disclosure	Description	Page	UNGC-cop
GRI 407: Freedom of Association and Collective Bargaining 2016	GRI 103: Management approach 2016			
	103-1	Explanation of the material topic and its boundary	74, 93	1,2,3
	103-2	The management approach and its components	74, 93	
	103-3	Evaluation of the management approach	74, 93	
	GRI 407: Freedom of Association and Collective Bargaining 2016			
	407-1	Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	99	
GRI 413: Local Communities 2016	GRI 103: Management approach 2016			
	103-1	Explanation of the material topic and its boundary	61-71	
	103-2	The management approach and its components	61-71	
	103-3	Evaluation of the management approach	61-71	
	GRI 413: Local Communities 2016			
	413-1	Operations with local community engagement, impact assessments, and development programs	39-53, 61-71	
	413-2	Operations with significant actual and potential negative impacts on local communities	108-110	
	FS13	Access points in low-populated or economically disadvantaged areas by type	22, 44, 47, 49	
FS14	Initiatives to improve access to financial services for disadvantaged people	39-53		
GRI 414: Supplier Social Assessment 2016	GRI 103: Management approach 2016			
	103-1	Explanation of the material topic and its boundary	96, 97, 99	no specific requirement
	103-2	The management approach and its components	96, 97, 99	
	103-3	Evaluation of the management approach	96, 97, 99	
	GRI 414: Supplier Social Assessment 2016			
	414-1	New suppliers that were screened using social criteria	97-99	1,2,6
414-2	Negative social impacts in the supply chain and actions taken	99		

Standard	Disclosure	Description	Page	UNGC-cop
GRI 417: Marketing and Labeling 2016	GRI 103: Management approach 2016			
	103-1	Explanation of the material topic and its boundary	36-37	8
	103-2	The management approach and its components	36-37	
	103-3	Evaluation of the management approach	36-37	
	GRI 417: Marketing and Labeling 2016			
	417-1	Requirements for product and service information and labeling	36-37	8
GRI 418: Customer Privacy 2016	GRI 103: Management approach 2016			
	103-1	Explanation of the material topic and its boundary	143-145	1
	103-2	The management approach and its components	143-145	
	103-3	Evaluation of the management approach	143-145	
	GRI 418: Customer Privacy 2016			
	418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	145	
GRI 419: Socioeconomic Compliance 2016	GRI 103: Management approach 2016			
	103-1	Explanation of the material topic and its boundary	,140 ,36-37 ,132 138	
	103-2	The management approach and its components	,140 ,36-37 ,132 138	
	103-3	Evaluation of the management approach	,140 ,36-37 ,132 138	
	GRI 419: Socioeconomic Compliance 2016			
	419-1	Non-compliance with laws and regulations in the social and economic area	140	1
Product profile (Sector supplement)	Product profile: (Sector supplement) 2016			
	FS6	Percentage of the portfolio for business lines by specific region, size, and by sector	26 ,107	
	FS7	Monetary value of products and services designed to deliver a specific social benefit	26	
	FS8	Monetary value of products and services designed to deliver a specific environmental benefit	24 ,105 ,107	

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

Environmental and climate risk management in financing and investments	GRI 201-1: Direct economic value generated and distributed, GRI 201-2: Financial implications and other risks and opportunities due to climate change. GRI 305: Emissions
Development of financial products promoting a green environment	GRI 203-2: Significant indirect economic impacts
Reduction of environmental impacts	GRI 301: Materials, GRI 302: Energy, GRI 305: Emissions
Fair and responsible service	GRI 417: Marketing and labeling, GRI 418: Customer privacy
Financial inclusion and accessibility of banking services	GRI 413: Local Communities, Product profile (Sector supplement)
Employment conditions and appropriate work environments	GRI 401: Employment, GRI 402: Labor/Management relations 406: Non-Discrimination
Diversity and inclusion of employees	GRI 405: Diversity and Equal Opportunity
Employee development and training	GRI 404: Training and Education
Social and community engagement	GRI 413: Local Communities
Responsible supply chain	GRI 414: Supplier Social Assessments, GRI 204: Procurement Practices
Ethics, fairness, and prevention of corruption	GRI 205: Anti- corruption, GRI 419: Socioeconomic Compliance, GRI 102-16: GRI 102-17 (Ethics and integrity)
Information security and customer privacy	GRI 418: Customer Privacy
Corporate governance and regulatory compliance	GRI 102-18 : GRI 102-39 (Governance), GRI 419: Socioeconomic Compliance
Innovation	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
Systemic risk management	GRI 102-15: Key impacts, risks, and opportunities
Business continuity	GRI 102-15: Key impacts, risks, and opportunities

