Corporate Responsibility Policy
1. Background

Corporate responsibility is a managerial approach based on management of the activity interfaces of the organization in cooperation with its stakeholders, as part of a dialog and the wish to create common value in three fields of activity: economic, social and environmental. The combination of these three fields of activity enables long term vision and creating a commitment to the next generations.

In recent years this matter has gained traction among many organizations in Israel as well as worldwide. As an organization undergoing significant growth in the banking sector in Israel, Mizrahi Tefahot Bank wishes to integrate the principles of corporate responsibility into all its fields of activity. The bank considers it a privilege to give back to the community in which we live and to invest in it, and it understands that as an organization we can and we are under obligation to assist in maintaining the environment as well. This document constitutes the comprehensive policy of the bank, that takes into consideration a complex business environment as well a changing social reality.

The policy document is a collection of principles that guide the bank in its reference towards the various activities relating to corporate responsibility, corporate governance and management principles in the various subject matters.

2. The regulatory environment

The bank acts pursuant to the guidelines of the regulators and to generally accepted international practice, as follows:

The reporting duty - the Banking Supervisor circular1, in the matter of publication of a corporate responsibility report that requires periodic reporting by the banking group that includes extensive details as to the activities that were carried out in each one of the core topics of corporate responsibility: the environment, society and corporate governance. The reporting duty is at a minimum frequency of once every two years (the publication of the report until July in the year following the reported activity year).

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1 Circular no. 2311-06-h dated October 3, 2011.
The reporting standard - measurement is derived from the material subject matter that the bank identified pursuant to the principles of generally accepted international reporting standards in the field of corporate responsibility -GRI¹, as updated from time to time. The report presents the activity of the bank for each year and its reference point for each year is December 31st of the previous year.

International initiatives - out of a commitment to continue to promote corporate responsibility in the group and in the financial sector, the Mizrahi Tefahot group joined international initiatives.

Examples:

Global Compact - in 2015 the bank joined the Global Compact initiative of the United Nations. Accordingly, the bank reports on the progress in the implementation of these principles. The membership in Global Compact represents the commitment of the bank to the adoption of international standards of social-environmental responsibility in all fields of activity, based upon ten principles, among other things, in the matter of responsible employment, prevention of corruption, human rights and environmental protection.

Sustainable development goals of the United Nations (SDGs) - in September 2015, the State of Israel, together with the 192 member countries of the United Nations, adopted the resolution to take part in the effort to achieve 17 goals for sustainable development also known as SDGs (sustainable development goals) and the realization of 169 global sub-goals until 2030. The goals pertain to global challenges in the three dimensions - society, the environment and the economy. The bank is promoting the realization of SDGs by way of its business and social activity.

Proper Conduct of Banking Business Directives issued by the Bank of Israel - the directives that refer to the various aspects of management of a banking corporation’s activity and the risk management of that activity, have an affinity

¹ the GRI is the international organization that acts to promote corporate responsibility.
to and very much support the management of corporate responsibility, and herein below are the provisions in the material matters that are relevant to the management of corporate responsibility:

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3. The policy principles

The principles that guide the policy of the bank in the matter of corporate responsibility are derived from the material subject matter that was identified as such in terms of the bank as well as on behalf of the stakeholders. The details of such material subject matter are set forth in this document in the corporate responsibility activity principles appendix.
4. Materiality

Corporate responsibility contains within it many aspects that are embodied in most of the activities and the processes taking place at the bank. The field of corporate responsibility is not a risk factor in itself. Nevertheless, due to it being tangent to a large number of fields of activity, this field is important and the principles presented in this document support the activity of the bank to achieve its goals and to implement its business strategy. This while managing all the risks involved in the activity of the bank and of the group, among them environmental risks, compliance, fairness, cyber and information security, subject to the framework of the risk appetite determined by the board of directors of the bank, while maintaining corporate governance that supports a risk management culture.

The increase in the activity of the bank and the increase in derivative risks (including compliance risk, credit, goodwill, operating, cyber and information security), as well as the increase in awareness among the clients, organizations and regulatory bodies to the fields of environmental, social and economic responsibility of organizations increases the materiality of the activities of the bank in this field.

