

120  
120 years  
of banking  
leadership

# 2021 ESG Report

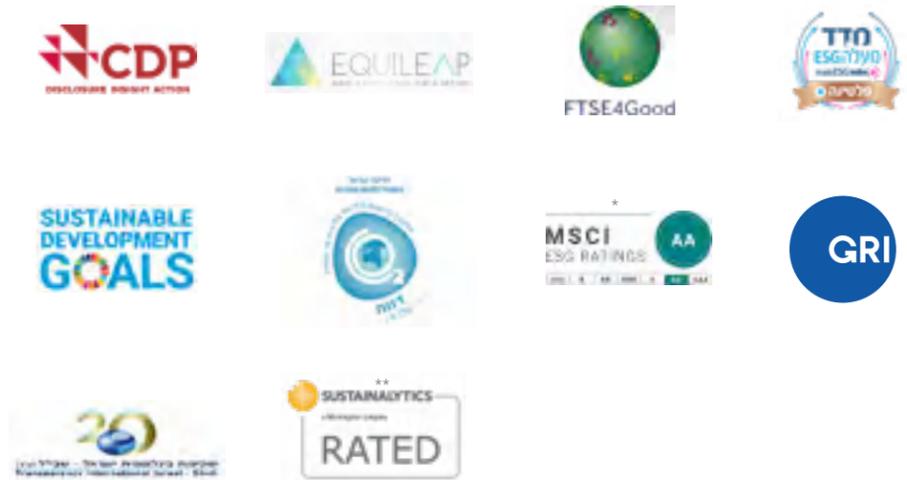


ESG



לאומי  
leumi

# Involvement in Initiatives and Ratings



# Table of Contents

|   |    |           |   |
|---|----|-----------|---|
| A Message from the Chairman and<br>from the President and CEO ..... | 2  | <b>44</b> | <b>Leumi for the Environment</b>                                |
| 120 Years of Leadership, Innovation and<br>Creating Value .....     | 4  |           | Environmental risk management .....                             |
| Organizational Profile .....  | 4  |           | Responsible investments .....                                   |
| Leumi – Values and Vision .....                                     | 5  |           | Responsible lending.....  |
| Advancing the UN’s Sustainable<br>Development Goals (SDGs) .....    | 6  |           | Promoting environmental issues .....                            |
| Breakdown of Noteworthy Data by ESG<br>(investor performance).....  | 9  |           | “Green” procurement .....                                       |
| Dialogue with Stakeholders .....                                    | 11 | <b>56</b> | <b>Corporate Governance at Leumi</b>                            |
| Identifying Material Topics fo Reporting ..                         | 13 |           | Fair business conduct .....                                     |
| <b>15</b>   |    |           | Safeguarding customers information<br>security and privacy..... |
| <b>Leumi for Society and the Economy</b>                            |    |           | Handling of public inquiries .....                              |
| Social credit .....   | 15 |           | Corporate governance .....                                      |
| Promoting technological innovation<br>in Israeli society.....       | 17 |           | Internal audit.....   |
| Assistance to underprivileged groups .....                          | 23 |           | Risk management .....   |
| Contributing to the growth of senior<br>citizens .....              | 24 |           |   |
| Promoting digital literacy .....                                    | 25 |           |   |
| Contributing to the growth of the<br>business sector.....           | 26 |           |   |
| Leumi for the community.....  | 28 |           |   |
| Social sustainable procurement .....                                | 32 |           |   |
| Employees .....   | 34 |           |   |

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## A Message from the Chairman and from the President and CEO



Every year, on one's birthday, it is customary to wish them good health "Until 120". But what do you wish someone who has, in fact, already reached that goal? This year, Bank Leumi celebrates its 120th anniversary. In 1902, Theodore Herzl established the Anglo-Palestine Bank, which later became Bank Leumi, the first bank in the Land of Israel. 120 years of business leadership, consistent pursuit of innovation and caring for customers and employees.

As the first, and leading, financial institution in Israel, we understand that we have a special responsibility for the environment in which we operate. We honor our heritage, and at the same time, constantly look ahead and promote values for a better society in Israel. Hence, due to the importance of this matter, we decided that this year we will attach our Environmental, Social and Governance (ESG) report to our annual financial statements. We, at Leumi, believe that social responsibility is not only delivered through nice words, but also needs to be backed by actions. As such, over the past year we conducted a comprehensive study of the issues at hand, and for the first time, we set significant long-term measurable ESG goals.

Among others, we will increase our available funding and investment for green environmental projects to an amount of NIS 35 billion by 2030. In 2021 alone, the scope of credit provided for advancing a greener environment amounted to NIS 12.1 billion. Since 2014, the Bank has reduced its carbon footprint by 50%, and over the coming five years we aim to reduce our power consumption by a further 20%. Currently, 91% of the electricity consumed by Leumi is from a private power producer. Moreover, our power consumption in the past year, compared to previous year, has dropped by

13% due to the adoption of green innovations. In addition, 100% of our wastepaper was recycled. 100% of the collected electronic waste was treated and properly disposed.

We also aim to reduce transportation fuel consumption over the next five years by an additional 20% in view of our gradual switch to hybrid cars, alongside the electric and hydrogen-powered cars that are entering the market. In recent years, the use of hybrid vehicles in the Bank's car fleet has grown; today, hybrid vehicles constitute about 55% of the fleet.

Along with the advancement of environmental issues, social responsibility is our top priority. For example, 93% of total scope of Leumi's procurement is made in Israel. One third of our purchases is from small and medium-size suppliers, and over 30 million shekels were spent in businesses that employ people from under-employed backgrounds.

Leumi promotes its social value vision by investing in the community, with donations, sponsorships and the volunteer work of its employees. Leumi's 2021 community investment amounted to millions of shekels spread across more than 250 organizations. Leumi has continued its partnership with the "Aharai - Follow Me!" association that endeavors to integrate youth and young adults from the geographic and social periphery into mainstream society. This year we mark 20 years of our partnership, with leadership development and pre-military preparatory programs, high school learning centers, hiking courses, and empowerment of youth from the Ethiopian community, among others. Leumi managers also conduct mentoring workshops for groups of young adults.

We are particularly proud of our corporate governance

structure where women make up 60% of the workforce. Women also constitute 54% of our senior management and 47% of our branch managers. 23% of the Bank's branch managers are from Arab communities and 18.7% of the new employees hired this year are from the Haredi and Arab community. To illustrate: in 2021 Leumi held two significant rounds of recruitment from the Haredi sector for technological positions. So far, we have hired 50 Haredi women who joined the other 130 Haredi employees that have already successfully integrated into significant positions in the Bank. In 2022,

we expect to hire another 75 employees from this sector in technology positions.

Concern for the environment and society is a significant component in Leumi's organizational values. The details of our varied investment in the core issues of our existence are intended to illustrate the extent of our commitment to them. The challenging goals we have set for ourselves are meant to push us to go above and beyond in order to realize them. In the year that Leumi celebrates its 120th anniversary, as aforesaid- bears even more significance.



  
**Hanan Friedman,**  
CEO



  
**Dr. Samer Haj Yehia,**  
Chairman of the Board

## Key ESG Indicators for 2021

### E Environmental

 NIS **12.1** billion in credit was granted to advance environmental issues

NIS **400** million was invested in projects promoting a "green" environment through Leumi Partners

Energy consumption decreased by **4%** thanks to environmentally friendly initiatives we have adopted (compared to 2020)

The Group's carbon footprint was down **2.6%** (compared to 2020)

**82%** of the power consumed by Leumi is from a private power producer

NIS **24.4** million in "green" purchases

### S Social



 NIS **5.1** billion in credit was granted to advance social issues

**93%** of Leumi's purchases are locally sourced

NIS **38** million was invested in the community

NIS **60.4** million total of purchases from companies promoting employment of people from underemployed populations and from social businesses

## Objective Long Terms

### Environmental

Increasing financing and investments in projects or companies that promote a "green" environment to NIS 35 billion by 2030

Reducing GHG emissions by 20% over five years (2022–2026) compared to 2021

### Social

**24%** - percentage of new hires from under-represented populations by 2025

Appointment of a hiring manager specializing in employment diversity and inclusion

**60%** of the employees in Leumi are women

 **54%** of the senior management are women

**47%** of the branch managers are woman

**18.7%** of the total employees hired by the Group are from underemployed populations

**92%** of Leumi's employees work under collective bargaining agreements

The vast majority of Leumi's branches are physically accessible to people with disabilities



### G Governance



**30%** of board members are women

Approx. **97%** of Leumi's employees completed an online tutorial on anti-bribery and corruption

### Governance

Having at least 30% women on the Board of Directors and formulating a policy for the future

### Rated by

- GRI Sustainability Reporting Standards
- FTSE4GOOD
- MSCI
- Sustainalytics
- GRI
- And others

# Years of Banking Leadership 120



## 120 Years of Leadership, Innovation and Creating Value

### Who are we and what do we believe in?

Despite being the first bank in Israel – founded 120 years ago, long before the State of Israel, we are proud to be a bank that is continuing a tradition of innovation and is leading the changes taking place in the global and Israeli economy and the technological and digital revolution in the world of banking.

Leumi leads a long-standing fastidious banking tradition through innovation, constant adjustments in step with changes in the business environment and customer preferences, and directing groundbreaking initiatives in the field of finance. These actions are intended to impart a convenient banking experience to our customers in all segments. Thus, Leumi generates significant impact on the shaping and development of the social and economic environment in which it operates and as such Leumi is a key pillar for its customers' growth and the growth of the Israeli economy.

Our commitment to promoting excellence combined with our commitment to consistently adapt to trends and changes, ensures that our business, service, operational and technological models are always ready to meet all challenges.

We are committed to convenient banking in Israel, recognizing that financial services should be accessible and understandable to our customers in the various departments, from the private customer, to the business customer up to the large-scale conglomerates. Thus, optimal financial management is provided which amounts to the development of the Israeli society and economy.

Leumi continued leading various measures which provide innovative solutions in the Israeli banking sector, as a result the pressing needs and accelerated digital transformation among the vast majority of our customers.

## Organizational Profile<sup>1</sup>

Leumi is the oldest financial institution in Israel and one of the largest financial corporations in Israel. The Bank provides services to customers through diverse service channels: bank branches, business centers dispersed throughout the country, call centers accessible from anywhere in the country, digital services (apps and websites), banking stations and the Bank Leumi personal banking centers that provide phone service, investment and pension consultation centers, etc.

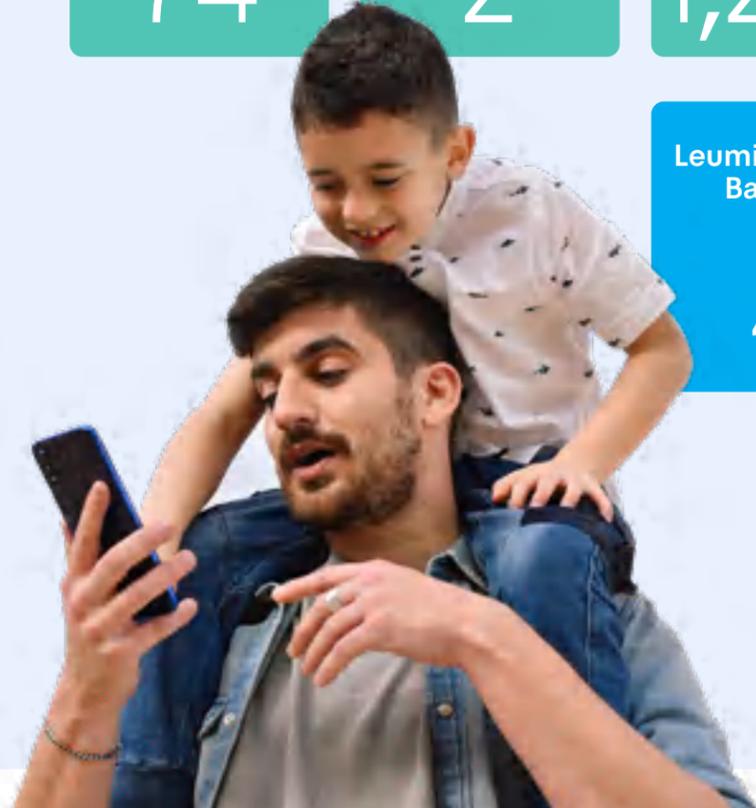
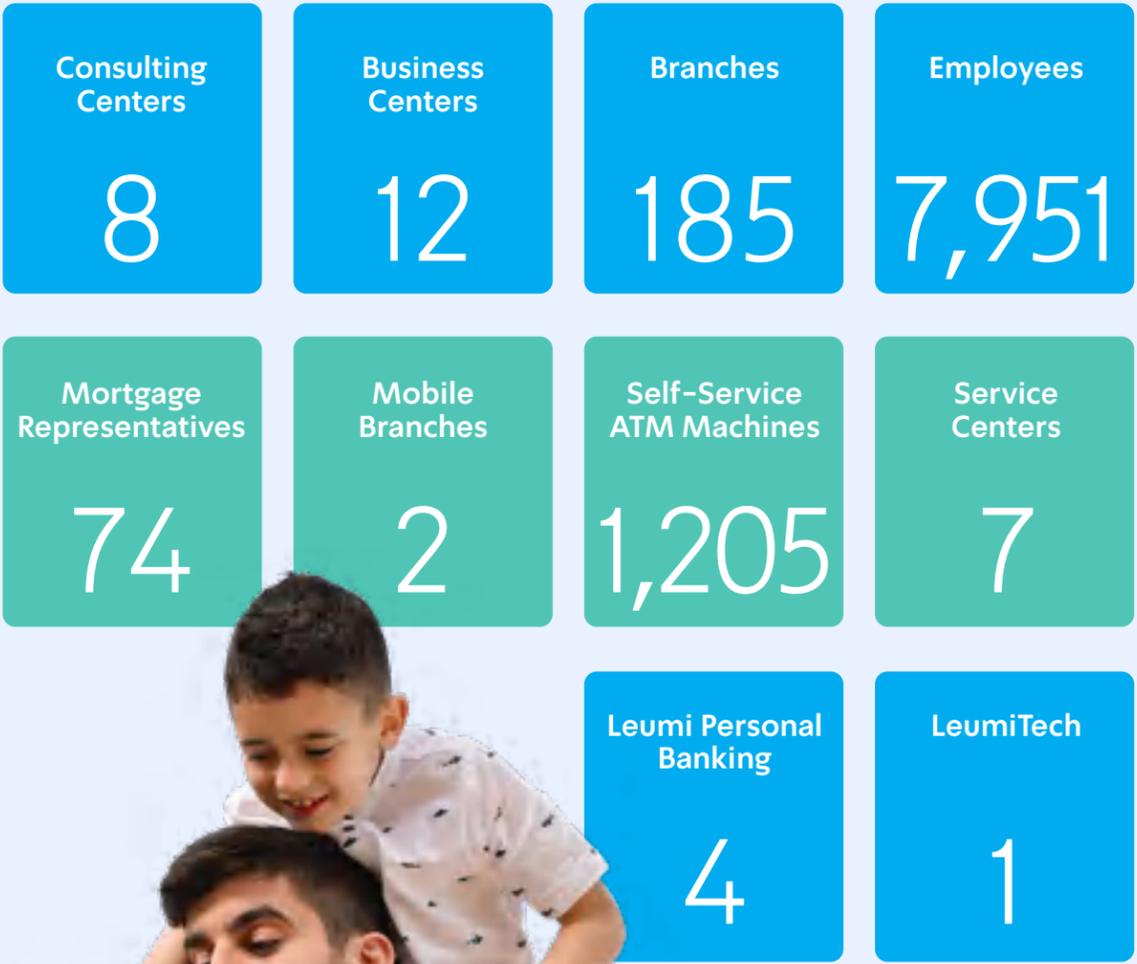
Leumi Group provides banking services to all types of customers, from households, through small and medium-size businesses, capital market customers up to large-scale corporations. These services are provided through four key divisions that specialize, each in its field, in providing banking and financial services tailored to customer needs.

- **Banking Division** – focuses on providing banking services to private customers – individuals, households, property-abundant customers (Private Banking) and small businesses. Retail Banking tailors its service to the customers' individual needs through multiple channels simultaneously (including application, internet, banking center, terminals, information stations and ATMs). In addition, as part of Leumi Group, customers are offered the **PEPPER** service – an innovative banking platform that offers a digital banking experience to individual customers, **PEPPER INVEST** a platform for trading foreign securities, **VIDEA** – a digital investment portfolio management platform based on advanced models, and Leumi Trade – an advanced trading platform for Israeli and foreign securities.
- **Corporate Division** – focuses on providing services to Israeli and international corporations with varying scopes of activities from a wide range of sectors. Business Banking – aspires to provide the customer with all its financial needs for its business development and investment plans, by tailoring funding packages and products to the diverse requests of these customers while maximizing value and reviewing means for increasing the range of products and services offered to customers.
- **Capital Markets Division** – provides customers of the various segments with the full range of capital and financial market services, and in addition deals with the Bank's nostro, liquidity and assets and liabilities management (ALM). Non-financial investments are mainly carried out through the subsidiary Leumi Partners.
- **Mortgage Division** – To implement the accelerated growth strategy in this segment, a division dedicated to mortgages was established during the reporting period, to ensure that the managerial, operational and service focus is on the customer and to assure ongoing product development for mortgage borrowers.

<sup>1</sup> 102-45 GRI

Bank Leumi also operates through its subsidiaries in Israel and abroad:

- **Activity of Subsidiaries in Israel** – are carried out by Leumi Partners – which is responsible for most of the real estate investment activities, underwriting and investment banking; Leumi Capital Market Services – which focuses on providing comprehensive operational services to financial entities; and **VIDEA** – which focuses on managing digital investment portfolios.
- **Activity of foreign companies** – is carried out by the subsidiaries Leumi USA and Leumi UK, which mainly engage in extending loans to corporate and commercial customers.



# Leumi – Values and Vision

## Leumi’s Vision – “To introduce proactive, innovative banking for the benefit of customers”

Leumi is a bank that is able to adapt to the changing needs of its customers and thus meets its commitment to be the most convenient bank in Israel, leading the technological and digital revolution that is taking place in the financial sector in general and in the banking sector in particular. As part of implementing its vision, Leumi works to provide each customer with the service most appropriate for them – a caring service based on innovation, excellence, professionalism and responsibility for the Bank’s success and customer’s satisfaction.

### Leumi Values

#### Our customers are the focus of our efforts

Our customers form the foundation of our existence, and we are committed to providing convenient, professional, outstanding and caring service. Thus, when push comes to shove, we are there for them, attentively while providing appropriate and constructive value propositions.



#### Responsibility

Taking end-to-end responsibility and closing the processing cycle for each customer.



#### “Yes, we can”

A worldview that encourages creativity and implementation of novel and groundbreaking ideas as a way of life in an evolving technological and digital world.



#### Collaboration

Collaboration between the internal organizational units and in general, to advance and produce groundbreaking ideas.



#### Role modeling

Each and every one of us is a role model for someone else. We strive so that every action we do will be a personal example for those around us.



#### Excellence

To challenge ourselves every day, to create innovative solutions in an evolving environment. For us excellence is the knowledge that our work contributes to our customers and creates value for them, for the organization, for the employees, and for the Company.



## Our way of leading



### About the Report

This is the Leumi Group's 13th corporate social responsibility report. This report has been prepared in accordance with the GRI Standards: Comprehensive option<sup>2</sup>. The report includes reporting in accordance with the principles of the UN Global Compact (UNGC) Initiative.<sup>3</sup> The Leumi Group publishes an ESG report on an annual basis.<sup>4</sup> Reports from previous years are available on the Bank's website.