SASB⁵² INDEX

Topic	Accounting Metric	Code	Sources
Data Security	(1) Number of data breaches, (2) percentage involving personally identifiable information (PII), (3) number of account holders affected	FN-CB-230a.1	2021 ESG Report: ◆ Information security and cybersecurity, p. 126-128. ◆ Protecting customers' privacy, p. 143-145.
	Description of approach to identifying and addressing data security risks	FN-CB-230a.2	Report on Risks as at December 31, 2021: ◆ H.3. Information security and cyber risks, p. 121-122.
Financial Inclusion & Capacity Building⁵³	(1) Number and (2) amount of past due and nonaccrual loans qualified to programs designed to promote small business and community development	FN-CB-240a.1	2021 ESG Report: ◆ Promoting the growth of small and mid-sized businesses, p. 25-27. ◆ Financial inclusion, p. 39-53.
	(1) Number and (2) amount of past due and nonaccrual loans qualified to programs designed to promote small business and community development	FN-CB-240a.2	
	Number of no-cost retail checking accounts provided to previously unbanked or underbanked customers	FN-CB-240a.3	
	Number of participants in financial literacy initiatives for unbanked, underbanked, or underserved customers	FN-CB-240a.4	
Incorporation of Environmental, Social, and Governance Factors in Credit Analysis	Commercial and industrial credit exposure, by industry	FN-CB-10a.1	2021 ESG Report: ◆ Managing climate and environmental risks in business activities, p. 108-110 Report on Risks as at December 31, 2021: ◆ D.4. Credit risk exposures, p. 59-70. ◆ O. Environmental risk, p. 131-133.
	Description of approach to incorporation of environmental, social, and governance (ESG) factors in credit analysis	FN-CB-410a.2	2021 ESG Report: ◆ Providing financing to promote a green environment, p. 104-107. ◆ Managing climate and environmental risks in business activities, p. 108-110. Report on Risks as at December 31, 2021: ◆ O. Environmental risk, p. 131-133.

52. Sustainability Accounting Standard Board: COMMERCIAL BANKS Industry Standard, Version 2018-10.

53. For further details, see the Financial Statements, Note 28A, Operating Segments Based on the Management Approach. It is important to note that the CRA metrics are not relevant to the bank.

Topic	Accounting Metric	Code	Sources
Business Ethics	Total amount of monetary losses as a result of legal proceedings associated with fraud, insider trading, anti-trust, anti-competitive behavior, market manipulation, malpractice, or other related financial industry laws or regulations	FN-CB-510a.1	2021 ESG Report: ◆ p. 36, p. 126. 2021 Annual Financial Statements: ◆ Note 25E, Legal proceedings, p. 284-303.
	Description of whistleblower policies and Procedures	FN-CB-510a.2	2021 ESG Report: ◆ Code of values and ethics – Our Way, p. 135-136. Code of Values and Ethics – Our Way: ◆ p. 49.
Systemic Risk Management	Global Systemically Important Bank (G-SIB) score, by category	FN-CB-550a.1	Not relevant ⁵⁴
	Description of approach to incorporation of results of mandatory and voluntary stress tests into capital adequacy planning, long-term corporate strategy, and other business activities	FN-CB-550a.2	Report on Risks as at December 31, 2021: ◆ B.5. Stress scenarios, p. 18-19. ◆ B.6. Severity of stress scenarios, p. 19-21. ◆ F.1.d. Market risk assessment methodology, p. 96-98. ◆ O. Environmental risk, p. 131-133.
Activity Metrics⁵⁵	(1) Number and (2) value of checking and savings accounts by segment: (a) personal and (b) small business	FN-CB-000.A	2021 Annual Financial Statements: ◆ 2.5. Description of the Bank Group's business by operating segment based on the management approach, p. 69-71.
	(1) Number and (2) value of loans by segment: (a) personal, (b) small business, and (c) corporate	FN-CB-000.B	

54. The bank is not part of the G-SIB list, as defined by the FSB. However, as a large bank holding more than 20% of the balance-sheet assets in the banking system in Israel, Bank Hapoalim is required to maintain a capital ratio of 10%, not 9%. For information regarding the capital adequacy of the bank, see Section C, Capital adequacy and leverage, in the Report of Risks as at December 31, 2021, and Note 24, Capital, Capital Adequacy, Leverage, and Liquidity, to the Annual Financial Statements for 2021.