5. Corporate governance and fields of responsibility

As a leading financial institution in the Israeli economy, the bank ensures and disseminates within the entire banking group the principles of responsible conduct, compliance with the provisions of applicable law and the implementation of the proper corporate governance rules. The management of corporate responsibility and reporting is a cross-organizational process, which involves all the fields of activity of the bank and requires the cooperation of many agents, and here are the fields of responsibility and the manner of management of the various agents.

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3 Additional risks derived from environmental risk are include in it (such as goodwill, third party liability and so forth).
The responsibility of the board of directors of the bank

The responsibility of the board of directors of the bank in the matter of corporate responsibility is as follows:

- Determining the principles of corporate responsibility policy, that are in compliance with the strategy of the bank.
- Ensuring the implementation of such principles.
- Approval of the corporate responsibility report, prior to its publication.
- Approval of the annual work plan to implement the corporate responsibility policy.
- Approval of the code of ethics of the bank.

The board of directors acts also by way of professional committees, the role of which is to hold an exhaustive discussion in depth of the various subject matter prior to submitting them to the approval and the discussion of the plenum of the board of directors, among them are committees that are relevant to corporate responsibility as well as the risk management committee, the information technology and technological innovation committee and the audit committee.

The responsibility of the management of the bank

The management of the bank is responsible in the matter of corporate responsibility as follows:

- The implementation of the policy document principles and their integration in the work processes in the various fields.
- Holding a discussion and approval of the corporate responsibility report and the annual work plan to implement the corporate responsibility policy, prior to submitting it to the approval of the board of directors.

The banking divisions - responsibility

Human capital resources and operating division

This division coordinates the overall responsibility for implementation of the corporate responsibility principles and acts by way of:
• A corporate responsibility steering committee - a designated steering committee in the matter headed by the director of human capital resources and operating division in which all the units in the bank and the subsidiaries take part. The committee coordinates the activities of the various divisions and convenes from time to time as may be necessary.

• The ethics committee - the ethics committee headed by the director of the organizational development and training wing convenes once a month, and discusses ethical dilemmas that arise from the field and outlines the policy and the activities to assimilate the code of ethics values.

• The supervisor in the matter of corporate responsibility at the bank - the director of the organizational development and training wing. Subject matter under her responsibility:
  o The implementation of the policy, its assimilation among all the employees and follow up and tracking of compliance with goals set by the bank in this field, while maintaining an ongoing dialog with the various stakeholders within and without the organization.
  o Establishing the annual work plan to implement the corporate responsibility policy.
  o Assimilation of the code of ethics of the bank by way of various training activities.
  o Management of an ethics committee.

Additional banking divisions

All the divisions in the bank must act to integrate corporate responsibility principles into their annual work plans, in compliance with the overall policy and the annual work plan in the field of corporate responsibility.

• Clients - the implementation of corporate responsibility aspects in the management of the activity with clients of the bank, and in particular the prevention of discrimination in client recruitment and in providing service and maintaining human rights, mainly in the business divisions (retail, business and financial), and in the marketing, advertising and business development division.
- **Management of credit environmental risks** - under the responsibility of the business division

- **Handling of alerts, deviations and incidents in the matter of corruption and embezzlement prevention** - under the responsibility of the retail division

- **Accessibility** - under the responsibility of the designated accessibility coordinator at the bank and in addition - reference is made to this matter in every planning being carried out by the logistics wing.

- **Handling inquiries by clients** - inquiries made by clients reach the public inquiries unit directly for handling as well as by way of various agents at the bank, the Bank of Israel or other external agents. The public complaints unit is headed by the public complaints commissioner that reports to the head auditor of the bank. The commissioner and the unit employees must handle any complaint by a member of the public objectively and in an unbiased manner and investigate it thoroughly and respond to the complaining client quickly.