### Content of the Report

This Report covers the Leumi Group's economic, social, and environmental activity in 2021. Unless noted otherwise, this Report refers to the Leumi Group's activity in Israel and overseas.<sup>5</sup>

The environmental data in the Environmental and Social Performance and Corporate Governance chapter refers to the environmental performance of Bank Leumi only, which employed about 90 % of all the Group's employees in 2021 and were the source of more than 84 percent of its profits.<sup>6</sup>



### Terms

We use the terms "Leumi Group" or "the Group" to describe the activities of the entire Group, as defined in the Report. We use the term "Leumi" when describing the activities of Bank Leumi Le-Israel B.M only. We mention subsidiaries and foreign offices when describing the activities taking place in these companies alone.

Contact person: Ms. Keren Tairi, Corporate Responsibility Manager at Bank Leumi, Keren.tairibaba@bankleumi.co.il.

The report was published in March 2022.

<sup>2</sup> The report contains the appendix items relevant to financial sector companies

<sup>3</sup> GRI 102-45

The 2021 Corporate Social Responsibility Report is not part of the Group's financial statements, nor of the immediate reports or periodic reports of Bank Leumi and the Group. In case of any discrepancy between that stated in the Report and these reports, the version in the financial statements is the binding one.

<sup>4</sup> GRI 102-49

<sup>5</sup> The data in this report relate to the period between 1.1.2021 and 31.12.2021.

Except where otherwise stated, the data is in full compliance with other reports published by the group and does not contradict information presented by the group in previous years.

<sup>6</sup> By contribution to the Group's net profit

<sup>7</sup> Leumi Group refers to Bank Leumi, Leumi Partners and foreign subsidiaries

# Summary of Results for Investors 2021<sup>LA</sup>

As a significant player in the financial market and in banking in particular, and as a leading and dominant Group in the Israeli economy, Leumi recognizes its responsibility and commitment to creating a significant impact on social, environmental and corporate governance (ESG) issues:

## Involvement in initiatives and ratings in sustainability and corporate responsibility topics

Maala rating: Platinum Plus<sup>8</sup>

Equileap

Ministry of Environmental Protection – The voluntary system for recording GHG emissions in Israel

GRI Sustainability Reporting Standards

The UN Global Compact

FTSE4GOOD

MSCI

CDP rating

Sustainalytics

UN Sustainable Development Goals

<sup>8</sup> This rating is for 2021 based on 2020 data.

## Economic

≈ NIS **5.1 billion** in credit was granted to promote social issues

**93%** of Leumi's procurement is locally sourced

≈ NIS **60.4 million** procurement from companies that promote employment of people from underemployed populations, NGO's and social businesses

≈ NIS **12.1 billion** in credit was granted to promote environmental issues

≈ NIS **400 million** in investments in "green" projects through Leumi Partners

≈ NIS **24.4 million** scope of green procurement

## Corporate Governance

30% of Leumi's board members are women

Once a year, the Board of Directors discusses the ESG report, the Bank's corporate responsibility goals and planning vs implementation of these goals

97% of Leumi's employees participated in anti-bribery and anti-corruption training<sup>9</sup>

<sup>9</sup> Implemented as part of an online compliance tutorial.

## Social

18.7% of the total employees hired by the Group are from underemployed populations

Gender equality at Leumi: Women constitute 60% of all employees, 54% of senior management and 47% of branch managers

Women constitute 42% of the 10% highest-paid employees in Leumi

205,000 hours were invested in learning and training Leumi Group employees in 2021

92% of Leumi employees are employed under collective agreements

97% of Bank Leumi employees participated in feedback and evaluation processes

NIS 38 million were invested in the community

The vast majority of Leumi branches are physically accessible for people with disabilities

## Environmental

Energy consumption decreased by 4% due to green initiatives we have adopted (compared to 2020)

The Group's carbon footprint decreased by 2.6% (from 2020)

Leumi consumes 82% of the electricity from a private power producer

Construction and maintenance suppliers declared that they meet environmental criteria

100% recycling of paper waste

## Goals for 2022

### Governance

Maintain 30% representation of women on the Board of Directors and defining policies for the future

### Environmental

Increase financing and investments in projects/companies that promote the environment to NIS 35 billion by 2030

Reduce CO2 emissions by 20% in the next five years (2022-2026, compared to 2021)

### Social

24% of new hires from under-represented populations by 2025

Appoint a recruiting manager in charge of employment diversity and inclusion

The "LA" mark included as part of a given paragraph, refers to the information and/or data included in the relevant sentence only.

## Reporting Reliability Assurance



Leumi conducts internal and external audits of its published ESG reports in order to obtain assurance as to the reliability of the reports, improve the information and data collection process and maintain and enhance the transparency of its activities.

As part of these control processes, this report was subject to four assurances:

### Internal supervision

The report was validated by Leumi's heads of departments and divisions and by the Bank's management and Board of Directors.

### Process assurance

To ensure proper implementation of GRI standards, the ESG and Sustainability team in BDO Consulting carried out process assurance.

### Assurance regarding the identification of material topics

The GRI organization reviewed this report and examined how the material topics were incorporated into the report (GRI Materiality Disclosures Service).<sup>10</sup>

### External reliability assurance

was carried out by the accounting firm Somekh Chaikin KPMG.<sup>11</sup>

<sup>10</sup> For further information regarding control carried out by GRI, see p. 115

<sup>11</sup> For more information on the reliability assurance carried out by KPMG, see p. 112

We are proud to lead social responsibility and receive the highest ranking of the organization, "Maala", for the 15th year\*



\* Every year, Maala publishes the Maala index, the Israeli corporate responsibility ranking

# Dialogue with Stakeholders<sup>12</sup>

Maintaining an ongoing dialogue with all Leumi's stakeholders plays a significant role in the management and formation of the Bank's ESG workplans. Such dialogues enable us to better understand the needs of each and every group; we highly esteem the perspectives and insights of all of our stakeholders.

The key dialogue channels and key points of the dialogue in 2021:

| Stakeholder group   | Dialogue channels  |
|---|--|
|  <p>Investors and shareholders</p> | <ul style="list-style-type: none"> <li>• Investor relations website</li> <li>• Annual meeting of shareholders</li> <li>• Quarterly and annual financial statements</li> <li>• Conference call with investors shortly after the publication of every quarterly / annual financial statement.</li> <li>• Calls with analysts and institutional investors</li> </ul>  |
|  <p>Employees</p>                | <ul style="list-style-type: none"> <li>• Conferences and employee meetups</li> <li>• Live broadcast with the CEO</li> <li>• Written and video messages on a regular basis</li> <li>• Dedicated app – Leumi Stream</li> <li>• Courses and training sessions</li> <li>• Annual employee feedbacks and assessments</li> <li>• Focus groups</li> <li>• Employee engagement surveys</li> <li>• "Meetings of a personal nature", a platform for meetings with executives in activities beyond the work routine. Such as jogging, yoga, community sing-alongs, trips, and enrichment workshops.</li> <li>• Management of division communication programs, including meetings of division management members with different populations, internal communication channels for all divisions, divisional events, awards, and publications of success.</li> <li>• Meetings of the leadership forum to reinforce the managerial backbone and connect to the vision, strategy and management messages.</li> </ul> |

<sup>12</sup> GRI 102-40, GRI 102-44



Customers

- Periodic service surveys regarding a range of topics
- Immediate service surveys following receipt of services through various service channels
- Analysis of discourse on social networks
- Meetings (in businesses, branches and online)
- Customer support centers and public inquiries
- Social media
- Conferences and events (mostly virtual)



Suppliers

- Satisfaction surveys
- Tours and meetings with suppliers
- Leumi's School for Small Businesses



Regulators / Bank Supervisor

- Periodic dialogue
- Participation in discussions and committees
- Routine work meetings at various levels
- Conversations at different levels with various regulators



Social organizations and civil society

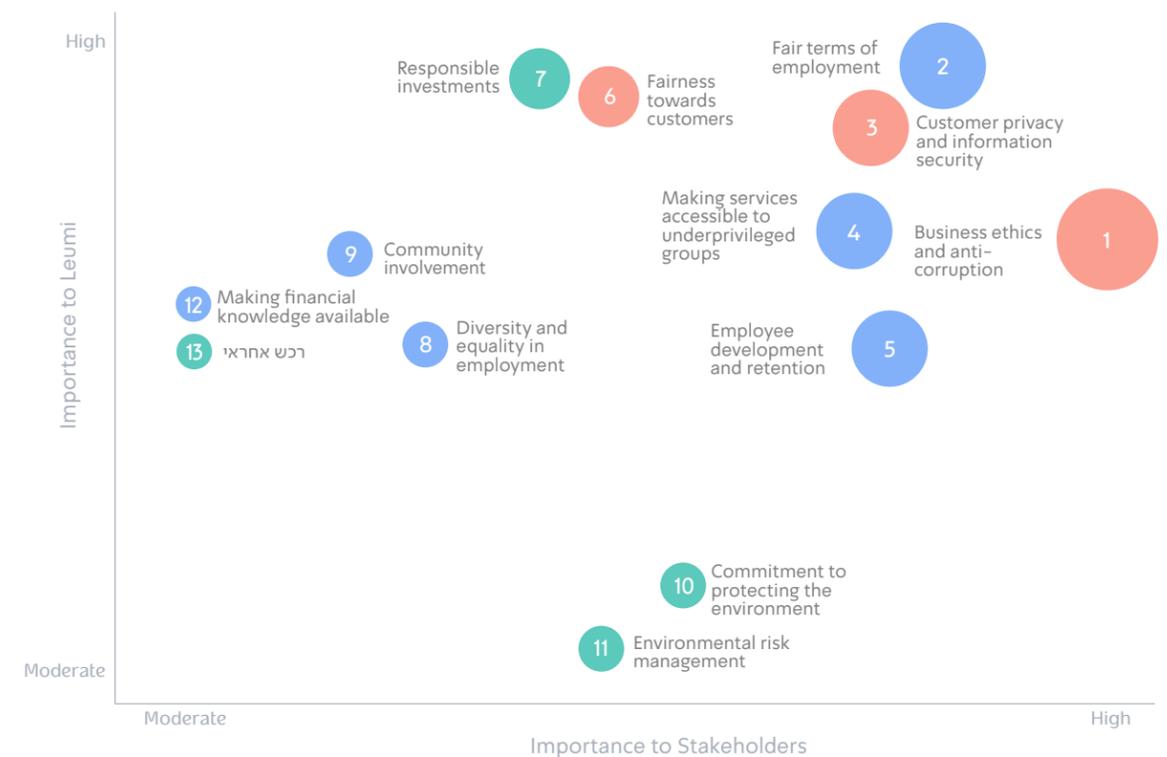
- Collaboration with social and environmental NGOs
- Employee volunteering
- Attendance at physical and virtual conferences

# Identifying Material Topics for Reporting<sup>13</sup>

In preparation for the 2021 reporting process, the material issues that were reviewed in the previous year underwent proper validation. The list of topics was updated<sup>14</sup> and 13 reporting topics remained. The process of ranking the 13 topics and evaluating their importance was carried out by a weighted analysis of the Bank's position (50%) and the stakeholders' position (50%) on these topics.

As a leading Israeli financial institution, Leumi views all 13 selected topics as material to its business. Therefore, and for the sake of reporting continuity and to comply with the GRI standards,<sup>15</sup> Leumi reports on all the topics listed below.

## The Materiality Matrix and Issues for Reporting



### List of topics

- 1 ● Business ethics and anti-corruption
- 2 ● Fair terms of employment
- 3 ● Customer privacy and information security
- 4 ● Making services accessible to underprivileged groups
- 5 ● Employee development and retention
- 6 ● Fairness towards customers
- 7 ● Responsible investments
- 8 ● Diversity and equality in employment
- 9 ● Community involvement
- 10 ● Commitment to protecting the environment
- 11 ● Environmental risk management
- 12 ● Making financial knowledge available
- 13 ● Supply chain

### Key

- Environment
- Social
- Corporate Governance

<sup>13</sup> GRI 102-42; GRI 102-43; GRI 102-46; GRI 102-47; GRI 102-49.

<sup>14</sup> The topic "protection of human rights in the organization's activities" was included under the topic "responsible investments"; the topic "natural resource management" was changed to "commitment to the environment"; and a new topic, "environmental risk management", was added.

<sup>15</sup> For further information on how Leumi adapted the material topics that complied with the GRI reporting standard, see page 115

# Leumi and the UN Initiatives

## Advancing the UN's Sustainable Development Goals (SDGs)



In 2015 the United Nations adopted the Sustainable Development Goals – a series of goals and targets to be realized by 2030 for the purpose of promoting global sustainable development. The framework, known as the 2030 Agenda, includes 17 goals and 169 targets for which real performance indices were formulated. The targets encompass numerous topics, and include Decent Work and Economic Growth, Reduced Inequalities, Gender Equality, Quality Education, and Climate Action, among others.

As a leading financial institution in Israel, Leumi Group has a material impact on the social and economic fabric in its operating segments, especially in Israel. Leumi Group sees great importance in joining the effort for achieving these SDGs.

**This is the twelfth year in which Leumi Group supports the UN Global Compact Principles, and is working to promote these principles as part of its activities**

### Human Rights

- Businesses must support and respect the protection of internationally proclaimed human rights
- Businesses should ensure that they are not complicit in human rights abuses

### Employment Standards

- Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining
- The elimination of all forms of forced and compulsory labor
- The effective abolition of child labor
- The elimination of discrimination in respect of employment and occupation

### Healthy Environment

- Businesses should support a precautionary approach to environmental challenges
- Undertake initiatives to promote greater environmental responsibility
- Encourage the development and diffusion of environmentally friendly technologies

### Anti-Corruption

- Businesses should work against corruption in all its forms, including extortion and bribery

## We have identified six key goals that are relevant to Leumi's operations:

### 4 – Ensuring quality education and promoting learning opportunities for all

- Managing initiatives which advance the next generation, such as: Kdam Atidim Program – that encourages students from periphery areas to acquire higher education, financial education classes given at schools by the Bank's employees as part of the "Shiur Acher" project, various enrichment and study programs as part of the Leumi – "Follow Me!" program.
- As part of the Company's financial empowerment activities for various population groups, diverse workshops were given to impart a range professional tools and financial expertise to the general public and to the Bank's customers in particular, free of charge.

### 5 – Achieving gender equality and empowering all women and girls

- Promoting gender equality in all positions in the Bank, throughout the managerial positions – women make up 60% of all employees, 54% of senior management and 47% of branch managers.
- The Bank operates according to gender and social equality values that are well-established in its organizational culture, and from which its human capital management processes derive, including employee recruitment, promotion to management levels, etc.

### 8 – Promoting consistent, comprehensive and sustainable economic growth

- Under the Leumi-Koret program, which has been active since 2009, Leumi grants loans with preferential terms to small businesses in the periphery areas.
- Loans in an amount of NIS 2.2 billion had been given to small businesses' with the aim of creating jobs and strengthening the Israeli economy.



### 9 – Building resilient infrastructure, promoting inclusive and sustainable industrialization and cultivating innovation

- Promoting green funding and funding of water, wastewater and wastewater treatment infrastructure projects.
- Leumi's credit underwriting policy takes into consideration any potential environmental risks, with a special emphasis on sectors with relatively high sensitivity to such risks.

### 10 – Reducing inequality between and within countries

- In 2021 Leumi continued to support the WESOURCE initiative, that aims to increase the scope of procurement from social businesses, companies that employ people from under-represented populations and from small businesses.
- 18.7% of all employees hired by the Leumi Group in Israel in 2021 were people from under-represented populations.

### 16 – Promoting peaceful and inclusive companies for sustainable development

- Leumi is committed to taking part in the fight against bribery and corruption and acts to ensure, with various procedures and monitoring and control tools, that its employees, customers and business partners conduct their activities in a manner that does not violate anti-bribery and corruption regulation.
- 97% of Leumi's employees participated in anti-bribery and anti-corruption training in 2021.

<sup>1</sup> Includes loans as part of transactions of EIF, Koret Fund, State Guarantee Fund, Small Business Fund and COVID-19 fund for Businesses

# 1 Social



## Leumi for Society and the Economy

Leumi Group has an extensive effect on the development and robustness of the Israeli economy and its stability. As an organization working within the community, we recognize our responsibility to empower Israeli society and the economy and reinforce households, as well as to enhance the entities that drive the Israeli economy in a range of activities in the country.

This impact is reflected on two main levels:

**Leumi Group's direct effect on Israeli economy and society**, due to the fact that the Group is a leading financial entity in Israel providing comprehensive banking services in the capital market to millions of customers in various segments. The direct effect is also due to Leumi being a major player in NIS-USD trade, as well as in Israel government bonds.

**Leumi Group's indirect effect on Israeli economy and society**, due to the Group's support of Israel's economy through the financing of infrastructure projects, supporting range of sectors in the economy – such as high-tech, industry, commerce, chemistry, and food – as well as its promotion of small businesses, providing social and environmental value, in local and global procurement, contribution to the community, employment of workers in the Israeli economy and investing in their development, and payment of taxes to the state treasury.



656.5 NIS  
billion - equity

2,144 NIS  
billion - managed assets

347.4 NIS  
billion outstanding loans to the public

38  
million investment in the community

60%  
employed women

7,951  
employees

205,000  
Total training hours for employees

25,546  
of volunteer hours

2,224  
loans for businesses - Business Fund



For more information about Leumi's Statement on Credit and Investment Considerations see the Bank's website.

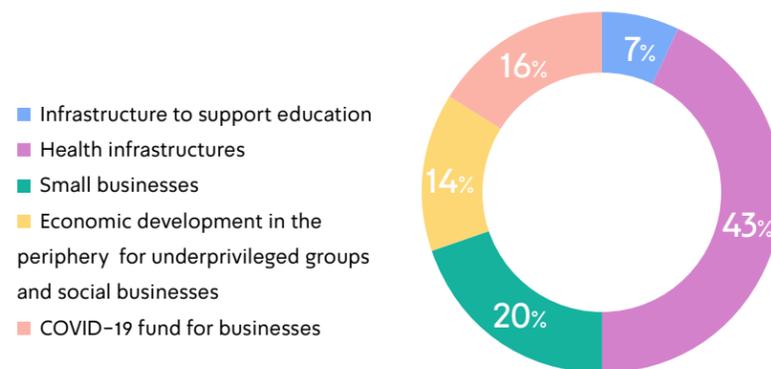
## Social Credit



Leumi Group provides credit that advances social goals, thereby contributing to economic and social development. This activity is carried out in diverse ways with diverse products, including greater accessibility of credit products for small businesses, households, and individuals in a range of channels, including through digital means and using innovative data-based models. In this way, Leumi Group encourages the development of small businesses, health infrastructure, social businesses, education and training infrastructure and more. As part of this activity, Bank Leumi granted credit under the state-guaranteed fund that was set up during the COVID-19 crisis.

In 2021 NIS 5.1 billion was provided as credit for promoting social issues<sup>16</sup>

### Breakdown of credit provided for social issues in 2021



### Leap to Education project - Leumi invests in the first social bond in Israel

Leumi Group, in collaboration with Social Finance Israel (SFI), was the first to invest in social bonds in 2015 to reduce higher education dropout rates. Leumi, as the anchor investor, has invested 50% of the total investment of NIS 8 million in the Leap for Education program, which aims to reduce dropout rates, mainly among computer science students from disadvantaged populations. In the project, students received financial, personal, and academic assistance, each according to their individual needs.

<sup>16</sup> Including credit granted to finance projects in China and Africa (NIS 1.03 billion).

Within four rounds of the project, 754 students participated, 40% of which belong to disadvantaged populations and 40% are women. 46% of all the students in the project completed their academic studies by 2021 and at least 27% are expected to complete their studies in the next two years.