55. The data are presented in accordance with the reporting in the financial statements, based on the management approach to operating segments. For additional information, see Note 28A, Operating Segments Based on the Management Approach, to the Annual Financial Statements for 2021.

Quality Assurance Declaration

Bank Hapoalim ESG Report for 2021

Introduction

Shibolet ESG is a consulting practice operating within the subsidiary Shibolet Consulting Services Ltd. In February 2022, Bank Hapoalim asked the company to perform a quality assurance process for its 2021 ESG report. It is hereby declared that the company receives payment to cover the time invested in this process. Beyond that, neither the company nor Dr. Liad Ortar, who performed the work, have business consulting relationships with Bank Hapoalim; the quality assurance process was independent. During the quality assurance process, a draft of the report was reviewed, comments were submitted, and this quality assurance declaration was drafted.

Work method

Quality assurance for corporate responsibility reports is a process aimed primarily at improving the quality of the output through professional



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review. In this process, the report is examined for its fulfillment of three key principles:

- 1. Inclusivity** - addresses a wide range of stakeholders.
- 2. Materiality** - addresses the material subjects in the activity of the company.
- 3. Responsiveness** - reports on subjects raised by stakeholders.

Findings

This is the fifteenth report from Bank Hapoalim. The report adopts the SRS reporting guidelines of the Global Reporting Initiative (GRI), and complies with the Comprehensive Option reporting format. I hereby declare that Bank Hapoalim has complied with the scope of disclosure and reporting expected at this level, upholds the three principles noted above, and meets the AA1000AS Assurance Standard of the AccountAbility organization.

This report also refers to the SASB reporting standards for the banking sector, for the first time: the Commercial Banks Industry Standard, Version 2018-10. This report addresses the issues included in the aforesaid reporting metrics and provides the required references to the pages of the report in which this information appears. The ESG Report of Bank Hapoalim for 2021 continues to demonstrate a trend of commendable professional development. I would like to highlight, in particular, the statement of the bank that it would cease financing and investment in new oil and coal exploration and production projects, and gradually reduce holdings in its proprietary portfolio in companies engaged in coal and oil activities, to zero by 2026. This is the first time that a bank in Israel has proclaimed such a meaningful public commitment in the area of coping with climate change. Further notable in this context are the establishment of a climate risk management system and the creation of a heat map for identification of risk levels by business sector. This too, to the best of my knowledge, is a first-of-its-kind endeavor in the Israeli banking industry.

Comments on the report:

Scope 3 in carbon footprint calculations – Financial institutions worldwide are preparing to expand their reporting on greenhouse-gas emissions to include the effect of their financial holdings. Where this has been done, Scope 3 was found to constitute over 90% of the carbon footprint, while Scopes 1 and 2 recede to relatively minor components. It is recommended that Bank Hapoalim begin to prepare accordingly, as global regulation is proceeding fairly rapidly in this direction.

With warm wishes for all who engage in this important work,

Dr. Liad Ortar
Head of Shibolet ESG



Process Controls for ESG Implementation and Reporting 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 ESG report of Bank Hapoalim for 2021 has undergone four stages of assurance:

- ◆ The BDO Corporate Social Responsibility Group, led by Chen Herzog, Partner and Chief Economist at BDO, performed a preliminary review of the reporting processes;
- ◆ Dr. Liad Ortar, manager of Shibolet ESG, of the Shibolet Consulting Services Ltd. group, performed a quality assurance and reporting due diligence process with respect to the report, in accordance with the AA1000AS Assurance Standard of the AccountAbility organization;
- ◆ The quality of reporting on the bank's carbon footprint was reviewed by the CSR and Sustainability Group at BDO Ziv Haft;
- ◆ The report was examined by GRI and found to be compliant with the material GRI process presentation requirements.