6. Corporate responsibility management principles

Herein below specified are the management principles and the tools used by the bank to realize the corporate responsibility policy in the various subject matters:

**Strategy policy and procedures**

The bank has orderly policy documents in the various subject matters and the material risks being handled by the bank, according to the regulatory guidelines, the generally accepted practice and the business strategy of the bank, as well as ancillary procedures to regulate the individual activities in the various units.

The main relevant documents in the matter of corporate responsibility:

- The risk management framework policy (the “master document”), that defines the risk appetite of the bank, the risk management principles and the corporate governance.

- The risk management policy of human resources, on the principles of employee management.
• The security policy on the management of physical security of the employees and the client.

• Information and cyber security strategy and management, that is in compliance with the requirements of the Bank of Israel, and the Protection of Privacy and Database Law, and anchors the commitment of the management of the bank to the security, availability, confidentiality, integrity and reliability of the information assets of the bank and its clients and of the information systems with emphasis on maintaining client information privacy and banking confidentiality using a wide and advanced technological information security array.

• A supplier and outsourcing risk management policy.

• A goodwill risk management policy.

• Compliance risk management policy, including the prohibition on money laundering and terrorism financing, cross-border risk and fair conduct, and the protection of privacy.

• Operating risk management policy.

• A banking on the media management policy.

• The branching out strategy policy of the bank.

• The credit environmental risk management policy, as part of the credit risk management policy of the bank.

• The employee remuneration policy (office holders and others).

A dialog with stakeholders

The bank is acting to maintain an ongoing dialog with each one of the stakeholders - the shareholders, the clients, the community, the employees, the suppliers and the environmental organizations, as the foundation of its activity in each one of the corporate responsibility fields.
7. Measurement and reporting of corporate responsibility

- The bank is acting to measure pursuant to the principles of the generally accepted international reporting standard in the field of corporate responsibility - GRI, as updated from time to time.

- The bank determines quantitative and qualitative goals in the various fields of corporate responsibility and tracks their performance.

- The results are presented in the corporate responsibility report being published annually, that presents the activity of the bank each year. The reference point for each reporting year is December 31st of the previous year.

- The report describes the activity of the entire Mizrahi Tefahot group (including subsidiaries, Yahav Bank, Igud Bank and the foreign extensions), while focusing on the core topics in the field of corporate responsibility and the presentation of the activities and the goals in the fields material to the organization, as set forth in this policy document.

- In the framework of the commitment of the group to the Global Compact principles, the annual report serves as a periodic report of the organization as to the progress of implementation (a COP - communication on progress).

- The report is audited for appropriateness by an independent third party.

- The entire information used to prepare the report is collected by way of the bank’s information systems, various organizational sources (that include among other things financial statements, policy documents and interviews with key executive personnel) with advice from external advisors. For that purpose, the bank constructed tools and means to measure, monitor and control the various activities accordingly.
Corporate responsibility activity principles - Appendix A

Code of ethics
The bank has a code of ethics the purpose of which is to found the activities of the bank on high standards in personal as well as organizational terms while striving to maximum compatibility between the values in the code of ethics and the nature of the daily activities while striving for excellence. The commitment of the bank is to act pursuant to the values of the code of ethics towards all the stakeholders of the bank - the clients, the employees, the executives, the investors, business partners, suppliers and the community. The purpose of the code of ethics is to promote a value system that will aid in achieving a balance between the various obligations.

The code of ethics includes eight core values as follows: Reliability, faithfulness to the clients, fairness, commitment to the bank, human dignity, excellence, professionalism and service, transparency, and social and community responsibility, all of which are the foundation of business and inter-personal conduct at the bank.

The code of ethics of the bank is assimilated in all avenues of the organization by way of ongoing dialog with the employees as well as by way of various training activities. The management of the bank and the board of directors receive reports as to the assimilation of the code of ethics and ethics related events that occurred.

A commitment to compliance with regulation
The bank is committed to conducting its business pursuant to applicable law that applies to it in the fields of activity in which it operates, while maintaining the highest standards of ethical conduct, integrity, fairness and professionalism. The bank ensures the implementation of the provisions of applicable law and the rules of corporate governance, carries out audits and acts to identify risk sources arising from violation of the provisions of the law and classifies them
into various degrees of risk, in order to focus the efforts of the activity to mitigate the realization of such risks and to prevent violations. The bank operates anonymous employee hot lines and carries out training in various matters of regulation pursuant to an orderly work plan that is updated once a year.