Leumi Group is expected to recover its entire financial investment with an excess return

## Promoting technological innovation in Israeli society

### Financing of and contribution to the development of Israeli high-tech

Leumi Group, as a leading Israeli financial institution, has a considerable impact on Israeli society and the development of Israeli economy. For years, Leumi has been providing banking services tailored to the needs of Israel's high-tech industry, as part of Leumi's strategy, which regards Israel's high-tech industry as a growth engine in the economy and in Leumi. The joint activity with the high-tech industry is carried out through LeumiTech. In addition to its significant presence in Israel, LeumiTech collaborates with BLUSA, including BLUSA's branches in Silicon Valley and New York. The system works to advance Israel's high-tech industry both in its activities in Israel and globally, providing consultation, credit, transfers, foreign exchange, securities and derivatives, guarantees and more. In this way, LeumiTech became a partner in the growth and start-up of many Israeli high-tech companies, some of which have become "unicorns" over the years.

In addition to the financial tools provided by LeumiTech, Leumi collaborates, supports, and sponsors entities that encourage the founding of startups with social value, such as:

**JUMPTAU** - a multicultural accelerator coordinated by Shenkar and Tel Aviv University's Innovation and Entrepreneurship Center. The JUMPTAU accelerator is a first-of-its-kind program allowing Jewish and Arab entrepreneurs to collaborate in the development of ground-breaking technological solutions to pressing social and business problems.

**Good Company Foundation** - a venture capital investment fund with a social/environmental mission that encourages start-up companies which develop technologies intended to solve the world's greatest problems. In 2021, in partnership with Omitech, ABInBev, AGRO, Strauss and Smart Agrou, the foundation has advanced activities focused on solutions for agricultural challenges (both in food and production) and challenges in the supply chain.

**Amit - Alumni Association of IDF technology unit soldiers** - The association is a home for thousands of discharged soldiers from the IDF's Intelligence Division Unit 81 - the model that was formed in the last decade is the same as in almost all companies, and is based on the advantages of a common technological habitat and previous acquaintance: discharged IDF officers form a company, and the soldiers under their command in the

unit are recruited to the establishment team. These, in turn, resign from the company and set up their own companies, to which they recruit the fresher releases, and so on. As well as supporting the organization's activities, LeumiTech employees served as mentors in these companies and provided training in financing issues.

**YVCF - Young Venture Capital Forum** - This forum serves the professional needs of the venture capital community in Israel. It has 250 members, including partners and managers from various venture capital funds. The purpose of the YVCF is to reinforce and nurture the development of the young partners into professionals skilled in venture capital investments, while improving professional knowledge and providing perspective on the industry and their network of contacts. YVCF also plays a critical role in strengthening the fabric of Israel's VC community by serving as a networking center for young venture capitalists to meet and establish strong relationships with their colleagues from other funds. The collaboration with LeumiTech, included participation in monthly meetings and lectures on the credit products offered by LeumiTech to its customers, and foreign exchange strategies.

**EIF Fund** – Since 2016, the Bank has been cooperating with the European Investment Fund (EIF), offering customers who meet the threshold conditions and criteria set by the fund preferential loans for small and medium businesses promoting technological and digital innovation, business growth, research activities, venture capital development, and more. In 2021, loans amounting to NIS 302 million were provided, to a total amount of NIS 1,437 million from the date cooperation with the fund commenced.

**Collaboration with FinTech companies** – In 2021, Leumi expanded its collaboration with a number of FinTech companies, to increase customer convenience and offer a range of customized services. By collaborating with Ecobill, Leumi customers are able to use smart payments and track household bills digitally. After connecting with FIBO, relevant customers are directed to an external

app specializing in filing tax returns. Leumi also started working with Riseup, which helps customers manage their monthly cash flow.

**The Garage initiative for development of Israeli startup companies** – In 2021, The Garage initiative, which is an investment and growth fund for FinTech startups involved in advanced data-based models, and cyber security, has been launched. The Garage activity is divided into early investment in companies and development of ideas for products and recruiting entrepreneurs to set up companies to develop the ideas, with the professional and financial support of The Garage. The Garage activity is divided into early investment in companies and development of ideas for products and recruiting entrepreneurs to set up companies to develop the ideas, with the professional and financial support of The Garage.

## Promoting innovation to ensure the most convenient customer experience



Leumi's service concept is based on the provision of personal, available, comfortable, professional and fair service, with an emphasis on providing quick solutions to Bank's customers, while ensuring that service cycles are closed.

We promote digitization processes and use of advanced data and models to enhance the customer experience and availability for the customer, in the spirit of customers' expectation for a readily available service and for an immediate response to most financial needs that arise.

- **Mortgage by Zoom** – in an innovative, unique move, Leumi launched a service enabling customers of all banks to conduct a personal consultation session with a mortgage banker via Zoom, and to embark on a mortgage application process without needing to arrive at a branch in order to sign the documents.
- **Digital credit** – Dynamic and model-based pricing customized to the customer's needs in a convenient track.
- **Digital loans to customers of all banks** – an end-to-end digital loan process – starting with checking the eligibility for a loan in real time, based on the Central Credit Register all the way to opening an account and transferring the loan funds – to customers of all banks.
- **Issuing a new digital credit card** – A service allowing the customer to order a new credit card in the Leumi app, without a banker. At the end of the process, the customer receives the card details and can immediately make phone and online transactions and use the digital wallet, prior to the arrival of the plastic card.
- **Direct payment using one's mobile** – Leumi was the first to launch a service allowing people to pay for services or goods directly from their mobile phone, without using a credit card. This service enables users of Leumi's **PEPPER** app (with Android phones) to pay for services and goods by scanning their phone over the payment terminal.
- **Payments using Google Pay and Apple Pay** – Leumi customers that have a banking credit card can pay businesses by holding their phone against the payment terminal.
- **Upgraded app** – In 2021, a new app was launched for private customers. All banking information in the app is accessible, creating a convenient service experience. The app allows simple and quick actions with a customized configuration, along with tips for account management.
- **Securities trading** – the Leumi Trade website and app were upgraded offering advanced and upgraded user experience and interface.
- **Opening an account digitally** – the entire account opening process can be carried out online, including: individual personal account, a joint account and an investment account. In addition, the transfer process to Bank Leumi from any other bank is quick and simple, after submitting an application through the website.

- **Enhancing digital access to advisory services** – Customized advisory services are available to the Bank’s customers, including investment advice from the Bank’s research department, messages from their personal investment advisors, and an option for consultation via Zoom. This increases the availability of the service for the range of customers, allowing the customer to benefit from rich data-based advice.
- **Loan and mortgage moratoriums** – new digital services were launched allowing customers who took a loan/ mortgage with Leumi to apply for a moratorium (payment delay) of up to six months through easily accessible digital channels.
- **Car loans** – a service providing a digital offer for a car loan to existing and potential customers.
- **Digital guarantee** – a service that provides customers with new guarantee papers digitally and securely. The service also allows customers to extend an existing guarantee.
- **Opening a securities portfolio digitally** – the service allows customers to open an investment portfolio on their own, without arriving at the branch.
- **Foreign currency activity** – the international payments service has been upgraded, allowing international trade payments, beneficiaries management, and subscribing to the service seamlessly and quickly.
- **Expanding digital services to business customers** – including opening a digital account, providing a short-term loan, and expanding the independent authorization management service that allows authorized parties to change employees’ authorizations independently on behalf of a corporation.
- **Linking ERP systems to the bank account** – the Bank launched a new open banking service allowing business customers to make payments and transfers directly from the company’s business management system.
- **Management of payments to suppliers and salaries** – using the app to pay suppliers and employees.
- **Leumi Goodies** – Leumi’s customer loyalty program for the Bank’s credit cards members or those who are active on Leumi’s digital channels.
- **PEPPER** – The first banking platform of its kind in Israel, for mobile account management without current account fees, providing a range of banking products, such as savings, loans, credit and debit cards, investment portfolio management, and payment services. **PEPPER** is open to all customer over the age of 16 and from all walks of life; it offers simple and convenient banking services using straightforward language. In 2021 **PEPPER** offered its customers a range of customized value propositions such as: relevant retail benefits in food and recreation during lockdown; loan moratoriums; launching new tools for optimal fund management; and collaboration with various entities to provide subsidized loans (such as members of the Histadrut Federation of Labor and students).
- **VIDEA** – a digital investment portfolio management platform, based on robo advisor. The platform specializes in smart, accessible, transparent, and simple portfolio management. The service is customized to the individual characteristics and risk level of each customer, and is also accessible to customers who invest relatively small amounts (from NIS 50). A call center staffed by professional portfolio managers is available to customers. Customers who opt to have a current account with Leumi, can also open the account using digital means without arriving at a branch; this facilitates the process for customers living in the periphery or customers with mobility issues.
- **Improving the services provided to senior citizen customers** – creating a service package tailored to customers, including training bankers on how to converse with senior citizens contacting the Bank’s call centers, adapting products and setting up a dedicated page on the Leumi website listing all services available to senior citizen customers (mobile branches, jumping the queue when contacting the call center, making an appointment, workshops, tutorials for use of digital banking services, access to services through messages, expansion of home services, and providing banking services in homes for the elderly and assisted living centers).

## Making services accessible for the entire population and promoting disadvantaged groups

**The Leumi Group works to make its services accessible through its branches and digital channel for all groups of the Israeli society, regardless of gender, religion, age, geographic location, or physical disability.**

As of the end of 2021, Leumi has 20517 branches used by the business lines of the Banking Division and the Corporate Division. The branches are located across the country; 38 branches are located at the heart of peripheral communities, 2618 in predominantly Ultra-Orthodox areas, and 4319 in predominantly Arab areas. The vast majority of the Bank’s branches and ATMs are physically accessible, in compliance with the regulations. The Bank also has dedicated representatives whose job is to make services more accessible among the ultra-Orthodox and Arab communities and among victims of domestic abuse. In addition, a dedicated unit reports to the Board of Directors on a quarterly basis about the Bank’s services to senior citizens.



For more information regarding the Statement on Accessibility for People with Disabilities, please visit the Bank’s website.

17 193 ordinary branches and 12 part-time branches that do not manage customers accounts.  
 18 23 ordinary branches and three part-time branches  
 19 37 ordinary branches and six part-time branches



## Objectives

### Execution of 2021 Objectives

| Topic                 | Objective  | Status         | Details   |
|-----------------------|--|----------------|---|
| Service accessibility | Routine training of accessibility coordinators/digital services representatives/call centers | Done           | Refresher on accessibility regulations and training on how to provide service to customers with disabilities  |
| Service accessibility | Routine inspections of the websites' accessibility   | Done           | Routine inspections of websites and phone apps – carried out by Access Israel.  |
| Service accessibility | Conducting knowledge tests for service providers and headquarters employees                  | Done           | Refresher on accessibility regulations – two accessibility tests were customized to the employee profile, performed by 85% of the employees.  |
| Service accessibility | Conducting service surveys and covert surveys  | Done           | Conducting 25 service surveys + 5 covert surveys in centers/branches – 38 accessibility survey's were conducted   |
| Service accessibility | Accessibility of documents and messages to the customer                                      | Partially done | Accessibility of documents and notices for customers with visual impairment in all web traffic – some were made accessible and a temporary exemption due technical restrictions were given to others. |

### Objectives for 2022

| Topic                 | Objective   | Explanation  |
|-----------------------|---|--|
| Service accessibility | Accessibility of documents and messages to the customer | Completion of document accessibility   |
| Service accessibility | Training for service providers + development            | Refresher on Accessibility Regulations and training on how to provide service to customers with disabilities |

## Assistance to underprivileged groups



### Empowering women who are victims of violence

The “banking services accessibility” pact was defined in the banking system, which is a voluntary pact designed to support women who are victims of violence and stay in shelters and in transitional accommodation in tackling financial challenges they face. The pact aims to create a range of solutions and provide specific financial support that addresses the needs of those women, while strengthening the personal relationship between the banks and women housed in shelters by appointing dedicated contact persons who will be available to help these women.

Leumi supports the pact that was formulated and which supports women who are among the Bank’s customers who live in shelters in their financial dealings and the management of their accounts. Since in many cases the bank account in question is a joint account shared by the woman and her abuser, the support provided by the Bank includes, among other things, giving the account details to the woman, cutting and rescheduling debts, issuing credit cards, checkbooks and more. Leumi’s handling of this issue is carried out with the uttermost sensitivity; Bank’s employees who assist the women maintain their privacy and confidentiality and invest efforts and resources to support those customers and alleviate their plight. In 2021, the Bank received over 100 inquiries, which dealt with, among other things, the unilateral removal of women from joint accounts and the opening of an account solely in the name of the woman, debt forgiveness in cases where debts were incurred due to financial violence, rescheduling of payments, education about proper management of a bank account and more.

### Assistance to customers in crisis

Leumi strives to prevent customers from falling into debt and holds direct, sensitive, speedy and businesslike dialogues with customers in financial difficulty, by examining their individual ability to settle their debts, and striving to find the most convenient solution. This activity is carried out by meeting customers who have debts and through a range of services, such as holding off mortgage payments which is designed to alleviate the plight of those who purchased a property. During the COVID-19 crisis, the Bank aimed to reach debt settlement arrangements with debtors instead of conducting legal proceedings, by creating value propositions for customers, such as collaboration with the Debt Collection Authority, revising overdraft letters so that they will



For more information about Leumi’s Statement of Services to Promote Disadvantaged Populations, see the Bank’s website.

be more general, customizing the offers to customers according to the COVID-19 crisis, spreading out loans and permitting loan moratoriums according to the Bank of Israel's outline, allowing customers to sign documents remotely through a digital platform, and holding telephone meetings with the aim of supporting customers. In addition, workshops were held to train bankers to provide empathic service to customers in distress.

In 2021, Leumi representatives spoke with 4,298 customers in debt to help them find the best solution for addressing their debts.

### Arab Society in Israel

Leumi has 38 branches in the Arab sector, eight of which are business centers. In 2021, the eighth business center was inaugurated and three special representations with Arabic-speaking bankers were set up to provide mortgages.

In 2021, Leumi invested in the development and accessibility of products and services for Arab society:

- Five different value propositions for individuals in paramedical fields, a marriage package, new arrangements with local authorities, as well as value propositions for academic studying abroad.
- Marketing and advertising in the Arab community, through custom-made content in Arabic with the participation of Arab-speaking actors and bankers, in accordance with the unique needs of the community.
- Leumi launched Israel's first banking SMS system in Arabic, with the aim of making the range of value propositions and banking operations accessible to its customers, providing information on new products and new dedicated benefits through the Goodies benefits app, "write to the banker" in Arabic, and more. Some 100 thousand text messages were sent to customers during the year.
- As part of Leumi's activities in Israel's Arab community, Leumi continued to offer enrichment activities and meetings to empower women and to encourage women-owned businesses.
- Promoting businesses in the Arab Society: in light of the coronavirus outbreak, the government decided to establish a dedicated loan fund, to aid businesses with cash flow difficulties as a result of the effects of the coronavirus pandemic. The fund, which was established in April 2020, provides state-guaranteed loans for one to five years, with an option for a grace period of up to 24 months. In 2020 and 2021, business customers from the Arab community took out COVID-19 loans at a higher rate than their proportionate share in the Bank's total commercial credit portfolio. The proportion of business customers among customers in the Arab community who deferred loans is also higher than their proportionate share in the Bank's total credit portfolio.



"Getting Started" project in collaboration with Israel Tour Guides Association

### Assistance to customers in sectors affected by the COVID-19 crisis - the "Let's Go" project

In view of the severe damage to the tourism industry due to the COVID-19 pandemic and the many months of lockdown in Israel, Leumi connected with the Tour Guides Association in Israel with the aim of supporting tour guides who have experienced a financial drop due to the restrictions. Over Passover holiday, Leumi offered the Bank's customers dozens of free tours in Israel led by tour guides. Some of the tours were tailored to special needs populations and given in different languages (English, Arabic, and Russian).

## Contributing to the Growth of Senior Citizens

Leumi makes it its priority to make its services accessible to senior citizens and to take part in social ventures for this group

In an era in which life expectancy is increasing and the senior citizen population continues to grow, Leumi has set a target to create an improved service package adapted to senior citizens, in line with Leumi's "From Generation to Generation" social policy. In this context, a range of activities were offered to senior citizens in the subject of accessibility and digital orientation, alongside proper financial management.

The following activities were carried out as part of this project:

### 1. Customizing services to senior citizens and their primary caregivers:

A. Expansion of the "mobile branch" service - The mobile branches visit nursing homes and assisted living centers around the country, on a regular basis, to make the range of banking services directly accessible to senior citizens. Furthermore, the mobile branches are equipped with ATMs which are accessible to customers of all banks. These mobile branches provide services to dozens of assisted living centers across Israel, assisting approximately 500 customers per month.

B. Leumi prioritized customers over the age of 70 in terms of waiting times when ringing the Bank's call center and at branches.

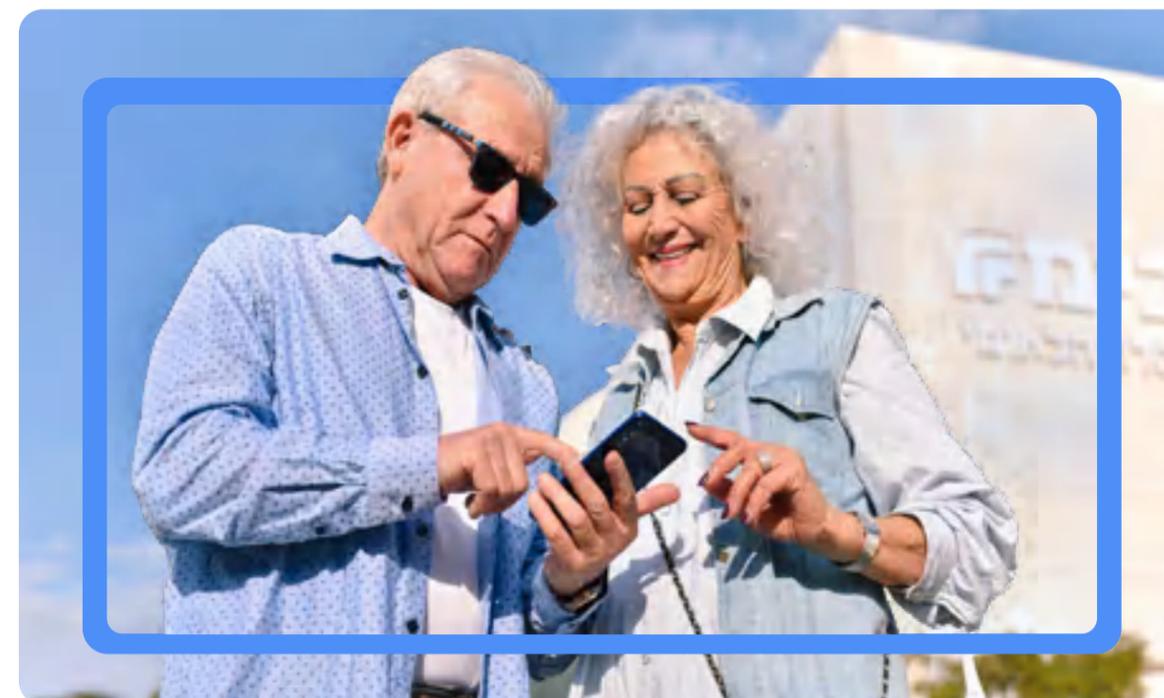
C. Senior citizen customers can arrive at the branch and receive face-to-face services, also without booking an appointment in advance.

D. Service providers in the Bank undergo training on preventing ageism.

### 2. Promoting digital orientation among senior citizens:

A. In 2021, Leumi offered customers of all banks lectures by Leumi experts on the following subjects: safe online browsing and management of their bank account, from the aspect of a partner, guardian, proxy, and more. Five lectures were held, attended by 1,000 participants.

B. In 2021, Leumi donated the services of two managers, whose salaries continued to be paid in full, to operate a training program, in collaboration with the Machshava Tova association. As part of the program, over 2,200 senior citizens attended online and frontal lectures and workshops in 400 individual and group sessions, with the aim of helping them cross the digital bridge.