Review by the Sustainability and CSR Group at the accounting firm BDO

The ESG and Sustainability Group at the accounting firm BDO has assisted Bank Hapoalim in control over its sustainability and corporate responsibility reports for fifteen years. The activity of BDO focuses on ongoing control over ESG reports, comparative studies, and controls over the compliance of Bank Hapoalim with ESG ratings. The BDO consultants' close work with the bank allows a professional opinion to be provided based on an examination of the reporting processes performed by the bank throughout 2021 and during 2022, up to the date of publication of the report. During this period, the bank continued on its trajectory of implementing and integrating ESG aspects in its routine operations. The review examined the progress of the bank on three levels of activity, based on which feedback can be provided:

- ◆ Update and improvement of information infrastructures and metrics – BDO consultants examined the foundation for ESG data at the bank, including the process of collecting the relevant information and data, processes of producing information and processing it into metrics, and the performance of the bank relative to established goals and objectives.
- ◆ Embedding the ESG approach in core activity and at the various units – In this area, the process of embedding the ESG approach in the routine operations of the units of the bank was examined, along with the ways of development and implementation of new processes based on comparative research.
- ◆ Examination of the results of implementation (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 society and the environment in Israel.

Summary and recommendations

The ESG Report of Bank Hapoalim was prepared in accordance with GRI standards, at the Comprehensive level of reporting, and reflects the continued leadership of Bank Hapoalim in this field. This year, the report also contains a preliminary reference to the SASB reporting indices for the banking sector. In 2021, the ESG activity of the bank was deepened by its issuance of Green Bonds, financial inclusion endeavors, and expansion of digital means.

In addition, tangible measures were taken to manage climate risks, such as the construction of a sectoral heat map for transition risks in the financing and investment activity of the bank. Subsequently, ESG goals for 2030 were updated; the goals include gradual reduction of exposure to coal and oil companies.

Based on a comparative study of disclosure and reporting practices of leading global banks, to continue to maintain the bank's ESG leadership and meet the expectations of investors, rating agencies, and future regulation, we recommend expanding the following aspects of this activity:

Reporting

- ◆ Further deepening and broadening of reporting on preparation for the risks and opportunities inherent in climate change, such as TCFD reporting.
- ◆ Reporting on the carbon footprint of the credit portfolio and investment portfolio of the bank in accordance with prevalent international standards, such as PCAF. This would expand reporting on the carbon footprint of the bank within Scope 3 - emissions in the supply chain.

Strategy

- ◆ Considering the adoption of the Net Zero by 2050 commitment and formulation of targets for reduction of the carbon footprint of the credit portfolio, based on measurement using the prevalent standards.
- ◆ Continued development of ESG-supporting financial instruments, while formulating ways of guiding customers through the transition to a low-carbon economy.



Chen Herzog
Chief Economist and Partner
BDO Consulting



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 Public Utility Authority for Electricity; the Central Bureau of Statistics; the Samuel Neaman Institute, which is linked to the Technion; and the Department for Environment, Food and Rural Affairs in the United Kingdom (DEFRA), for Scope 3 emissions. Consumption data were supplied by the bank, under its responsibility. At the time of the preparation of this report, the Ministry of Environmental Protection has not published emission coefficients for 2021; the calculation of the bank's carbon footprint in Scopes 1 and 2 is therefore based on emission coefficients for 2020.

Calculation and reporting of the carbon footprint of Bank Hapoalim

The bank continued the consistent measurement of its carbon footprint in 2021, 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 2021 stood at approximately 41,003 metric tonnes of carbon dioxide equivalent (CO₂eq). 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 87%), and from the activity of the vehicle fleet (approximately 11%). The decrease in the bank's carbon footprint in 2021 in comparison to 2020 is approximately 4,000 metric tonnes CO₂eq, or 9%. This annual reduction mainly resulted from a decrease of approximately 6.5% in electricity consumption of the bank, and an increase of 13% in the use of natural gas for energy production. Fuel consumption for transportation increased by 3.5% in 2021.

Summary of findings

Significant changes in the composition of the emissions:

- ◆ **Power consumption:** Total power consumption decreased by approximately 6.5% in 2021 compared with 2020.
- ◆ **Fuel consumption:** Consumption of gasoline for transportation increased by approximately 3.5% in 2021, and consumption of diesel for transportation by the bank increased by approximately 11.6%; consumption of diesel for generators also rose sharply, by 126.5%. By contrast, a decrease of approximately 93.7% was recorded in emissions due to coolant gas consumption. Overall Scope 1 emissions increased by 2.9%.
- ◆ **Sewage:** Responsibility for emissions resulting from the treatment of sewage for the bank's employees was transferred to 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
April 2022





 **bank hapoalim**