The bank operates an independent compliance wing headed by the head compliance officer that was appointed by the management of the bank, that reports to the head risk manager of the bank (CRO). The compliance wing is responsible for assisting the management of the bank in effective management of compliance risks that the bank faces. The compliance officer is in charge in addition of the compliance risk management pertaining to protection of privacy.

The legal division advises as to the manner of implementation of the provisions of applicable law and their consequences for the activity of the bank group and advises as to their assimilation in the activity of the relevant bank units.

The internal audit division carries out independent audit of units and material processes at the bank, among other things in relation to compliance with the provisions of applicable law, prevention of corruption, the directives of the Bank of Israel and additional regulators, to policy and procedures in the bank.

Among the laws and the provisions of applicable law we note in particular the following:

- **Human rights** - the bank ensures that human rights are safeguarded in all its fields of activity and refrains from action or business moves that may infringe on such rights. As part of the principles of the bank to safeguard human rights the following subject matter is highlighted:
  - Respecting human rights and safeguarding them as set forth in the principles of the Global Compact, that includes, among other things, maintaining an appropriate and safe working environment, the promotion of a containing and varied work environment, ensuring fair employment and so forth.
  - Respecting the realization of sustainable development goals of the United Nations for 2030 (SDGs) in the fields of gender equality,

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4 Including in countries where the bank operates.
mitigation of inequality, fair employment and economic growth as well as
the reinforcement of peace, justice and the resilience of the institutions.

- Assimilation of human rights as part of the supply chain of the bank,
among other things vis-à-vis the employees, the clients, the suppliers
and the community.
- Compliance with laws relating to human rights in countries where
business activity of the bank is ongoing.

- The Protection of Privacy and Databases Law - the bank operates to provide the
existing rights in full to the subjects of information as to the information about
them pursuant to the provisions of applicable law, and acts in transparency
towards the subjects of the information both in terms of the collection of such
information as well as in terms of its use.

- Environmental laws - the bank ensures compliance with environmental
regulation as required by the Ministry of Environmental Protection. In
addition, the bank acts in compliance with the circular of the Banking
Supervisor for 2009 in anything pertaining to the management of
environmental risks.

The clients of the bank

The bank acts to be the best bank for its clients, based upon the following
action principles:

- Commitment to success - Mizrahi Tefahot Bank is committed to the success
of all its clients and acts to create for them long term added value in each
one of its fields of activity. The bank acts to be a place wherein the clients
feel that they are personally recognized, they and the various needs are
being seen, and to be attentive to the needs of the client, to safeguard the
client’s privacy and to provide professional tools for the client’s success.
This commitment is manifested in fair conduct and in creation of a variety of
channels to obtain services and products, that suit the needs of each and
every client while providing a response to non-financial needs as well.

- Client experience and service quality - the bank sees client satisfaction as an
indication of success and attributes great importance to the quality of service
and acts to provide the best personal service to all its clients. The bank
strives to create the best client experience, while providing knowledge for educated use of banking and financial tools.

- Hybrid banking - the bank has a unique concept that integrates in the best way human and digital banking and enables all the clients to have direct access to their personal banker at the branch by way of a variety of channels.

- Tailoring of products and services to the client - tailoring of products and services to the business environment and to the needs of the client and making them accessible to the clients and to the general public, while understanding the unique characteristics of clients from different sectors and from different backgrounds in Israeli society.

- A response to a wide variety of clients - the bank attached great importance to an appeal to a wide variety of clients and sectors in Israeli society, strives to promote a variety of clients from different groups within the population and to provide an appropriate response to the needs of each one of such groups.

- The promotion of disadvantaged populations and assistance to clients in crisis - the bank is committed to strengthening of disadvantaged populations in Israel, directly as well as by way of bodies working with such populations. The bank acts to provide the best support the purpose of which is to assist the client in recuperating from financial distress while maintaining a respectful and patient service.