## Promoting Digital Literacy

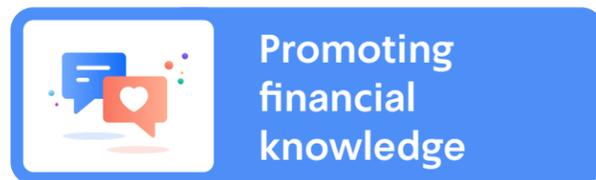
Since many customers still need support in bridging the digital gap when it comes to digital banking, Leumi has an extensive range of courses and support schemes that focus on financial digital literacy. In addition to providing digital tools, content related to financial education for private and business customers alike is offered, free of charge, in a range of areas, including business management, the capital market, digital marketing, and workshops for household economics.

In 2021, due to the coronavirus crisis and to help Leumi customers adapt to the new normal, Leumi's 200 representatives assisted customers to carry out digital banking transactions in all channels. In addition, bankers were placed in the entrances to some of Leumi's branches to provide preliminary and quick banking service to customers.

### Collaborations with NGOs to promote digital literacy-

**The Machshava Tova NGO** - works to reduce social gaps through technology.

- As part of the collaboration, employees of Leumi's Technologies Division have been volunteering for the past ten years in Machshava Tova's technology center. They serve as mentors and lecturers on the topic of employment, support the youth groups and run Summer Tech, a one-week technology summer camp, featuring presentations developed and delivered by the Bank's knowledge experts.
- In 2021, Leumi offered senior citizens workshops on the various uses of smart phones, regardless of whether they bank with Leumi or with other banks. During the year, the Bank held 21 workshops, attended by 2,900 customers.



## Promoting financial knowledge

The Leumi Group strives to provide its customers with the knowledge and tools needed to optimize their use of the financial services available to them, in order to support them in creating an economic infrastructure that will impact their personal, professional, and business development.

### Initiatives to Enhance Customers' Financial Knowledge

**Simplify customer information** – As part of the Bank's measures to improve customer service, messages regarding the banking ID, fees and exceeding the line of credit were revised and redesigned, thereby simplifying the information and making it easier to understand, so that it became a useful tool for commercial customers.

**Encouraging financial savings and consumer awareness** – Bank Leumi helps customers to optimally manage their bank accounts to encourage saving, wise consumption, and planning for the future. For this purpose, the Bank offers a wide range of deposits and saving accounts with multiple linkage tracks, various depositing dates and periods and variable exit points – in order to customize the saving process to suit customers' needs.

**Pension consulting services** – The Bank offers relevant customers professional comprehensive pension consulting services, which are tailored to their insurance, financial, and family needs, and their retirement plans. The Bank also developed an innovative digital service allowing customers of all banks to obtain – quickly, efficiently and free of charge – information about their pension assets: where such assets are managed, their accrued balances and management fees rates.

**Financial education conferences** – customer conferences allow Bank Leumi to provide a targeted response to different population groups, adapting useful information regarding the management of their household budget as well as the financial tools available to them so that they meet their needs. During 2021, Leumi, in collaboration with the company "Otzar", offered customers of all Banks household financial awareness workshops in which participants acquired practical tools for management of households' budgets, a need which increased during the challenging period of the pandemic. Four workshops were held as part of this project, with participation of more than 1,000 customers of all banks.

**Leumi Blog** – A content platform for articles and manuals providing financial information for business and private clients.



For more information about Leumi's Statement on Making Financial Knowledge Available, see the Bank's website.

**Collaboration with the Shiur Acher association** – The first Financial Awareness Month was held in 2021, during which employees volunteered to give lessons on smart consumption to more than 3,500 students at schools in the periphery all over the country. Approximately 255 Leumi employees gave financial education classes in schools in order to increase the financial awareness of pupils from a range of population groups, develop their critical thinking and allow them to meet role models and become acquainted with new professions.

## Contributing to the Growth of the Business Sector



### Empowering Small and Medium Businesses

Based on information from the Ministry of Economy and Industry, in 2020, small businesses represented 55% of GDP in the business sector, and in any event, this sector has a crucial impact on the success of the Israeli economy. Owners of small businesses face bureaucratic challenges, lack management know-how, and find it difficult to use conventional credit tracks due to inadequate capital or financial collateral, or due to other procedural barriers. Recognizing the needs of owners of small and medium businesses and their importance to the economy, Leumi Group continued to generate and develop measures and products customized to the needs of this sector in 2021, providing them with the tools required to grow their business and contributing to their success in the growing competitive environment and challenges in light of COVID-19.

### Empowering Corporations

The Leumi Group provides banking and financial services to the leading corporations in Israel, including in fields such as construction and real estate, infrastructure, industry, transportation, chemicals and technology. The Group's ability to provide financing and services to these corporations has made a crucial contribution to the growth of the economy, subject to regulatory restrictions.

The services provided by the Bank include, among other things, ongoing financing according to the customers' needs; financing investments to maintain and expand operations; providing financing solutions in the area of international trade; financing and supporting national and international projects; financing mergers and acquisitions; organizing syndicates; financial instruments to hedge against currency risks, interest risks and changes in commodity prices; investment services and capital market activities.

## Initiatives and measures to support business customers

- **Accessibility and analysis of financial information for businesses** – Coordination, management, and processing of financial information are significant challenges faced by CFOs of businesses. Since CFOs rely on current information as part of their work, the quality and reliability of that information has a significant impact on the organization's financial management and decision-making in real time, and as a result – also on its success. To help companies tackle these challenges, Leumi operates its Cash Management service. The service makes a variety of solutions available to businesses through a secure, easy to use online interface. The service includes management and collection of financial information from the local and global banking system.
- **Conferences for business customers** – During 2021, 40 conferences and professional seminars were held for hundreds of business customers, in order to improve the knowledge available to them and become better acquainted with them and their needs; most of the conferences and seminars were virtual.
- **Leumi-Koret program to promote small businesses in the periphery** – Under the program, Bank Leumi has been granting loans at preferred conditions to small businesses in the periphery since 2009, with the aim of encouraging the development in the economy and creating jobs for new immigrants and senior citizens in the periphery. **In 2021, the Bank provided 78 loans with a total of NIS 23 million.**
- **Government Guaranteed Fund** – For more than ten years, financially viable small and medium businesses that have the potential to grow and create new jobs in Israel, but which struggle to obtain credit, have been benefiting from state-guaranteed loans. As part of this collaboration, whose objective is to support and promote the Israeli economy, Leumi extends loans to businesses from a range of sectors, with the objective of enabling them to fulfill their potential and contribute to employment and output. **In 2021, credit totaled NIS 387 million.**<sup>20</sup>
- **The coronavirus fund for businesses** – in the wake of the coronavirus outbreak, the Government of Israel decided to set up a dedicated loans fund, which aims to support businesses that encountered cash flow difficulties due to the pandemic. Set up in April 2020, the fund provides state-guaranteed loans. The loans are extended for a period of one to five years with an option for a grace period of up to 24 months. During the first year, interest on the loans is paid by the state. **In 2021, the fund provided 2,442 loans to businesses, totaling at NIS 803 million.**
- **Solar panel loans for small businesses** – to encourage small business owners to use renewable energy, businesses that own properties where solar panels can be installed may be eligible for a loan of up to 100% of the installation value. **In 2021, 992 loans with a total of NIS 408 billion were provided.**
- **Financing environmental infrastructures projects** – In 2021, Leumi participated in the financing of several projects with a positive impact on the environment, such renewable energy, waste and effluents treatment facilities and more.
- **Digital guarantee for government tenders** – In 2021, Leumi was the first to issue a digital guarantee to government ministries after connecting to the government guarantee systems. A digital guarantee allows business owners to submit a guarantee to the government office without visiting the branch, and to avoid mistakes that may result in disqualification. In the new system, Leumi customers are able to manage the entire process online, using the Bank's digital guarantee system. The digital guarantee in the government standard allows any business owner – whether small, medium, or international corporations – to apply to a government tender, in a wide range of industries.

## Leumi for the community



Leumi is proud to be part of Israel's social-moral backbone and views social investments as its mission by focusing on five main actions: long-term strategic partnerships, donations, employee volunteering, social assets, and mobilization to promote social issues. **In 2021, total investment in the community amounted to NIS 38 million, in favor of donations and social sponsorships for more than 250 entities. This amount includes the total donations and social sponsorships of Leumi and of all of the Group's subsidiaries, budgets for employee volunteering activities, donation of equipment and employee volunteering hours.**

### Long-term strategic partnerships

At the core of Leumi's work for the community, Leumi has supported two major NGOs for the past two decades:

#### Follow Me! - Youth Leading Change

Leumi Group has been a supporting partner of the Follow Me! – Youth Leading Change association since 2002. Leumi Group is a key donor of the NGO and supports its activity in the outlying areas. As part of the collaboration, hundreds of Leumi employees volunteer in a wide range of the association's activities during the year, including lectures on smart financial consumption for trainees, and financial mentoring for graduates and the association's management team.

Follow Me! aims to increase the social integration of youth at risk by engaging in educational activities, developing their leadership skills, and providing them with tools for optimum integration into society. The non-profit organization operates about 400 groups throughout Israel, in which about 8,000 teenagers a year from all sectors participate in approximately 150 communities across Israel: leadership and army preparation groups, matriculation learning centers, Sayarut classes, Ethiopian descent youth empowerment groups, military preparatory groups, community service youths, and alumni groups.

<sup>20</sup> This figure reflects Leumi's net share in the fund, not including the share of an institution providing loans together with Leumi in this fund.



For more information about investment in the community, see the Bank's website.

Over the past 20 years, more than 60,000 trainees, including 2,200 from the Haredi community, 8,100 from the Arab community, and 12,400 Israelis of Ethiopian descent and new immigrants participated in Follow Me! activity.

Leumi provides strategic supports for Follow Me! through financial support combined with the volunteering of Leumi employees. Over the past 20 years, Leumi has provided support amounting to more than NIS 100 million, through the volunteering of thousands of the Group's employees.



Final program challenge  
"Aharai!" NGO December  
2022

#### Effectiveness of the activity of the association "Follow me! Youth Leading Change" in 2021

- 93% of the graduates join the army, vs. 69% in the general population.
- 80% of the graduates were eligible for a matriculation certificate vs. 69% in the general population.
- 58% of graduates over the age of 25 acquired higher education, compared with 37% in OECD countries.

#### Employment:

- 56% of the association's graduates work in the private/business sector.
- 37% are employed in the public sector (about half in security and education).
- 36% of the graduates did a year of service/military preparedness courses, compared to 11% in the general population.
- 7% work in the voluntary sector.
- Notwithstanding the effect of the COVID-19 crisis, 79% of graduates over the age of 31 are employed in the labor market.

#### Friends of Atidim - Pre-Atidim Program -

Friends of Atidim is Leumi Group's second strategic social partner since 2005. The association encourages and promotes excellence among teenagers from the outlying areas. Pre-Atidim program covers six study years, from middle-to high school. Each year, the activity focuses on the typical ability of the specific age with the aim of building a set of skills that provide the students with a qualitative matriculation certificate and entry into academic studies.

The matriculation and psychometric examination results of the students reflect the significant improvement in their achievements, and there is a substantial increase in the number of students from outlying areas accepted to the IDF Academic Atuda program. Since 2005, Leumi has contributed more than NIS 50 million to support the various programs.

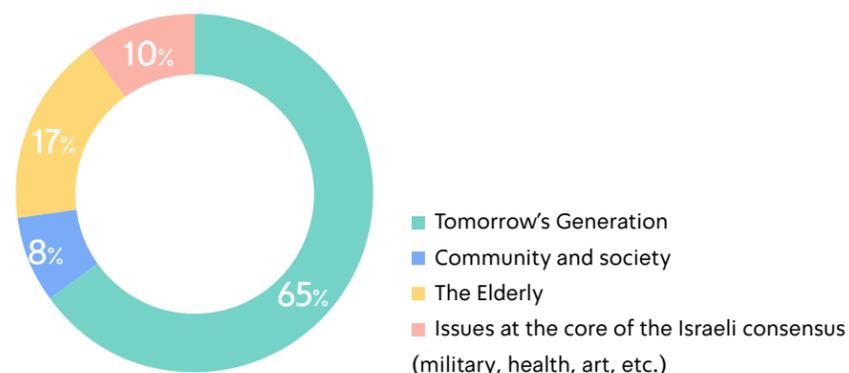
#### Effectiveness of the activity of Atidim in 2021:

- 12,414 students from the periphery participate in the various programs of Atidim to the IDF/Pre-Atidim programs, of which 51% are girls.
- "Atidim in Industry" - 1,543 students are studying engineering at universities and colleges, of which 47% are young women.
- 90% graduated with a practical engineer's degree and started working after their studies.
- The "Soldiers to High-Tech" program - 17 high-tech training courses opened in 2021. 85% of the participants have started to work in a range of high-tech positions.

### Donations and sponsorships -

In 2021, Leumi Group investments in the community amounted to NIS 38 million, reflecting the Group's social strategy alongside the advancement of nationally accepted social issues.

### Breakdown of budget for investment in the community by areas in 2021



### Leumi Group's community contributions, billion NIS

| Country              | 2017        | 2018        | 2019      | 2020      | 2021      |
|----------------------|-------------|-------------|-----------|-----------|-----------|
| Israel               | 36.9        | 40.3        | 46.55     | 36        | 37        |
| Foreign subsidiaries | 0.2         | 1.1         | 1.45      | 1         | 1         |
| <b>Total</b>         | <b>37.1</b> | <b>41.4</b> | <b>48</b> | <b>37</b> | <b>38</b> |

### Employee volunteering in the community



A key part of Leumi Group's concept of community responsibility is reflected in the social involvement of employees community volunteering. Leumi employees who volunteer in the community regard this as a mission and say that volunteering gives them personal satisfaction and a sense of pride and connection to Leumi.

### The principles guiding Leumi employees' volunteering are as follows:

- Activity in the local targeted community implementing the "from generation to generation" policy - youth and the elderly.
- The perception of long-term and significant communal partnership in addition to coordinating between employees' abilities and the community's needs.
- Diverse volunteer activities, varying in scope and nature, in accordance with the volunteers' skills and the needs of the community
- Volunteer involvement in building the volunteer process, which ultimately strengthens their commitment.

In 2021 as well, volunteer activities at Leumi were adapted to changing COVID-19 guidelines and restrictions. Long-standing projects have been adapted to crowding restrictions and a wide range of new projects have been launched, according to the different needs that have been identified. The volunteer work of the Group's employees in 2021 included:

- **Value-based and social enrichment and financial education**- lectures and personal mentoring in settings such as schools, youth groups, discharged soldiers, and families.
- **Improving academic achievement**: homework assistance, matriculation preparation, mentoring and lectures.
- **Improving living conditions**- painting and renovating, donating furniture and equipment, and distributing food packages to the needy.
- **Supporting senior citizens**- digital workshops, distribution of food and winter supplies, relieving loneliness through phone calls, home visits on holidays, and club activities for senior citizens.
- **Collection of second-hand donations**- Many of the Bank's units raised donations, this year as well, to purchase products, such as school bags, coats and clothes, medicines, cosmetics, and toiletries for girls at risk.
- **Other areas** - Including activities with people with disabilities, harvesting and sorting agricultural produce, cleaning beaches, activities with and for lone soldiers, and volunteering in shelters for women and girls at risk.

### Unique volunteer projects during the year –

- **Preparation of costumes for the Chimes association** Leumi employees prepared costumes for 220 children with disabilities for Purim. The costumes were prepared specially for each child and tailored to their wishes, measurements, and devices.
- **Renovation of the Boyer Boarding School in Jerusalem** – The Boyer Boarding School encourages youth to excel and works to reduce gaps between students from the geographic periphery and center of Israel. The school is attended by 300 boys and girls with high academic ability who did not fully realize their potential at the school near their home. After going 20 years without renovation, and as part of volunteer activities of the Bank's senior management forum, more than 100 senior executives participated in the renovation of the boarding school.
- **Establishment of a home for lone soldiers in Hatzor HaGlilit** – The local council donated a building for the use of lone soldiers (IDF soldiers with no family in Israel), which the Bank furnished, and the Bank's employees cleaned, painted, and organized the building to greet the soldiers.
- **Parent-child summer volunteering** – In the summer, 200 Bank employees and their children volunteered for a full work day in 15 different activities, in community gardens, farms, senior citizens' clubs, a monkey rescue park, and charities that salvage food and donate it to the needy. The project aimed to involve the employees' children in community volunteering as an example of community involvement and good citizenship.
- **Environmental projects in local councils in the Arab community** – A joint activity of Leumi branches and local councils in environmental projects to improve the appearance of towns. The activity included a financial contribution by the Bank and volunteering of employees. Over the year, projects were completed in 15 councils.
- **Etgarim summer camp for people with disabilities** – The Etgarim association is committed to empowering people with disabilities and integrating them into society through challenging sports activities. Since 2017, Leumi has sponsored an Etgarim summer camp for children and youth who do not have other summer frameworks. Hundreds of children and teenagers with physical, mental, sensory and cognitive disabilities from around the country and various populations attend the camp. In 2021, the camp was adapted to COVID-19 social distancing and gathering restrictions and was held simultaneously in three centers: Jerusalem, Tel Aviv, and Acre. Some 800 children attended the five-day camp, and 260 Leumi employees and 60 children of employees helped operate the stations and accompany the children in the activities.

### Activities for senior citizens –

In accordance with the Bank's policy of expanding Leumi's social activities from children and youth to include activities for senior citizens, the Bank participated in several projects addressing the basic needs of this population, including financial contribution and employee volunteering, such as:

- Distribution of gift packages on the Purim and Hanukkah holidays – Some 1,750 volunteers visited the homes of 1,000 senior citizens living alone, in collaboration with the Ruach Tova organization, gave them a small gift, wished them a happy holiday, and most important, made them feel that they are not alone.
- Latet – is one of the largest and most significant organizations operating in Israel to reduce poverty and food insecurity among families and individuals living in distress, through various programs. As part of the Aid for Life program, which operates for the benefit of impoverished Holocaust survivors, the Bank is active in two tracks:
  - Since 2009, Leumi's technology division has adopted 60 senior citizens living in Lod. Regular volunteers visit them to relieve their loneliness, check whether they need anything, and bring them a monthly food package.
  - Since 2017, the Bank has been contributing assistance packages for winter. In 2021, the Bank donated 1,000 winter aid packages to individuals supported by the organization, including a high-quality double duvet and warm items for the winter. The packages were distributed by 460 Leumi employees.

