Statement on Credit and Investment Considerations

Environmental Risk Assessment

Leumi’s credit policy includes environmental risk considerations, in an attempt to identify, manage and minimize environmental exposure in granting credit as far as possible. To reinforce the identification and control process of the environmental aspects of the credit activity as an integral part of the organizational culture, an internal work procedure has been prepared last year with the assistance of external consultants. The above, in addition to present and past trainings conducted for the relevant parties in the business lines.

The procedure defines environmental risk management tools in Leumi as part of the due process of credit risk assessment. The procedure establishes the rules, processes and measures for managing the Bank’s exposure to said risks in order to reduce them to the maximum extent possible by:

• Appointing the relevant party to handle the matter.
• Determining the ways to identify the risk when granting credit
  • **Objective identification** – the customers shall be classified as per industry sector according to the objective potential of environmental risk, into one of four risk categories – from the highest to the lowest. The category defining high risk potential includes, inter alia, the following sectors: different types of mining and quarrying, refined petroleum and forestry, fertilizers and nitrogen compounds, plastic products and logging. The classification is made in accordance with an internal threshold limitation relative to the Leumi’s scope of exposure.
  • **Subjective identification** – made by the customer service manager according to the guidelines defined in the procedure.
• Establishing the ways to assess the risk and its incorporation in the periodic risk assessment of the credit quality.

The work processes which were established in the procedure include, inter alia: credit application documentation requirements, including the need to receive the assistance of external consultants specializing in the area, current risk management outline and defining the service given to environmentally sensitive customers.

**Refraining from recommending harmful products**: Leumi’s investment advice professionals, who are responsible for issuing recommendations to the investment advisors at the branches, refrain from recommending securities of companies whose main business is not in line with Leumi’s ethical principles.
Considerations when Making Investment Decisions in Companies

Leumi Partners is the Leumi Group’s investment arm. The company is responsible for making and managing the Group’s investments in corporations, providing services such as underwriting, research, mergers and acquisitions, and raising any type of capital or debt.

The company is subject to Bank Leumi’s overall policies on risk management, credit and investments. The regulation to which Leumi Partners is subject and its investment policy limit the company’s investment amount in other companies, barring the Group from holding more than 20% of the means of control in non-financial corporations.

When considering investing in a company, a strict due diligence process is conducted in order to identify all risks and opportunities. In addition to due diligence of financial and managerial capabilities, Leumi reviews “black lists” such as those of the US Treasury Department (OFAC), the European Union, the Prohibition of Money Laundering Authority, the Ministry of Defense, etc.

Information on the actions performed by Leumi in this context can be found in the Report and on the Corporate Social Responsibility website at:

https://www.leumi.co.il/Lobby/corporate_responsibility/35988/.