- The promotion of accessibility for disabled people - the bank believes in providing equal service to all its clients while making adjustments to the particular needs of each and every client, among other things to disabled clients as well. The bank allows any person that wishes to do so to become a client of the bank. The bank group upholds the Equal Opportunities for Disabled People Law and accordingly ensures the accessibility of structures, ATMs, service stations, infrastructure and the environment and the accessibility and adjustment of the service being provided to the general public, so that disabled people are able to consume it freely and conveniently. The call center service as well as the online communication services are accessible to disabled people.
• Fair conduct and transparency towards the clients - the bank undertakes to maintain a fair relationship with the clients, while ensuring full transparency in anything pertaining to the information that must be provided in connection with the products and services and their adjustment to the client, and based upon the knowledge of the client’s needs. The bank undertakes to learn lessons from mistakes, to act with integrity, to be faithful to the personal and professional affairs of its clients and not to take any action that is inconsistent with the values set forth in the code of ethics of the bank. The bank invests many resources in the assimilation of the value of fairness among its employees.

Marketing and advertising

The messages published on behalf of the bank comply with the requirements of applicable law and correspond to the following principles:
Respectful and non-offensive advertising - the bank adjusts its messages to the various sectors of the population so that they conform with the norms and cultural codes of such sectors. The messages reflect the principles of the code of ethics of the bank.

Clear wording - the use of clear and understandable language is a necessary cornerstone in providing quality service to the client. The bank aspires to its clients properly understanding their financial rights, their obligations and the manner of action of the products and services so that they are able to make educated financial decisions.

Information security and safeguarding the privacy of information

The bank attaches great importance to the subject matter of information security and is committed to safeguarding privacy and to protecting the information of its clients. In order to mitigate the risk of carrying out unauthorized transactions in client accounts, the bank implements processes and technologies to hedge and mitigate risk according to classification, analysis and assessment of the risk factors.
The bank presents information and provides tools on the website of the bank to increase awareness and expand the knowledge of the clients in the matter of secure surfing on the Internet and safeguarding their information and provides various channels to the clients for contact in the event of any suspected unauthorized use of the account and the information of the clients. The bank has a cyber security director that heads the cyber defense array of the bank⁵, and serves as information security manager as well⁶ and reports directly to the head of the risk control division. The assimilation of security levels and technological means and their operation pursuant to the information security and cyber security policy which is under the responsibility of the technology division.

The bank carries out many training sessions each year for its employees in the matter of information security in order to clarify this important topic so that its employees know how to safeguard privacy and maintain information security of all the clients of the bank.

**Corruption prevention⁷**

The bank is committed to preventing cases of corruption by its employees, by its clients and by third parties and prohibits its employees or anyone on its behalf to engage in any solicitation to receive anything of value for the bank in consideration for business, a service or disclosure of confidential information. In addition, the bank is acting to protect corruption whistle blowers and for that purpose it undertakes as follows:

To enable the employees to make anonymous contact to voice out their concerns.

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⁵ Pursuant to directive 361 of the Proper Conduct of Banking Business Directives of the Bank of Israel the appointment of a cyber security manager is mandatory.

⁶ Pursuant to directive 357 of the Proper Conduct of Banking Business Directives of the Bank of Israel the appointment of an information security manager is mandatory.

⁷ Cases of corruption include, among other things, bribery, facilitation payments, money laundering, theft, forgery of accounts and documents, fraud and embezzlement, use of insider information, violation of sanctions or terrorism financing.
To handle any contact that was made in a respectful way and in a short period of time.
To carry out follow up and tracking of contacts made and to ensure that the rights of the employees, including their confidentiality, are being safeguarded.
To safeguard whistle blowers and prevent any harm to their position.

The bank carries out investigations and debriefings and learns lessons from relevant cases to prevent their recurrence.