### The Sha'a Tova project sponsored by Leumi and in partnership with Midroog

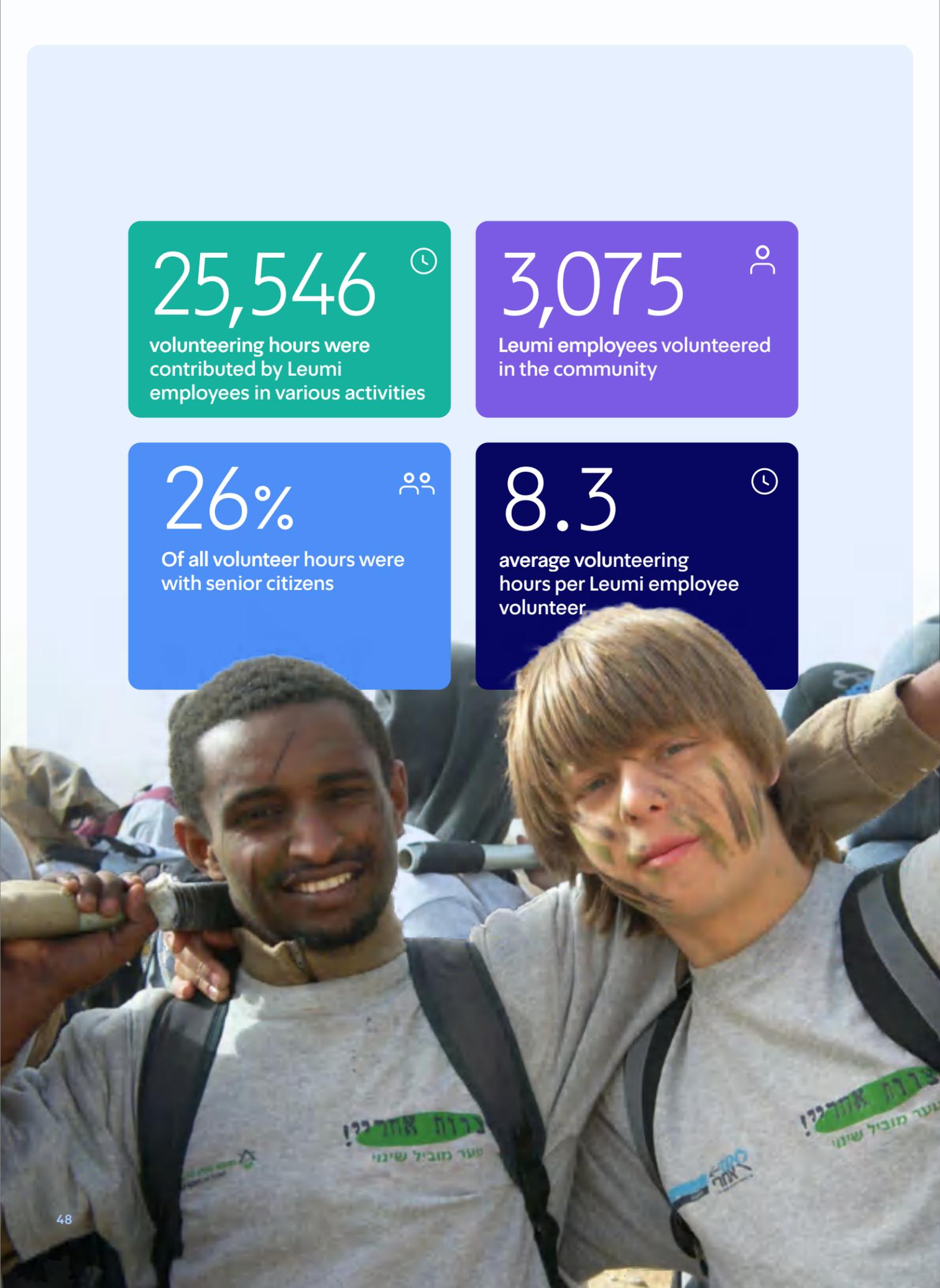
The Sha'a Tova project, initiated by Midroog and under the sponsorship of Leumi, aims to provide a solution for elderly citizens who require repairs at home, which they are unable to finance. Senior citizens in need of assistance are located by a number of associations, and the repairs are carried out by Midroog's volunteers, which developed a system for operating the project. The equipment is paid for with a budget of hundreds of thousands of shekels, donated by Leumi. To date, more than 450 senior citizens have had small- and medium-sized repairs in their homes, such as: installation of an air conditioner, installation of a solar water heater, repair of an electrical appliance, spraying, replacement of a socket, and a replacement of a sink faucet.

### Measuring the Effectiveness of Investing in the Community<sup>21</sup>

Leumi is examining the effectiveness of its activity in the community, including its compliance with goals, based on predefined indicators derived from the social policy dictated by the Bank's Board of Directors.

The volunteering activity of employees is managed and the data on the scope of the volunteering are monitored according to number of volunteers and volunteering hours. The effectiveness of the significant contributions is also monitored according to the objectives and goals of the relevant NGOs.

<sup>21</sup> The above volunteering figures include Bank Leumi only



**25,546** 

volunteering hours were contributed by Leumi employees in various activities

**3,075** 

Leumi employees volunteered in the community

**26%** 

Of all volunteer hours were with senior citizens

**8.3** 

average volunteering hours per Leumi employee volunteer

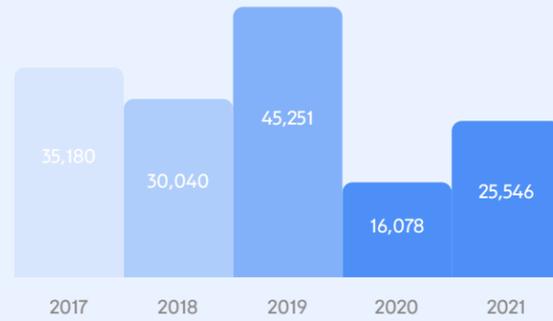
 Objectives

Execution of 2021 Objectives

| Topic                 | Objective  | Status | Details   |
|-----------------------|--|--------|---|
| Employee volunteering | Increase scope of employee volunteering compared to 2020, of which 20% will volunteer with the elderly | Done   | The number of volunteers increases by 26% in comparison to 2020. Of the total volunteer hours, 26% were with senior citizens. |

## VOLUNTEERING BY EMPLOYEES<sup>22, 23</sup>

Number of Volunteering Hours



Number of Volunteers



Average Hours Per Volunteer Over the Years



<sup>22</sup> Due to the ramifications of the COVID-19 pandemic and the existing restrictions, there has been a significant decline in volunteer work by the Bank's employees  
<sup>23</sup> 2017-2018 volunteering data was updated



For more information about Leumi's Statement on Responsible Procurement, see the Bank's website.

## Social sustainable procurement



Leumi's procurement activity consists mainly of the ongoing purchase of equipment, products and services both for the Bank's current operations and for projects carried out in all Leumi units, as required.<sup>24</sup> Leumi's Procurement and Real Estate Department is responsible for identifying suitable suppliers, conducting negotiations therewith, entering into engagements and managing ongoing relationships therewith. As part of Leumi's policy, the procurement system prioritizes local products, gives priority to businesses from the periphery and small businesses, and sets threshold conditions for ensuring the compliance of suppliers with standards in such as prevention of bribery and corruption and fair employment conditions.

### Suppliers conduct evaluation

The Leumi Group manages a responsible supply chain that has a positive impact on the community. In order to achieve this the Bank reviews suppliers' conduct, including corporate and social responsibility (such as employment and ethical behavior).

In 2021, the payroll rights of employees of a number of companies providing services to Leumi were audited and reviewed: five security companies, five cleaning companies, and a catering company.

### Promoting diverse procurement

As part of the steps the Bank took to promote diverse procurement and to increase the Group's positive impact through procurement, Leumi launched a number of initiatives:

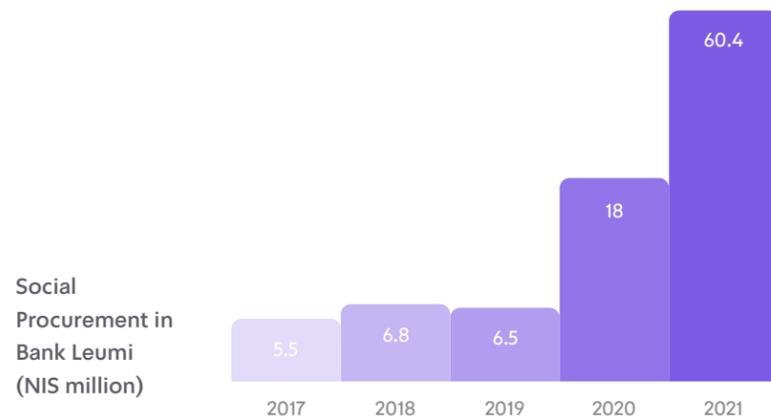
- Collaboration with Maala: Leumi continues to ask suppliers to fill out Maala's questionnaire for medium-sized businesses, to check their compliance with corporate responsibility norms and increase awareness of the issue among suppliers. From 2015 through this report's publication date, Leumi acted to add 26 of its suppliers to the Maala rating.

<sup>24</sup> The vast majority of Leumi's procurement activities are performed by the Procurement Department of the Finance Division, which is responsible for the procurement procedures and execution of large transactions (hereinafter - "Principal Procurement"). In addition, procurement is carried out directly by the headquarters units and branches. The information in this chapter refers to the general procurement only, unless noted otherwise.

- Supporting the WESOURCE venture: during 2021 Leumi continued supporting the venture of the NGOs Jasmine and Zionism 2000, operating an online database of socially-diverse suppliers and suppliers addressing social needs. The purpose of the database is to make it easier for large organizations to increase their procurement from businesses that address social needs, from companies employing underemployed populations and from small businesses.

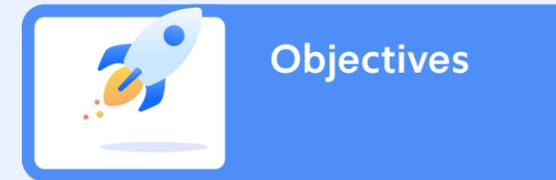
#### Procurement Data

- Suppliers who started providing Leumi with services in recent years have undertaken to meet the Bank's fair employment criteria (employment terms, safety, etc.) and to meet environmental criteria.
- In 2021, Leumi's social-conscious procurement amounted to **approximately NIS 60.4 million**, from suppliers who employ underrepresented populations and social enterprises.
- The Bank's procurements from Israeli start-ups in 2021 amounted to **NIS 1.75 million, which is twice as much as last year.**<sup>25</sup>
- In 2021, 65% of Leumi primary suppliers were small-medium businesses; approximately 30% of total procurement of the Bank was made through these suppliers.<sup>26</sup>
- **93%** of the Leumi's procurement amount in 2021 was locally resourced.



<sup>25</sup> For early-stage startups.

<sup>26</sup> The suppliers contracted by Leumi are classified as follows: small suppliers – employ 0–20 employees; medium suppliers – employ 21–100 employees; the data pertains only to Bank Leumi.



#### Execution of 2021 Objectives

| Topic       | Objective  | Status | Details  |
|-------------|--|--------|--|
| Procurement | Continue collaboration with Maala to include Leumi's suppliers in Maala's rating of mid-sized businesses | Done   | Inclusion of Leumi's suppliers in Maala's rating for medium-sized businesses |
| Procurement | Continue socially conscious procurement transactions   | Done   | Map and execute relevant transactions with diverse or social suppliers       |

## Employees



The employees are Leumi's most important asset and are the anchor for the Bank's success and leadership. They are the most important resource for our strength and success and that is why we attribute great importance in investing in them and in their professional development, while adapting their knowledge to the changing banking world. Leumi's employees benefit from the best possible value proposition in the financial system alongside a pleasant, caring, and empowering work environment. In 2021, Leumi emphasized promotion of a culture of excellence, reinforcing the link between performance and compensation, and as a result, our excellent employees benefited from a wide range of benefits.

Leumi invests in and develops its employer identity as one that cares about:

- Diversity, inclusion, and equal opportunities
- Fair compensation
- Employee retention
- Development and training
- Employee experience and wellbeing
- Two-way communication
- Proper work Relations

### Diversity, inclusion, and equal opportunity

Leumi Group and its employees are a microcosm of Israeli society and therefore reflect a wide range of employment. Employment diversity contributes to the advancement of innovation and creativity at Leumi on the one hand, and creates equal opportunities for different populations in Israeli society, on the other. Leumi Group employs 8,597 employees in all areas of Israel and abroad, of which 59% are women and 41% are men.<sup>27</sup> 95 employees, who constitute 1.19% of all Group employees in Israel, are employed in a part-time position<sup>28</sup>.

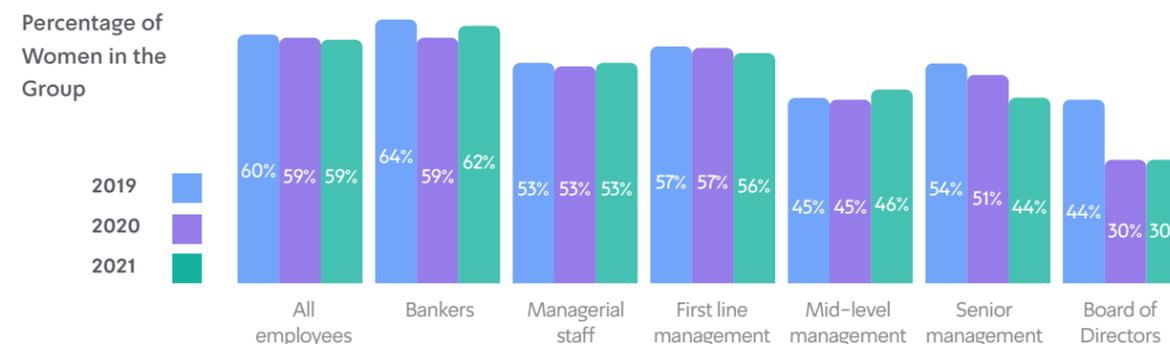
### Gender Equality in Leumi Group

|                 | 2018  | 2019  | 2020  | 2021  |
|-----------------|-------|-------|-------|-------|
| Leumi           | 61.5% | 61.1% | 60.8% | 60.5% |
| Leumi Partners  | 40.9% | 47.2% | 44.4% | 45%   |
| Foreign Offices | 40.8% | 42.7% | 40.6% | 42.4% |
| Leumi Group     | 60%   | 60%   | 59.3% | 59.1% |

<sup>27</sup> Leumi Group includes Bank Leumi, Leumi Partners, and foreign subsidiaries.

<sup>28</sup> A working week at the Bank includes 39 standard hours, three hours less than that prescribed by law. In addition to those 1.19% employees, another 6.9% are engaged in part-time telephone service positions.

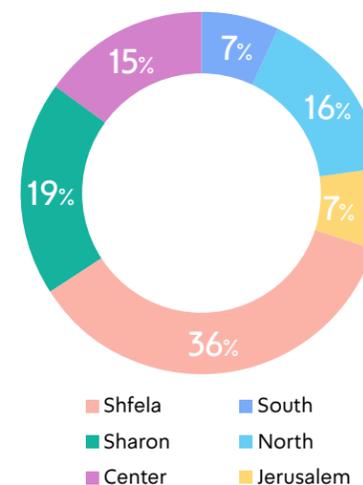
### Percentage of Women in the Group by Rank<sup>29</sup>



### Breakdown of Group Employees by Employment Type in Israel



### Geographic Deployment of Leumi Group Employees in Israel



<sup>29</sup> The data regarding the percentage of women in the board of directors relate solely to Bank Leumi.

שיעור עובדים לפי גיל, דרג ומגדר לשנת 2021 - קבוצת לאומי<sup>30</sup>

| Rank                       | Age          | Women        | Men          | Women Ratio |
|----------------------------|--------------|--------------|--------------|-------------|
| No. of senior executives   | Under 30     | 0            | 0            | 0%          |
|                            | Aged 31-50   | 36           | 37           | 49%         |
|                            | Aged 51+     | 32           | 49           | 40%         |
|                            | <b>Total</b> | <b>68</b>    | <b>86</b>    | <b>44%</b>  |
| No. of advanced managers   | Under 30     | 1            | 0            | 100%        |
|                            | Aged 31-50   | 147          | 171          | 46%         |
|                            | Aged 51+     | 172          | 199          | 46%         |
|                            | <b>Total</b> | <b>320</b>   | <b>370</b>   | <b>46%</b>  |
| No. of mid-level managers  | Under 30     | 0            | 0            | 0%          |
|                            | Aged 31-50   | 252          | 167          | 60%         |
|                            | Aged 51+     | 129          | 93           | 58%         |
|                            | <b>Total</b> | <b>381</b>   | <b>260</b>   | <b>59%</b>  |
| No. of first-line managers | Under 30     | 11           | 9            | 55%         |
|                            | Aged 31-50   | 665          | 534          | 55%         |
|                            | Aged 51+     | 158          | 153          | 51%         |
|                            | <b>Total</b> | <b>834</b>   | <b>696</b>   | <b>55%</b>  |
| No. of bankers             | Under 30     | 814          | 313          | 72%         |
|                            | Aged 31-50   | 1,851        | 1,328        | 58%         |
|                            | Aged 51+     | 814          | 462          | 64%         |
|                            | <b>Total</b> | <b>3,479</b> | <b>2,103</b> | <b>62%</b>  |
| Group total                | Under 30     | 826          | 322          | 72%         |
|                            | Aged 31-50   | 2,951        | 2,237        | 57%         |
|                            | Aged 51+     | 1,305        | 956          | 58%         |
|                            | <b>Total</b> | <b>5,082</b> | <b>3,515</b> | <b>59%</b>  |

Average age of Bank Leumi employees – 43.9

<sup>30</sup> Data of Leumi UK (BLUK) employees are included in the 32-50 age category.

## Promoting employee diversity

Leumi attributes great importance to recruiting and retaining diverse human capital, and as such, it acts to expand the employment of employees from diverse populations in the Israeli society. :

To achieve these goals, a number of dedicated programs have been prepared to promote the employment of people with disabilities

- **Or Yerushalayim** – In 2021, Leumi joined the initiative of the Or Yerushalayim organization, in which people with special needs are employed to perform various jobs at the Bank, assisted by the organization's professional instructors and a dedicated technical team set up by the Bank for this purpose.
- **Esek Shave** – Leumi is involved in a program to integrate employees with hearing disabilities in the banking centers in cooperation with Esek Shave, a tri-sector initiative (business, public, social) to promote the professional and academic employment of people with disabilities. The course is accompanied by an interpreter at all times.
- **Beit Eckstein** – The Banks developed a program together with Beit Eckstein, under which employees on the autistic spectrum are employed in dedicated positions at the Bank.

## Hiring employees from the Haredi community

As part of the integration of underemployed populations in the Bank's core and technological professions, Leumi advanced two significant hiring projects in 2021:

- **Training Haredi women for technology positions** – 50 employees from the Haredi community were hired. When starting to work, the employees received training for development in different programming languages, and were integrated into teams in a range of positions. These employees join 130 employees from the Haredi community who are already successfully employed in the Leumi Technologies Division.
- **Integration of bankers from the Haredi community in Leumi's banking centers** – In 2021, 33 employees from the Haredi community were hired for call-center positions in cooperation with occupational guidance centers in Jerusalem and Bnei Brak. The Bnei Brak Occupational Guidance Center has set itself the goal of supporting Haredi employees seeking to integrate into the employment market. The center works in collaboration with the Ministry of Economy and Industry and with its assistance, and provides a range of tools for integration into the employment market. The center also offers candidates a continuing education program with the aim of creating a professional horizon at the Bank.



For more information about Leumi's Statement on Discrimination, equal opportunity and Employment Diversity, see the Bank's website.

In 2021 -

**18.7% of all employees hired by the Leumi Group in Israel in 2021 were people from under-employed populations.**

**8.3% of Leumi employees are from under-employed populations and constitute 6% of the management staff at the Bank.**

**7% of the Group's employees are from the Arab community; 26.5% of them are managers.**

**23% of Bank Leumi's branch managers are from the Arab community.**

### Contract Workers

Leumi obtains services from employees of manpower agencies, service providers and software companies in various positions. These workers are employed by the manpower agencies and software companies, rather than by Leumi.

Following are examples of services Leumi receives from contract workers:<sup>31</sup>

- **Call center, tellers and administrative employees:** Employed by manpower agencies.
- **Outsourced workers:** Employees of software companies who usually work off-premises, provide computer and software services to Leumi, Daily Digital at the branches, etc.