Impact on Israeli society
As a business organization that relies in its activities upon the community in which it operates, the bank sees itself committed to involvement and investment in the community. The strategy of the bank in the field of involvement in the community is founded upon compatibility with the needs of the bank, harnessing the employees and their involvement and the relevancy to the social issues issued in Israel and worldwide. The bank acts to realize its involvement in the community in a manner that expresses its strengths, encourages its employees to actively volunteer and leverages its capabilities and physical, financial and human resources. In this framework, the bank set for itself the goal to encourage inclusive economic growth for the purpose of promotion of equal opportunities in the Israeli society, in four main focal points:

- **Involvement in the community** - encouragement of social involvement among the general public as well as among the employees of the bank. Values of giving and connection with the community have become part of the DNA of every branch and unit at Mizrahi Tefahot Bank.

- **Financial education** - the bank sees financial education as a tool to provide equal opportunities, that enables economic mobility, helps to close up social-economic gaps and brings about an improvement in the welfare and quality of life of the population, and therefore the bank set for itself the goal of providing financial knowledge for prudent economic behavior among the general public.

- **Promotion of social associations and businesses** - the reinforcement of the business and organizational capabilities of social associations and
businesses while providing business and managerial tools, with the purpose to increase their positive impact.

- Education and society - the bank sees the branches as a location to establish a supportive and stable community not only as a financial center, therefore the bank underscores the promotion of education and society and the tightening of the bond with the local communities in which it operates.

The “Mizrahi Tefahot in the Community” unit in the organizational development and training wing is responsible for the involvement, the investment in the community and volunteering of employees in the community.

The reinforcement of the Israeli economy

The bank acts to reinforce the Israeli economy by way of responsible management of the supply chain, by way of production of direct economic value to its stakeholders and indirect economic value for companies and suppliers that form part of its supply chain, and here are the principles of the policy:

- Local procurement - preference to local suppliers (made in Israel) so that the absolute majority of procurement of the bank is made from local suppliers.
- Supplier prioritization - providing preference to suppliers that contribute to the community and act pursuant to a code of ethics within their organization, and are committed to provide service with better compatibility to the code of ethics of the bank. In addition, there is preference to procurement of equipment with a high energy efficiency coefficient.
- Inspection of suppliers - ensuring the terms and conditions of employment of outsourcing services employees, according to all the laws and the regulations, and compliance of the business establishment with the requirements of applicable law as to employment of its employees.

The logistics wing the in human capital resources and operating division is responsible for the management of procurement and implementation of corporate responsibility aspects in supplier management.
Development of environmental and social products

The bank acts to assist in providing credit to develop new technologies in the field of energy production and support of small businesses by way of various funds that promote social goals.

Public activity

The bank acts in the public arena where necessary, however only in the context of its business affairs. The bank refrains from engaging in issues in dispute in Israeli society. The bank does not make donations to political parties, politicians or official institutions.

The employees of the bank

The management of the bank sees all the employees of the bank and its executives as a main pillar and as partners in success, in the realization of the business strategy. The bank is committed to investment in the development of its employees, to encourage their curiosity and trust and to empower them.

The human resources wing in the human capital resources and operating division is responsible for the following:

- To provide a responsible working environment.
- To handle the individual from the recruitment stage through ongoing handling until retirement.
- Handling the matter of prevention of bullying, sexual harassment and discrimination within the organization.
- The promotion of employment of disabled employees among the employees of the bank.

- Rights of employees - the bank believes that each and every one of its employees is entitled to work in respectful conditions, and believes in the entitlement of its employees to form an employee union. The membership in the union is up to the personal election of every employee and the bank does not distinguish between its employees based upon their membership or non-membership in one union or another. The bank is acting to promote employment security among its employees and implements a policy
according to which every employee with the bank is defined from the first day as a bank employee for all intents and purposes.

- Health and safety - the bank is committed to maintaining health and safety at the workplace, strives to promote a safe working environment to prevent injury and illness, and encourages its employees to take an active part in promoting the matter. The manager of the Mizrahi Tefahot security services company is in charge of the matter of health and safety at the bank.