As of December 31, 2021, Leumi received services totaling 560 positions from contract workers. As part of the Bank's policy and according to its professional needs, Leumi sometimes hires contract workers as employees.<sup>32</sup>

Bank Leumi ensures that all contract workers are employed under the conditions required by law and that there are no human rights violations of the contract workers in the following actions:

- In all engagement contracts between Leumi and manpower agencies, the latter are obligated to declare that they have a valid license. One of the license conditions is that in the five years preceding the license application, the applicant or senior officer employed by it have not been convicted of a severe offense under which it is inappropriate to work as a contract worker.
- An external wage inspector prepares periodic audits of the employment terms of contract workers, including an audit of payroll data and compliance with legal provisions.
- As required, legal opinions are prepared regarding the contractors' compliance with labor laws.
- Claims submitted by contract workers against the contractor for violation of their employment terms are monitored regularly.
- Any case in which the rights of contract workers have been violated, of which the Bank is made aware, is addressed fully and promptly by the public inquiries division, the professional unit, and the legal counsel.
- When there is a repeated breach of the provisions of a contractor agreement and/or the provisions of the law, the Bank will terminate the contract with the contractors who did not comply with the required standards.

<sup>31</sup> Services provided by suppliers – such as representatives and assimilators working as part of short-term projects, or providing security, catering and cleaning services are not included in the above data on the number of positions.

<sup>32</sup> For further information on how Leumi operates to ensure fair conduct of suppliers and the responsible procurement practices of the Bank, see p. XX.



For more information about Leumi's Statement regarding Employment, see the Bank's website.

For more information about Leumi's Statement on Discrimination, equal opportunity and Employment Diversity, see the Bank's website.

### Preventing discrimination, harassment and bullying at work –

- Leumi views incidents of discrimination very seriously, and deals with them immediately and thoroughly. Any complaint by a candidate or employee, even if no longer employed by Leumi, regarding discrimination on any grounds whatsoever, is examined meticulously by the relevant parties.
- In 2021, very few claims of gender-based discrimination were received at the Bank. All claims were examined within the Bank and addressed. A few claims on the subject were heard by the Labor Court.
- In 2021, several sexual harassment complaints were filed, which were addressed by the sexual harassment prevention officer in accordance with the Prevention of Sexual Harassment Law.



## Objectives

### Objectives for 2022

| Topic                                    | Objective   |
|--|---|
| Integration of underemployed populations | 24% of new hires from under-represented populations by 2025                       |
| Diversity and inclusion                  | Appointing a hiring manager to be in charge of employment diversity and inclusion |

## Fair compensation

Leumi employees benefit from a wide range of benefits that are part of the compensation package. The compensation package includes a monthly salary, expanded pension terms, travel expenses, per diem, subsidized health and dental insurance, holiday gifts, newspapers and summer camps, financing of academic studies for children of employees, as well as a wide range of subsidized activities for employee welfare.

Leumi operates with complete fairness and full transparency with respect to employment terms and conditions for its employees. Salary terms are based on professional and practical criteria. The Bank rewards its employees based on performance, irrespective of other personal characteristics, such as gender, religion or nationality.

In 2019, the Bank signed a new collective agreement pursuant to which the minimum monthly payment in respect of contributions paid to women and men was increased to NIS 6,000. In July 2021, the amount was increased to NIS 6,200.

In 2021, compared to 2020, there was a 6% year-on-year decrease in the ratio between the maximum monthly salary and the minimum monthly salary paid by Leumi.<sup>33</sup>

In 2021, the highest wages paid by Leumi were 11.4 times the bank's median wage. In 2020, this ratio stood at 1 to 11.8. Compared to the previous year, there was no change in the maximum wages paid to employees; however, there was a 3.3% increase in the median wage.<sup>34</sup>

In 2021, 42% of the 10% employees at the highest pay grade in Leumi were women. With regard to previous years, there are no significant differences in the ratio between the average wages of men and women.

Furthermore, in new employee recruitment at the Bank, there are no significant differences between men's and women's wages.

## Employee retention

### Career management at Leumi - Leumi JOBS

Leumi has an online system which allows employees (bankers and managers) to view available positions at the Bank and apply for them. This platform encourages employees to take an active part in their career management, increases transparency and reflects Leumi's aspiration to promote, develop and retain its employees.

In 2021, 7.4% of the Bank's employees were promoted.

### Reskilling track

In 2021, Leumi opened a reskilling track for Leumi employees to develop in a range of additional and diverse skills.

### Reskilling program

Leumi holds reskilling courses for the transfer of employees to new positions after learning a new profession, to maintain the effectiveness of the employees and to support organizational changes and rapid streamlining processes, which are essential for current workplace requirements. In 2021, there were shifts in the following professions: bank receptionist, mortgage advisor, data analyst.

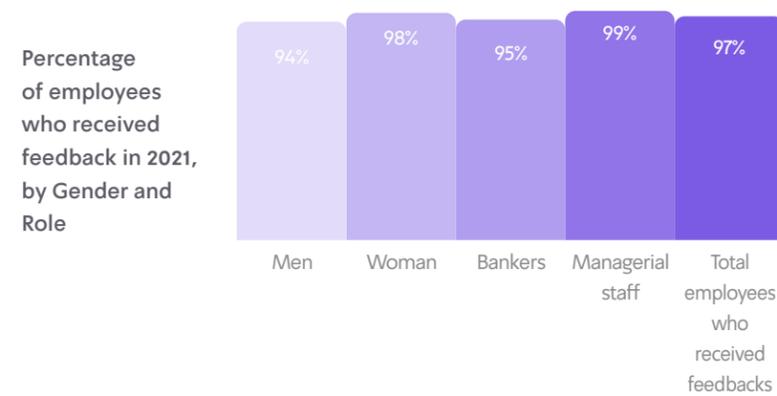
<sup>33</sup> In this section, salaries denote taxable income, less bonuses; for further information regarding the wage data of officers, see the Financial Statements.

<sup>34</sup> The average median wage per employee was calculated by excluding the highest salary, according to the requirements of the GRI Standard.

## Employee feedback and assessment

As part of an annual feedback process, structured feedback conversations are held with employees. The feedback meeting is held as part of the annual assessment process, both as a tool for supporting decision-making and as a tool to improve performance, development and professional empowerment. The assessment meetings are structured, and include reference to the employee's meeting the targets for the past year, while setting targets and focus points for the upcoming year. Most of the process takes place between the employee and his/her line manager; the process provides the line manager with the opportunity to give feedback about the employee's performance and quality of work, manage mutual expectations looking forward, and discuss possible ways to continue learning and developing.

**97% of Leumi's employees took part in feedback and assessment processes in 2021<sup>35</sup>.**



## Saluting IDF Reservists

Bank Leumi's Reservists Charter undertakes to support and protect the rights of employees serving in IDF reserve duty, with the objective of promoting and encouraging a supportive attitude by their colleagues and managers. It is a well-known fact that at Leumi there is a close connection between serving in the IDF reserves and being a high-quality employee – reservists are seen as people with values, loyalty, and a high contribution to the organization, with leadership and management skills.

Thanks to the special efforts made every year for the benefit of IDF reservists, a few years ago Leumi was awarded the Magen HaMiluim award by the Minister of Defense, the IDF Chief of the General Staff and the Chief Reserves Officer, and the tradition of honoring these employees is carefully maintained.

**In 2021, 192 Leumi employees served 3,339 days of reserve duty.**

This year, on behalf of the reserve soldiers, the Bank donated to the Scheinberg Association, which supports discharged lone soldiers and soldiers suffering from PTSD.

Leumi employees recognized as disabled IDF veterans are eligible to ten additional vacation days for rehabilitation and recovery purposes. Bank Leumi allows these employees to redeem unused vacation days or accumulate them beyond the annual quota allocated to each employee, up to a maximum of ten days.

<sup>35</sup> The percentage calculation of feedback recipients at Leumi Group is based on the percentage of feedback recipients out of the total number of participants in the annual assessment process

## Adjustments and flexibility in the COVID-19 period

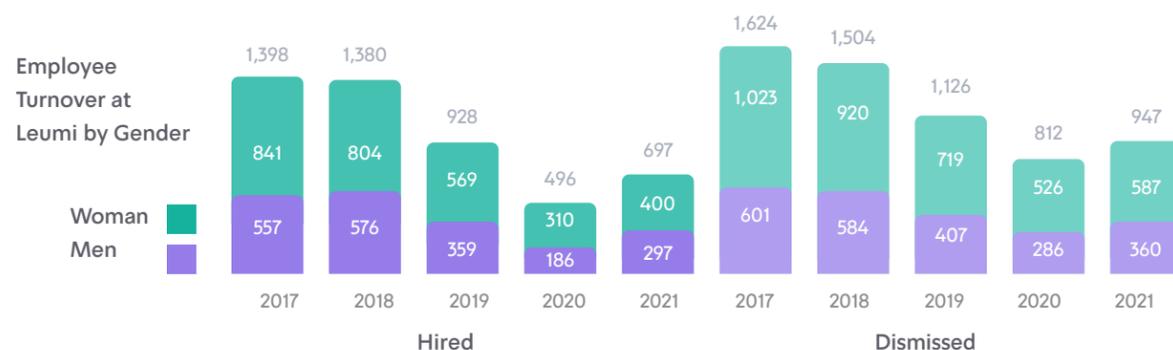
The outbreak of COVID-19 in Israel, together with the resulting global crisis, required Bank Leumi to quickly adjust its human capital management, in 2021 as well. In 2021, the Bank continued the same policy as in 2020, placing employee and customer health first, and applying guidelines that are even stricter than those of the Ministry of Health.

The Bank, in coordination with the workers' union, maintained the payroll security of employees, and no employees were sent on unpaid leave. In 2021, the Bank allowed its employees to work from home, including extensive work when the morbidity rate in Israel increased, with some 50% of the employee working from home every day. In February 2022, the Bank's management and the workers' union reached agreements regulating routine work from home.

### Employee Turnover<sup>36</sup>

One of Leumi's metrics for a healthy organizational culture is the Bank's ability to retain its most talented and skilled employees. In 2021 the attrition rate in Leumi was approximately 12%.

### Leumi employee turnover by gender<sup>37</sup>



### Leumi employee turnover by age



<sup>36</sup> Employee turnover information refers only to Bank Leumi, which employs 90% of all employees in the Group and represents more than 84% of its profits (before average profit per employee without equity profit).

<sup>37</sup> Hiring data also include the hiring of contract workers as Bank Leumi employees.

## Leumi Employees by Reason of Termination, 2021

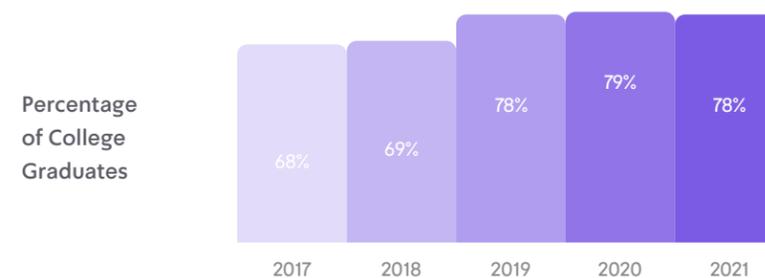
|       | Natural and early retirement | Termination | Resignation | Death |
|-------|------------------------------|-------------|-------------|-------|
| Women | 176                          | 59          | 180         | 2     |
| Men   | 116                          | 138         | 270         | 5     |
| Total | 292                          | 197         | 450         | 7     |

## Absence Days at Leumi in 2021, by Additional Categories

|       | Illness of a relative <sup>38</sup> | Reserve duty | Vacation leave | Education  |
|-------|-------------------------------------|--------------|----------------|------------|
| Women | 16,852                              | 285          | 103,754        | 258        |
| Men   | 6,776                               | 2,362        | 68,923         | 197        |
| Total | <b>23,628</b>                       | <b>2,647</b> | <b>172,677</b> | <b>455</b> |

\*About 6.6 work days per each 100 Bank employees were deducted due to workplace accidents and road accidents

\*\* Five accidents of contract workers occurred in 2021.



## College Graduates at Bank Leumi by Gender and Rank, 2021

| Percentage of college graduates out of all employees | Percentage of bankers | Percentage of managerial staff | Percentage of women | Percentage of men |
|--|-----------------------|--------------------------------|---------------------|-------------------|
| 78%  | 68.5%                 | 97.4%                          | 76.8%               | 80%               |

<sup>38</sup> The figure includes days of isolation

## Development and training

Since the Bank's most important asset is its human resources – development and learning are a way of life. Accordingly, each year, the development and learning objectives are updated in accordance with the strategy and business objectives, and development and learning activity includes rich, diverse, and innovative programs. Leumi's Development and Learning Center is considered to be at the forefront of the field and as such, serves as a learning center for other organizations as well.

In 2021 the Bank invested approximately NIS 28 million in organizational development, education and training of Bank Leumi employees<sup>39</sup>.

### Main development and learning processes for 2021 –

**Hybrid learning** – In 2021, Leumi continued its hybrid learning processes, understanding that this allows flexibility for employees and advances learning anywhere and at any time, at the employee's convenience. The ratio between online and frontal learning is 40% and 60% respectively. To ensure the effectiveness of hybrid learning, a range of tools, which were developed over the last two years, were used, with a widespread shift to digital means for holding meetings.

**The Springboard** – An innovative learning platform allowing employees to benefit from independent enrichment and learning content in diverse fields. In 2021, learning by choice accounted for 30% of all learning at Leumi. The employees' choice to enrich their knowledge is based on the understanding that the employee is also responsible for its development and learning.

**Emphasizing professionalism** – In 2021, many training sessions were held at Leumi to improve the professionalism of employees in diverse areas, such as: basic banking training, advanced banking training, training of private and commercial credit officers, training of economists, upscaling processes for various positions, and an upscaling program for customer managers.

**Knowledge management and preservation** – the Bank places an emphasis on managing performance supporting knowledge (providing the knowledge required by the employee for performance purposes in the work process), streamlining search options and supporting projects, new regulations and websites dedicated for intra-organizational communication across the Bank. In addition, the Bank implemented responsive capabilities for surfing the knowledge management websites using one's mobile phone. There was also an extensive knowledge conservation process with knowledge-loss risk mapping, including solutions for mining knowledge in a range of occupations.

**Leadership promotes excellence** – In 2021, leadership development programs were advanced based on the new leadership concept at Leumi. Most of the leadership programs address the development of excellence, including internships for advancing and developing future leaders.



For more information about Leumi's Statement regarding Employees Training and Development, see the Bank's website.

## Training Scope of Employee Training

|  | 2017   | 2018   | 2019   | 2020   | 2021   |
|--|--------|--------|--------|--------|--------|
| Total no. of training days <sup>40</sup> | 69,150 | 30,983 | 33,362 | 17,737 | 25,625 |
| Average hours of training per employee   | 29     | 24     | 32     | 15.5   | 21     |

In 2021, Leumi Group carried out 205,000 hours of training and learning.

## Employee experience and wellbeing

At Leumi, we invest in employees and their family, out of the belief that the employee's experience and wellbeing are essential for maintaining the resilience of employees and promoting a healthy lifestyle, while maintaining a sense of identification and connection to the workplace.

We promote employee experience and wellbeing through three focal points:

### Long-term hybrid work policy

Leumi's hybrid work policy allows every employee to work from home for one day each week.

### Leumi is the most convenient... for employees as well

Leumi Group recognizes the importance of balancing life and work among its employee and managers. As such, the employment terms and conditions at Leumi allow for a balanced combination between building a professional career and family life (raising children, caring for elderly parents, etc.). In 2018, the Bank started implementing "flexible working" using an attendance management system.

The terms of employment, alongside the organizational culture at Leumi, provide a supportive environment for every employee (man or woman) to balance their family and work<sup>41</sup>.

<sup>40</sup> 1 training day = eight hours

<sup>41</sup> Part-time employees receive all benefits and rights awarded to full-time employees, excluding a number of rights awarded in line with the percentage of the employee's position (employees whose position percentage is 92% or more receive full benefits in respect of meals, holiday, nurseries and summer camps).

<sup>39</sup> This amount includes, inter alia, the cost of payroll of Training Department's employees and a training support budget.

The Group implements several practices to support this balance:

- A five day, 39-hour work week — about three hours less than is customary in the Israeli economy.
- Employees will only work overtime if necessary and if instructed to do so by a manager.
- The rules for accumulating and utilizing sick days provide employees with benefits beyond those required by law, both for employees' illness and for the illness of family members.
- Nursing mothers in Leumi are entitled to an hour of nursing per day, which exceeds the time stipulated by law, out of the desire to assist employees returning to work after maternity leave.
- Leumi participates in the reimbursement of expenses for pre-school activities and summer camps for eligible employees.
- Leumi reimburses eligible employees for their children's college tuition.
- Fun days to employees and their families and many cultural activities.

#### Promoting a healthy lifestyle

- Leumi has a wide range of activities that promote a healthy lifestyle, including:
- Participation in the league for workplaces and sports teams in various sectors.
- Welfare and leisure activities for our graduates.
- Promotion of sports events for Leumi employees and their families, including jogging groups and manager-employee sports activities.
- A range of sports activities for employees.
- Workshops for a healthy lifestyle.



For more information about Leumi's Statement regarding Employee Health and Welfare, see the Bank's website.

## Two-way communication

### Employee participation and increasing transparency

The internal communication unit in the Human Resources Division is responsible for managing the organizational communication program and communication channels in the Bank and the divisions, with the aim of sharing with the employees what is happening in the organization, listening to them, maintaining and reinforcing their organizational commitment, and deepening the relationship between the management and the employees.

In 2021 as well, under COVID-19 circumstances, the internal communication team worked to ensure that employees were routinely informed on decisions and guidelines.

In addition, to continue maintaining a high level of commitment among Leumi employees, in 2021 we also conducted communication processes in various channels, with emphasis on connective communication through:

- Live meetings with the CEO and all employees.
- Open dialog meetings with the CEO and management members (virtual and frontal meetings if possible and in accordance with the guidelines).
- Ongoing communication and updates from the CEO to all employees in different channels
- Establishment of Leumi Stream, an internal social network on a mobile app, connecting employees, sending messages, sharing successes, and increasing team pride.
- Establishment of personal meetings, is a platform for meetings with management members in activities outside of work. Such as jogging, yoga, community sing-alongs, trips, and enrichment workshops.
- Management of division communication programs, including meetings of division management members with different populations, internal communication channels for the division, cross-division events, awards, and publication of successes.
- Meetings of the Leadership Forum to reinforce the managerial backbone and connect to the vision, strategy, and management messages.

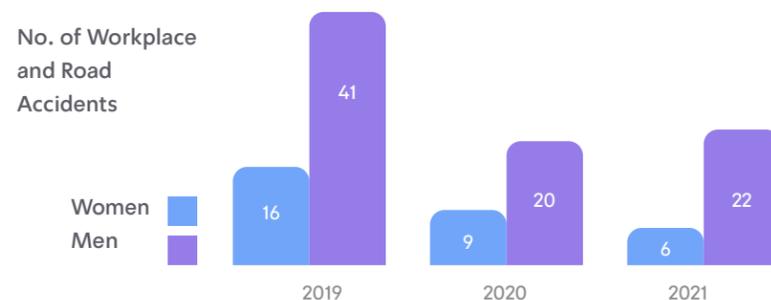
## Maintaining Proper Work Relations

The work relations between the Bank's management and the employees are based on open and ongoing dialog and a system of collective agreements and other agreements created over the years, including ad hoc agreements between the Bank's managements and the employees.

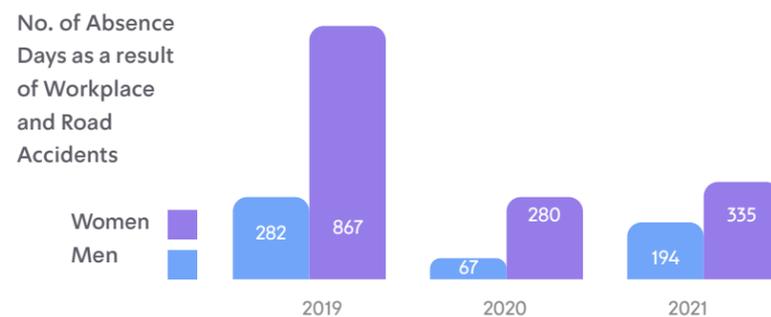
In August 2021, the Histadrut General Federation of Labor declared a labor dispute at the request of the employees' organization of the Bank. Further to the settlement of the issues, on February 24, 2022, the New Histadrut Workers' Union – MAOF announced the ending of the dispute.

In 2021, 92% of Leumi's employees and directors were employed under collective agreements. The other Group employees in Israel were employed under personal contracts.<sup>42</sup>

### No. of Workplace and Road Accidents at Leumi:<sup>43</sup>



### No. of Absence Days at Leumi as a result of Workplace and Road Accidents:<sup>44</sup>



<sup>42</sup> GRI 102-41

<sup>43</sup> There were no fatalities from work accidents of Leumi employees, including contract workers

<sup>44</sup> The data do not include absent days employees who left the Company during the year

“As the first – and leading – financial institution in Israel, we understand that we have a special responsibility for the environment in which we operate. We honor our heritage, and at the same time, constantly look ahead and promote values for a better society in Israel.”



# 2 Environmental



## Leumi for the Environment

As a leading bank in Israel, we have a responsibility to the environment in which we operate, and a commitment to dealing with climate change and the risks involved in the best way possible. Concern for the environment and our quality of life and that of future generations is a significant component in the values and goals that we have set ourselves in order to form a significant tier in leading the changes required in Israel. As part of Leumi's effort to boost its contribution

to ESG aspects, it developed an environmental management and risk management strategy in 2021, which was approved by management and the Board of Directors. While approving the strategy, Leumi decided to incorporate and boost ESG aspects in the Bank's business activity, by increasing financing and investment in projects advancing a "greener" environment and development of environmentally-friendly financial products and more.



100%  
recycling of  
paper waste

NIS 24.4  
million in "green"  
procurement

NIS 12.1  
billion in credit  
extended for promoting  
environmental issues

82%  
of the electricity consumed  
by Leumi is from private  
power producer

55%  
of Leumi's fleet  
vehicles are hybrid

## Environmental risk management



**Environmental and climate-related risks to the Bank pose as exposures to potential damage which may be caused as a result of events or processes related to the environment, including climate change.**

**Environmental risks arise from the Bank's exposure to activities which may potentially cause environmental damage or be affected therefrom, such as: greenhouse gas emissions, waste production, air and water pollution, soil contamination, biodiversity loss, deforestation and extreme weather events.**

**Climate-related risks are typically divided into two:**

- **Physical risks** – arise from exposure to potential harm due to the scope and frequency of climate change, such as heat waves, floods, and rise in sea level. The materialization of this risk has a direct effect, on the Bank's own activity and its business continuity capabilities, as well as on the activity of its customers and their investments.
- **Transition risks** – arise from the potential effect of changes and adjustments made in addressing climate-related risks and the efforts to mitigate them: such as policy changes, transitioning to low-carbon economy, adoption of environmentally friendly technologies, technological changes, changes in market preferences, in the business environment, etc.

**The Bank is exposed to these risks both directly and indirectly -**

- **Direct damage** – may be incurred by the Bank in case, for example, of harm, due to environmental factors, to its physical infrastructure, that is critical to its business continuity. But even if the Bank is found to be responsible for an environmental hazard, including the possibility of the Bank being required to incur the costs of removing an environmental hazard or is found responsible for an environmental hazard towards a third party.
- **Indirect damage** – may be caused due to harm to the Bank's customers, the value of its collateral or the value of its investment portfolio. Thus, for example, indirect damage may be caused to the Bank if it extended financing to a company and that company had endured damage due to environmental causes or caused environmental damage. The damage incurred by that company could compromise its repayment capacity, thus indirectly affecting the Bank's asset value.

Additionally, the Bank may be exposed to reputational risk if the Bank is associated with an entity causing environmental damage, either directly as the generator of the hazard or indirectly due to having financed the hazard-causing entity.

Thus, environmental risks may have a financial and non-financial impact on the Bank, such as credit risk, market risk, operational risk, compliance risk, legal risk, regulatory risk, reputational risk, and liquidity risk. In recent years, there is growing global awareness of potential exposure resulting from the materialization of environmental and climate risks, and awareness to the risks and business opportunities inherent in environmental aspects has increased. As a result, regulation in this respect has greatly expanded worldwide, and companies now consider environmental criteria when making ongoing business decisions. In Israel too, regulation on the topic has expanded, but compared to Europe and the US, it is still in its initial stages.

As part of this trend, on December 5, 2021, the Banking Supervision Department published a Reporting to the Public Directive regarding disclosure on environmental, social and governance (ESG) aspects, applicable as from the annual financial statements for 2021.

Below is a list of key quantitative ESG indicators, which affect the Bank's strategy and business plan. The Bank regards environmental and climate-related risks as an integral part of the Bank's targets, both in order to maintain its stability and as a business-strategic opportunity. According to the decision of the Board of Directors, the Bank is working to define and integrate corporate governance and a supportive operational model, as well as improve the management and measurement tools.

As part of the strategy implementation, the Bank is working to identify and promote business opportunities, encourages "green" initiatives, is developing the tools and expertise to develop financing products for "green" activity and invest in smart systems in order to preserve and develop the current situation. These opportunities include:

- Providing business credit for "green" ventures and companies
- "Green" investments through the nostro account
- "Green" investments in companies and projects by subsidiary Leumi Partners

- Developing trading capabilities in "green" contracts

The Bank is evaluating additional opportunities, such as issuing "green" bonds

The Bank strives to reach a target of NIS 35 billion in such initiatives by 2030. This information constitutes forward-looking information, the materialization of which is uncertain and not under the Bank's sole control, considering that this is an "evolving" domain.

The Bank develops green financial assets, offers green value to retail customers, and examines how to assist its business customers in changing to green and in mitigating the risks to which they are exposed in this area.

**The Bank has developed a multi-year work plan for managing environmental and climate-related risks in corporate governance aspects, and incorporating environmental and climate-related risks as an integral part of risk management in the Bank's various activities, including identification and promotion of business opportunities. In the coming year, the Bank will focus on improving methodologies, measurement methods as well as quantitative and qualitative information to manage environmental and climate-related risks. In this context, special emphasis will be made on the business credit domain, due to its significant business and environmental materiality.**

To implement the multiyear work plan, the Bank has engaged external consultants who specialize in the topic both on the local and global levels.

The Risk Management Division and the Strategy Department are responsible for handling the Bank's environmental risks. Corporate social responsibility and community outreach are managed by the Human Resources Division.

As aforesaid, the Bank recognizes that the identification and assessment of the environmental risk is part of an adequate risk assessment process and is working to implement environmental risk exposure management,

as well as to take advantage of the opportunities embodied therein, including climate risk (physical risk and transfer risk), as follows:

- **Boosting environmental credit** – as part of the regulated work procedures, an emphasis is placed on the integration of indicators for identifying environmental credit as part of the business considerations employed to identify financing opportunities. In order to strengthen the Bank's aspiration to expand environmental financing, long-term environmental financing goals have been set for the different divisions and tools will be integrated to facilitate the account managers in adjusting credit solutions to green goals for the customers.
- **Credit risk management** – The Bank is working to identify and map the environmental risks exposure, to manage and mitigate them, as far as possible, and to raise awareness among all those engaged in credit, of the possible adverse implications of environmental aspects – including climate aspects – on projects it provides credit to and on repayment capacity for various types of credit. The Bank regards the environmental risks exposure component – including climate risk – as part of all the relevant risks considered when reviewing credit and making credit decisions. The Bank is working to identify borrowers from economic sectors with high potential for credit risk exposure due to environmental factors when making specific credit-related decisions impacted by the manner in which the customer manages the risk and the nature of the transaction. The objective is to identify the risks prior to their materialization, and to inform decision makers about them, as part of the credit risk assessment process and after monitoring the high-risk borrowers  
In addition, in large credit transactions with potential for environmental pollution, at the Bank's discretion, an environmental survey will also be conducted by an external company which specializes in identification and assessment of external environmental risk factors, in an effort to examine the environmental and climate-related aspect of the borrower's activity, the transaction, and meeting regulatory requirements.
- **Investments** – when making new investment decisions, environmental risks are also taken

into account. The multiyear work plan to improve the methodologies and measurement tools for managing environmental and climate-related risks also include investments; the aim is to develop tools and expertise to promote environmentally-friendly measures and business opportunities.

- **Operations** – the Bank regards maintaining a sustainable environment as highly important; to that end, the Bank has ISO 14001 certification, under which regulations related to environmental risks are managed and monitored, including an annual inspection by the Standards Institution of Israel.
- Leumi has been voluntarily measuring and reporting its carbon footprint to the authorities and the public since 2011.
- From 2013 until now, the Bank's carbon footprint has cumulatively declined by 47%.

**Environmental risk is an “evolving” risk. Evolving risks are characterized by lack of adequate quantitative data of adequate historical depth for their estimate and by high variance compared to other risks over time; this requires well-structured processes to adjust their management and measurement tools. The Bank is monitoring regulatory, technological and company-based developments, studying them and adjusting the risk management tools and methodologies on an ongoing basis.**

## Responsible investments

:snoised tnehtsevn sti ni snoitaredisnoc GSE ni rotcaf ot detrats knaB eht ,sraey tnece ni

- **Rating of mutual fund managers** – In the rating process of mutual fund on the domestic market, a questionnaire is sent to all fund managers in Israel seeking details of the ESG investment policy of each fund – the answers are calculated in the rating model according to qualitative criteria as well as the fund's performance.
- **Development of ESG products** – Several structured deposits were recently developed based on share indexes of companies with a high ESG rating as well as green energy companies.
- **Recommending customers to invest in green bonds.**
- **Recommending ESG investments to customers by advisors** – Recommendations were recently sent regarding products that invest in companies engaged in green energy as a profitable product with added environmental value.

## Responsible lending

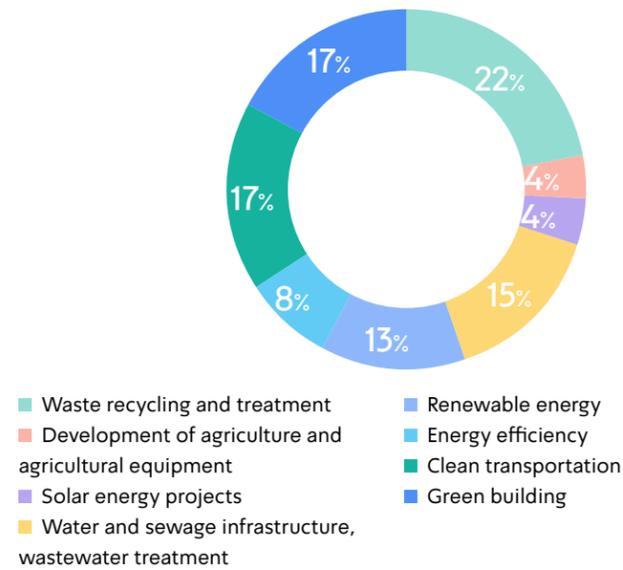
**In recent years, the Israeli economy has undergone significant changes in the area of renewable energy, while reducing consumption of polluting energy and, as a result, reduction of greenhouse gas emissions. Consequently, the Group offers its customers a range of funding options that help them tackle environmental issues, reduce their adverse impact, and boost positive impact on the environment. These challenges will affect the agriculture, construction, transport, energy and water sectors among others.**

The Group works to identify and monitor the potential risks arising from its activity and ensures that such risks are mitigated so as to prevent any damage. The environmental credit is extended by the Corporate and Banking Divisions.

Leumi's credit underwriting policy takes into consideration any potential environmental risks, with a special emphasis on sectors with relatively high sensitivity to such risks. This includes, for example, any funding extended to chemicals factories; the Group attempts to identify the environmental exposure in order to mitigate it as much as possible. In order to reinforce the identification and control process of the environmental aspects of the credit activity as an integral part of the organizational culture, the Bank applies an internal work procedure that was prepared last year with the assistance of external consultants. This procedure was established in addition to training given to relevant parties in the Bank's lines of business, corporate department, construction and real estate department and relevant headquarter functions.

## Bank Leumi's credit by environmental issues, 2021<sup>45,46</sup>

In 2021, NIS 12.1 billion was provided as credit for promoting environmental issues<sup>47</sup>



For more information about Leumi's Statement on Credit and Investment Considerations see the Bank's website

In addition, approximately NIS 400 million was invested in "green" projects through Leumi Partners. .

<sup>45</sup> In 2020, the Bank revised its methodology for measuring the credit extended to business and private customers in connection with environmental issues. The data presented reflects credit balances as of December 31, 2021 (and includes both financial credit and guarantees), compared with previous reports in which new credit extended during the reporting period was presented. Collection of data is based on dedicated sectors, the activity of which has environmental aspects. Furthermore, in 2021 the Bank added to its report transactions completed as part of the clean transport and green construction project.

<sup>46</sup> GRI 102-48

<sup>47</sup> Including credit granted to finance projects in China and Africa (NIS 0.57 billion).

## Objectives

### Objectives for 2022

| Topic       | Objective   | Details  |
|-------------|---|--|
| Environment | Increase the scope of credit with environmental value | Increase financing and investments in projects or companies that promote a "green" environment to NIS 35 billion by 2030 |

## Promoting Environmental Issues



The environmental impact of the business activity of companies in Israel constitutes an integral part of Leumi Group's financial-business considerations in the markets in which it operates.<sup>48</sup> Leumi set a goal that the direct and indirect impact of its activity will lead to reducing adverse impacts on the environment, the climate and the natural resources available in the areas in which it operates. For this purpose, beyond compliance with regulatory obligations, Leumi endeavors to voluntarily adopt and comply with the most advanced and leading standards in this area worldwide. In 2021, environmental aspects were remapped by a consultation company and environmental tests were conducted in several selected branches, at the end of which the Bank received recertification for the environmental management standard ISO 14001 by the Standards Institute of Israel.

The direct impact of Bank Leumi on the environment is derived from three main factors:

- Power consumption – Power consumption of the Bank's properties.
- Fuel consumption – Fuel consumption per km and for operating generators in emergencies.
- Waste and water – Responsible removal of electronic waste and paper waste, and total water consumption

As of 2021, no incidents of non-compliance with environmental laws and regulations have occurred and the Bank did not receive reports or penalties for environmental offenses.

### The Bank promotes environmental issues and raises awareness by the following actions –

- **Environmental trustees** – appointed in Leumi's branches and headquarters, environmental trustees are responsible for managing environmental issues and for monitoring power and water consumption data in their respective units.
- **Employee training** – in addition to the activities of the environmental trustees, the Group's employees are required to undergo training and refresher courses on environmental issues from time to time.
- **Reducing printing** – 75% of the forms that required paper printing and physically reaching a branch were sent for the customer's signature by SMS without the need for paper printing. In 2021, the volume of printing at Leumi branches was reduced by 50% compared to 2020. In 2021, 16,572,203 pages were saved as part of the printing reduction.
- **Green mail** – the Leumi Group encourages its customers to use "green mail", enabling to reduce paper consumption and receive their mail online simply and conveniently, on their computers or mobile phones. In 2021, 127,598 new customers joined this service and a total of 1,147,269 customers use it.
- **Environmental aspects in the supply chain** – to reduce negative environmental impact resulting from the Bank's activity, recommended environmental criteria are applied to procurement procedures of construction, maintenance, and electronic products such as lighting and refrigerators. The list mentions cleaning detergents, product packaging, biodegradation rate of the materials, use of recycled or easily recyclable materials, modularity and convenience of reuse, use of hazardous materials, energy and water resource conservation, and more. As part of the Bank's specifications for workstation procurement, the Bank requests from the manufacturer information about the product's power consumption. This figure is taken into account in the product evaluation process. Moreover, as part of the procurement processes in respect of its leased vehicles the Bank acts to expand the use of hybrid vehicles.

### Reducing energy consumption–

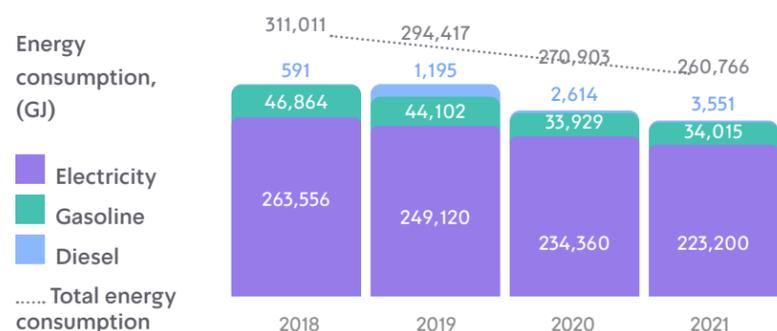
- **Reducing branch visits** – the Bank offers advanced digital solutions that allow its customers to receive service without having to visit the branch (such as the "book an appointment" service for providing phone assistance to customers, and "message your banker"). These solutions help reduce customers' arrival at branches, thus reducing air pollution and use of fuel.
- **Transportation service for employees** – Leumi offers employees transportation to and from work, thereby reducing the use of private cars.
- **Switch to fuel-efficient cars** – Leumi encourages its employees to switch to hybrid/diesel cars (rather than gasoline) by expanding the supply of these models. In 2021, 55% of the Bank's fleet is comprised of hybrid cars, compared to 45% in 2020.

<sup>48</sup> All data specified in this chapter refer only to the environmental activities of Bank Leumi, which employs about 90% of all Group employees and poses 84% of the Group's profits (according to the average profit per employee excluding equity profits). In order to maintain the completeness of the reporting, previous years' data include data for Leumi Card. While examining the rate of change compared to the previous year, only the data of Bank Leumi were taken into account.

- **Encouraging the use of bicycles** – in the framework of promoting sustainable transportation at Leumi, bicycle parking spaces were built at headquarters in Tel Aviv and in the Leumi Service Campus in Lod. Showers were also installed for employees wishing to come to work by bicycle.
- **Power consumption from small suppliers** – As of 2014, Leumi consumes most of its power from an independent power producer that generates electricity using natural gas and is highly efficient in reducing the quantity of emissions.
- **Replacement of lighting fixtures by cost-effective ones** – In 2021, steps were also taken in this area in branches and headquarter buildings. Furthermore, several LED lighting fixtures were installed, which are characterized by high-energy efficiency and a life that is longer than average.
- **Examination of energy consumption patterns at the branches** – In the framework of renovation and energy efficiency projects, the Bank frequently installs energy monitoring systems and smart building systems at the branches and headquarter buildings, to enable analysis of energy consumption patterns.
- **Green building** – when designing the construction of a new building and in renovating existing structures, environmental aspects are considered such as thermal window coating on warm facades, remote control systems, pre-determined times/sensors to automatically turn-off air conditioners, lighting and more. In the Keshev complex in Lod, four Leumi building are in various construction stages. As of 2021, buildings M2 and M3 were constructed according to Israeli Green Building Standard (5281), and the construction of buildings M4 and M5 commenced according to this standard.

The total energy consumption of the Leumi Group in 2021 was 260,766 gigajoules.<sup>49</sup> The above figure reflects a reduction of 4% in the Group's energy consumption compared to 2020.

#### Energy Consumption<sup>50</sup>

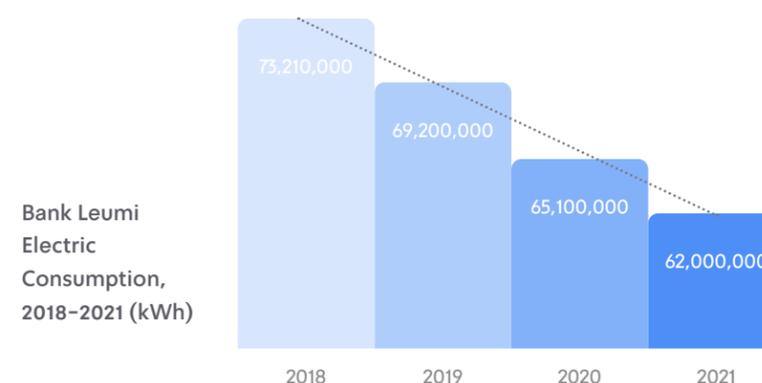


49 The figures also include gasoline consumption data for all the Bank's company cars.

50 2016–2021 figures were corrected: the present figures do not contain private leasing vehicles (but only executives and company cars).