- Diversity, equality and prevention of employment discrimination - the bank believes that promotion, diversity and equality in the working environment create social and economic value for the bank as well as for its employees and for Israeli society as a whole. The employment of employees that come from a variety of population groups assists the various clients of the bank in obtaining service that acknowledges their unique needs and provides them with an appropriate response. The bank promotes indiscrimination among employees and clients by way of activities to reduce inequality among the sexes, preventing injuries due to preference on an ethical or cultural basis, shattering of prejudices against disabled people and so forth. The employment policy of the bank is based upon equality. The employees of the bank are taken in and promoted on the basis of their qualifications and the needs of the bank exclusively without any discrimination of any employee based upon an affiliation with a certain religion, nationality, race, origin, sex, age, gender identity, place of residence or any other characteristic.

- Training and development of employees - the bank attaches great importance to the professional and personal development of its employees. The management of the bank sees the development of human capital and the ongoing improvement of the professional and personal qualifications of the bank employees and its executives as an essential element in the fulfillment of the business strategy of the bank as well as a tool to reinforce the values of the bank. The bank aspires to provide its employees with learning experiences and personal and professional growth that will keep the employees up-to-date with the changing working environment. As part of the development and learning process of the employees, the
bank ensures to maintain a dialog with the employees as to their performance and goals by way of annual evaluation and feedback processes.

The training center in the organizational development and training wing is in charge of the personal training and development processes.

The responsibility of the bank towards the environment

The bank acknowledges the impact that its activity has on the environment and on the climate on planet earth, that arise both directly from consumption of resources by the bank as well as indirectly through its value chain.

Direct impact - the absolute majority of the activities at the bank is characterized as banking work. The main environmental impact that is created as a result of the activity of the bank arises from power consumption to operate the assets, the use of fuel for transportation, consumption of paper for office activities and production of office waste as a result of current operations. The bank strives to minimize the negative impact of its activity to protect the environment in which it operates and to improve it. For that purpose, it ensures that the consumption of materials is reduced, it promotes streamlining energy use and environmental risk management. The logistics wing in the human capital resources and operating division and the management of consumption aspects and streamlining of energy use at the bank.

Indirect impact -

- **From providing credit** - the management of credit risks at the bank takes into account the environmental aspects that contribute to sustainable development as well. Out of this concept, the bank strives to find the balance between the various considerations in providing services and products to its clients and thereby to improve their environmental impact.

- **Climate change** - Mizrahi Tefahot Bank acknowledges that climate change has significant impact in the long term on the economy and the community and that the management of such impact requires cooperation across sectors. As a financial institution, the bank takes part in the management of that impact and among other things acts to finance projects that handle the
climate crisis, provides credit to clients to mitigate emissions and to promote products with environmental value.

Risk management
The bank acts to achieve its goals and to implement its business strategy while managing all the risks involved in the activity of the bank and of the group, among them environmental risks\(^8\), compliance, fairness, cyber and information security, subject to the framework of the risk appetite determined by the board of directors of the bank, while maintaining corporate governance that supports a risk management culture.

Environmental risk management

In reference to environmental risk, it is noted that the banks acts to assimilate awareness to environmental risks in the credit considerations system among the relevant agents that engage in providing material credit to clients that have an impact on the environment. The materiality of the environmental risk in providing credit requires the various agents at the bank to monitor it and track it and to take measures that will allow the bank control over such risk. In particular, the bank determined work procedures to identify material risk when providing significant credit and to integrate the environmental risk assessment, if any, in the periodic evaluation of the quality of credit that was provided.

Social risk management

The social risk is one of the risk components that have an impact on the goodwill of the bank. The realization of social risk may be manifested in matters of social sensitivity, a publication that might harm groups in the population and so forth. The social risks are integrated into the comprehensive risk management at the bank.

\(^8\) Additional risks derived from environmental risk are include in it (such as goodwill, third party liability and so forth).
The head of the risk control division serves as head risk manager of the bank (the CRO) and is responsible for the risk control and management function and the framework of risk management. The activity of the risk control division is independent of the activity of the units that undertake the risk and it has direct access to information, whereby the head of the division has direct access to the board of directors of the bank. In addition, there is a risk management committee, a committee that advises to the board of directors in the matter of risk strategy, including the current and future risk appetite as well as supervises the manner in which top management implements this strategy.