#### Electric Consumption

Due to the nature of the banking activity, 87% of Leumi Group's energy consumption comes from electricity. Investments in projects and processes are designed to reduce this consumption. Some 82% of the electricity consumed by Leumi is purchased from an independent power producer. Compared to 2020, a reduction of 5% was recorded in Leumi Group's power consumption during 2021.



#### Fuel Consumption<sup>51</sup>

Leumi Group's fuel consumption derives mainly from its vehicle fleet. In 2021, 1,026,947 liters of gasoline and 81,737 liters of diesel fuel were consumed. The above figure reflects a decrease of about 1.5% relative to the fuel consumption in 2020, a reduction mainly arising from the coronavirus pandemic and the increase in the number of hybrid vehicles in the fleet.

Furthermore, Leumi manages the diesel inventory in its possession for current use and for emergency purposes according to the law and the regulations including periodic inspection of the tanks' condition.

#### Energy Intensity

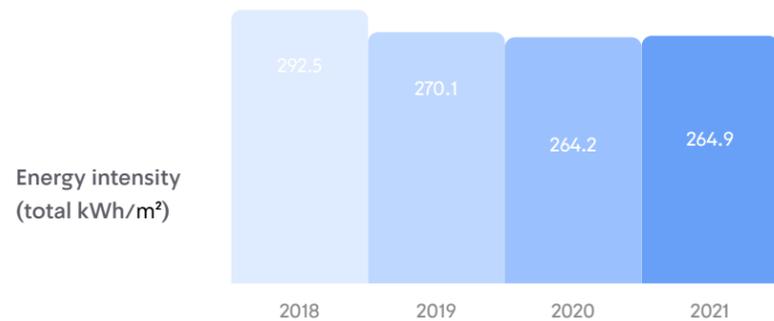
Since the Leumi Group provides banking services and is not a manufacturing company, the Group does not calculate energy intensity per manufacturing unit.

The Leumi Group measures its energy intensity to test the effectiveness of measures taken to reduce power consumption. The intensity is measured according to power consumption relative to the area in which energy was consumed (square meter).<sup>52</sup> Following the measures taken to increase energy efficiency, there is a steady decline in the energy intensity of the Leumi Group relative to the area of the properties over the years.

51 2016–2021 figures were corrected: the present figures do not contain private leasing vehicles (but only executives and company cars).

52 Total of 234,042 square meters in 2021.

Leumi Group's 2021 energy intensity is 1.1 GJ/m<sup>2</sup>.



### Carbon footprint

As part of its environmental policy, besides monitoring and measuring the Group's resource consumption, the Group also regularly calculates greenhouse gas emissions resulting from its activities (energy consumption, fuel combustion and more). The Leumi Group performs the measurement using the calculation tools of the Ministry of Environmental Protection and the emission coefficients of DEFRA (Department for Environment, Food & Rural Affairs of the UK Government). Leumi Group reports annually on its carbon footprint through the international reporting initiative Carbon Disclosure Project (CDP), the Israel Ministry of Environmental Protection's voluntary Greenhouse Gas Emissions Registry in Israel, the Group's annual ESG report and Maala's rating.

The systematic management of the issue relates to three main areas:

- Direct emissions – the direct emissions (Scope 1) of the Leumi Group stem mainly from the combustion of gasoline by the organization's vehicle fleet, from the combustion of diesel fuel by emergency generators, and from fire extinguisher gases.<sup>53 54</sup>
- Indirect emissions – the indirect emissions (Scope 2) stem from power consumption and depend on the composition of the fuels and technologies used to produce power.
- Other indirect emissions – said emissions (Scope 3) are related to the organization's activity, but do not result from it and include consumption of different products and services from suppliers or by customers.

Leumi Group invests significant efforts in identifying measures that would result in greater efficiency and energy savings, having a direct impact on the Group's carbon footprint and on climate change. In recent years, the Bank's carbon-footprint cumulatively decreased to a total of 47% (compared to 2013<sup>55</sup>), due to following the applied environmental policy, which includes the transition to natural gas based power generation and management streamlining in operational and business areas.

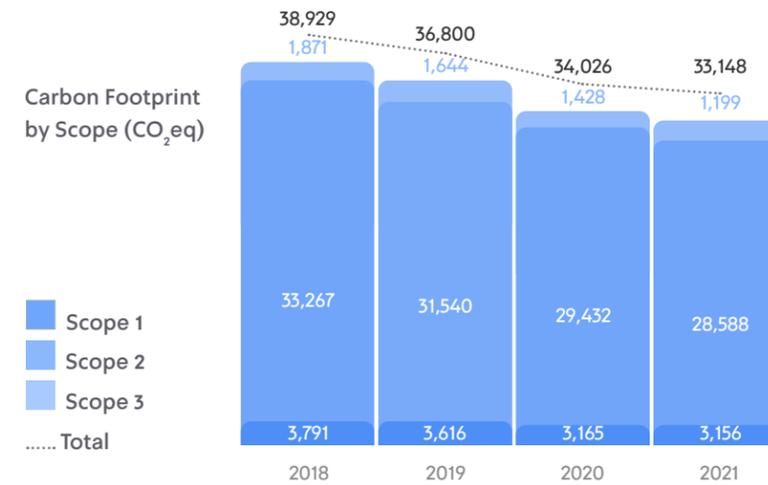
**The carbon footprint of Bank Leumi in 2021 was 33,148 tonnes of CO<sub>2</sub>eq.<sup>56</sup> Compared with 2020, there was a 2.6% decrease in Leumi's carbon footprint.**

<sup>53</sup> See the GHG Protocol for quantifying and managing emissions.

<sup>54</sup> Greenhouse gas emissions such as N<sub>2</sub>O, Methane and HFC stemming from Leumi's activity are included in Scope 1 data in the reporting on the Company's carbon footprint.

<sup>55</sup> In 2013, Leumi's carbon footprint was 62,405 tonnes carbon dioxide equivalent compared to 33,148 in 2021.

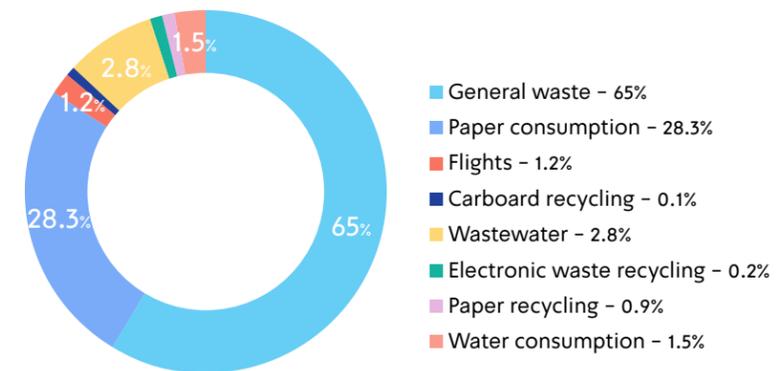
<sup>56</sup> The above figure includes Bank Leumi's emissions in the three Scopes; the components of the carbon footprint scope were calculated using the Ministry of Environmental Protection's calculator, and for calculation of Scope 3, use was made of coefficients published annually by the UK Department of Environment, Food and Rural Affairs (DEFRA).



The carbon footprint of Bank Leumi in 2021 was 33,148 tonnes of CO<sub>2</sub>eq. Compared with 2020, there was a 2.6% decrease in Leumi's carbon footprint.

The intensity of Leumi Group's carbon footprint for 2021 is 0.14 tonne CO<sub>2</sub>eq./m<sup>2</sup>. There was a 3% decrease compared to 2020.

### Breakdown of Indirect Emissions – Scope 3



### Waste recycling and responsible disposal –

The Group's commitment to environmental protection includes responsible disposal of its waste. The main waste generated by the Group is electronic waste and paper waste, which are collected and disposed of by licensed contractors.<sup>57</sup>

<sup>57</sup> Under the Bank's guidelines, all office paper is transferred for shredding and recycling and all electronic waste is transferred for recycling by suppliers licensed by the Recycling Corporation.

In 2021, 690 tonnes of waste were sent for recycling and controlled treatment, as follows:

| Leumi's definitions | Unit  | Leumi 2021 |
|---------------------|-------|------------|
| Cardboard           | tonne | 35         |
| Paper               | tonne | 523        |
| Electronic waste    | tonne | 132        |
| Total treated waste | tonne | 690        |

Leumi's paper consumption amounted to 371 tonnes, a total decrease of about 18% compared to the last year's paper consumption figures. 100% of the paper waste generated by Leumi is recycled. In 2021, paper waste sent for recycling amounted to 523 tonnes.<sup>58</sup>

Bank Leumi reduced the electronic waste that it produced by 3% compared to last year. 100% of the waste was sent for further controlled treatment and landfilling.

### Water consumption

According to the nature of the Bank's activity, most water consumption is intended for office purposes.<sup>59</sup> To correctly monitor and manage water consumption, a water leak detection and neutralization system is installed in Leumi. In addition, smart water taps were installed in all branches and in most headquarters' units. Hence, and through additional water saving control, the Bank's water consumption has remained consistent over the years.

The total consumption for 2021 amounts to approx. 120,000 m<sup>3</sup>. Normalized in relation to the number of employees, the water consumption per Bank employee is approx. 15.1 m<sup>3</sup>. According to data from "Wint", a company managing the smart water tap systems deployed in Leumi's properties throughout Israel, in 2021 leakage was prevented of 13,000<sup>60</sup> cubic meters of water at a value of NIS 166,000.

<sup>58</sup> Printing paper and envelopes; due to the process of scaling down its archives and the closing of branches, the amount of paper recycling at Leumi in recent years is higher than its consumption.

<sup>59</sup> The water consumed by the Bank is water supplied by a distribution system also consisting of desalinated water depending on the area and the season.

<sup>60</sup> Hazardous waste includes batteries, magnetic media and fluorescent bulbs



### Execution of 2021 objectives

| Topic       | Objective                      | Status | Details  |
|-------------|--------------------------------|--------|--|
| Environment | Reduce electricity consumption | Done   | Increase financing and investments in projects or companies that promote a "green" environment to NIS 35 billion by 2030 |

### Objectives for 2022

| Topic       | Objective                            | Explanation  |
|-------------|--------------------------------------|--|
| Environment | Reduce paper consumption at branches | Reduction of 70% in printed documents compared to 2021 |
| Environment | Reduce electricity consumption       | Reduction of electricity consumption by 4% per year    |
| Environment | Reduce GHG emissions                 | Reduction of GHG emissions by 4% a year                |

### Long-term objectives

| Topic       | Objective                      | Explanation  |
|-------------|--------------------------------|--|
| Environment | Reduce GHG emissions           | Reduction of GHG emissions by 20% over 5 years (2022-2026) compared to 2021  |
| Environment | Reduce electricity consumption | Reduction of power consumption by 20% over 5 years (2022-2026) compared to 2021  |
| Environment | Reduce fuel consumption        | Reduction of fuel consumption by 20% over 5 years (2022-2026) compared to 2021 due to changing the vehicle mix of the Bank's fleet |

### Green procurement

The Leumi Group works to have in place a responsible supply chain that has a positive impact on the environment. In order to achieve this the Bank reviews suppliers' conduct in terms of corporate responsibility (such as environmental aspects).

Leumi's procurement activity mostly includes the ongoing purchase of products and services for projects, for all of Leumi Group's functions, on an as-needed basis.<sup>61</sup>

As part of the steps the Bank took to promote diverse procurement and to increase the Group's positive impact through procurement, Leumi launched a number of initiatives:

- Promotion of green procurement: in order to reduce the adverse impact its activities have on the environment, the Bank works to use recycled materials, and energy-saving and environmentally-friendly products. Thus, for example, the Bank expanded the use of hybrid vehicles for its car fleet, since those vehicles consume less fuel.
- In 2021, the Bank's green procurement amounted to approximately NIS 24.4 million.

In 2021, the majority of Leumi's purchases were from 770 suppliers that started providing Leumi with services in recent years. These suppliers agreed to adhere to the Bank's fair employment criteria (employment terms, safety, etc.) and to meet environmental criteria.



<sup>61</sup> The vast majority of Leumi's procurement activities are performed by the Procurement Department of the Finance Division, which is responsible for the procurement procedures and execution of large transactions (hereinafter - "Principal Procurement"). In addition, procurement is carried out directly by the headquarters units and branches. The information in this chapter refers to the general procurement only, unless noted otherwise

“Concern for the environment and the society is a significant component of Leumi's organizational values. Elaborating on our diverse investment in promoting issues at the core of our existence, is intended to illustrate the extent of our commitment. The challenging goals that we set ourselves were designed to cause us to do our utmost to reach them. And this year, Leumi celebrates the 120 years since its inception, as noted - makes it all the more important.”



# 3 Governance



## Corporate Governance at Leumi

Leumi attributes great importance to the appropriate and advanced practices of the Bank's Board of Directors and compliance with all regulatory aspects – including laws and the directives of the Bank of Israel. As part of the Board of Directors' responsibility and commitment to proper corporate governance, it must be qualified

to lead the organization, including on matters related to the existence and promotion of corporate social responsibility, ensuring constant control over the organization in terms of conduct, IT security, and customer confidentiality, avoiding conflicts of interest, and meeting the highest professional standards.



30%  
of the board members are women

97%  
of Leumi's employees participated in anti-bribe and anti-corruption training

99%  
of Leumi's employees signed conflict of interests

24/7  
Cyber center active 24/7

Code of Ethics  
in the spirit and values of Leumi

## Fair Business Conduct



### Code of Ethics

For more information about the Code of Ethics: The Leumi Way, Vision, Core Values and Ethics see the Bank's website

**The Leumi Group aspires to practice proactive, innovative and responsible banking for all its customers; with that aim in mind, the Group formulated its Code of Ethics that serves as a moral compass and reflects its worldview. The Code of Ethics is available to the public on Leumi's website and outlines the Group's business and professional conduct in its dealings with customers and different stakeholders.**

The Code of Ethics is reviewed and revised once every two years so that it will remain relevant and up-to-date for the Bank's operating activities and the dynamic business environment in which the Bank operates. In 2020 Leumi launched a revised Code of Ethics: "The Leumi Way – Our Code of Ethics and Conduct". The code has a direct link to "The Leumi Way: Vision, Core Values and Ethics" that was launched six years ago.

The process of formulating the revised code, which began in 2019, was performed by the steering committee, which included representatives of all of the Bank's divisions, to reflect and address cross-organizational and division-specific issues. The revised code was approved by the Bank's management and Board of Directors.

The revised code was written prior to the coronavirus crisis in order to create a more up-to-date and detailed "compass" that will allow reducing the margin of error and deliberation time and constitute a part of Leumi's toolbox. The coronavirus crisis and the transition to the new normal have made the need for such a "compass" even more urgent.

Leumi's Code of Ethics and Conduct includes a collection of practical, clear and simple rules of conduct addressing all of Leumi's internal and external points of contact: customers, employees, suppliers, investors, the public, society and the community.

It is based on Leumi's values and vision – and also on laws, regulations and internal procedures, and is set up in a digital format that provides the functions of simple search, links for more information, and revisions on an ongoing basis.

**"The Leumi Way – Our Code of Ethics and Conduct" is the cornerstone for Leumi's uncompromising commitment to creating a proper and ethical organizational culture for all of us.**

### Business ethics

**Leumi's worldview and the norms to which the Group is committed to, grew and developed out of recognition of its significant role in maintaining Israel's economic and social fabric. The Group constantly strives to comply with the highest criteria of ethical, moral and responsible conduct when encountering all its stakeholders. Ethics is managed by the Organizational Development and Learning Subdivision of the Human Resources Division, which is responsible for: implementing the Code of Ethics, conducting training on the subject, managing the Ethics Hotline, distributing information on ethical dilemmas, and producing training materials on the subject.**

- In 2021, Leumi's ethics hotline received 44 inquiries, 38 of which involved questions regarding conflict of interest, and 4 regarding gifts.
- In 2021, 82% of Leumi's employees successfully completed a course on ethics and core values.
- In 2021, 99% of the Bank's employees signed a statement regarding conflict of interest.

### Preventing bribery and corruption

**Leumi is committed to combating bribery and corruption and acts resolutely to ensure that its employees, customers, and business partners comply with anti-bribery and corruption provisions.**

Leumi regularly monitors the implementation of its policy for preventing bribery and corruption; the policy was formulated in collaboration with an external advisor and approved by the Board of Director in the second quarter of 2019. In accordance with this policy, which is implemented across all Bank units, monitoring and control processes are implemented in order to prevent corruption events and money laundering in the Bank; these processes include, among other things, comparing the spelling of customers or counterparties' names with data in information lists; adding control questions to the CRM system, such as a question on Politically Exposed Persons (PEP), and adding a risk compliance score as part of the Bank's activity with high-risk countries; defining dedicated alerts for identifying risks while working with customers, such as customers from countries with high risk for bribery and corruption; and using a system for detecting negative information when opening customer accounts.

The Bank's compliance officer has managerial responsibility for bribery and corruption.

In 2021, 97% of Leumi's employees completed an online course on bribery and corruption prevention<sup>62</sup>. Furthermore, as part of frontal training sessions held in various banking courses, employees were taught how to deal with PEPs. Dedicated training sessions on this issue were also delivered to members of the Board of Directors by an external advisor.

In 2021, no trials were held and no lawsuits were filed in relation to corruption cases involving Leumi.

<sup>62</sup> Implemented as part of an online compliance tutorial



For more information about Leumi's statement on preventing bribery and corruption, see the Bank's website.



For more information about Leumi's statement on compliance, see the Bank's website.



For more information about Leumi's statement on fair business conduct, see the Bank's website.

## Compliance

The Leumi Group is subject to a wide range of domestic and international laws, ordinances and regulations, including directives issued by the Banking Supervision Department, the Israel Securities Authority and the Antitrust Authority. In accordance with the Leumi Group's organizational culture, compliance with legislation is incorporated into work processes.

The Bank takes compliance provision violations very seriously and disciplines employees according to the circumstances of the relevant case, including, inter alia, dismissals, warnings, promotion denials and/or reduction of personal compensation; such measures are coordinated with the employees' representatives.

Furthermore, Leumi's compensation policy also takes into account, compliance aspects, including mandatory enforcement measures, or, where appropriate, incentives. The compensation plans and excellence benchmarking for the business lines support compliance with laws, regulations and the Bank's procedures and core values; this is aimed at ensuring excellent compliance standards and mitigation of compliance risks.

## Fairness towards customers –

**The Bank ensures to conduct itself in a transparent and fair manner with the aim of providing its customers with services and products of added value, placing an emphasis on customizing the different financial products such that they address customers' needs. In doing so, the Bank mitigates the conduct risk whereby the Bank's dealings with its customers will lead to an undesirable result for a customer due to services rendered in appropriately, provision of services that are not in line with customers' needs or unfair conduct. This risk is mitigated by the business units within the different lines of business.**

As part of its mitigation of the conduct risk, the Bank ensures that it delivers information in a transparent manner, customizes products to customers' needs and capabilities, strives to price its products fairly, and addresses customers' complaints.

**In order to promote fairness, the Bank operated on a number of levels, including:**

- The Bank of Israel's resolution that changes the restriction on the proportion of Prime interest component out of interest payable on mortgage loans came into force in January 2021. This resolution aimed to significantly reduce mortgage payments for borrowers. The Bank of Israel's assessment of the said decision's results and its implementation by the banks found that Leumi conducted itself in the most fair and transparent way in its dealings with customers (as reported by the Chairman of the Professional Committee of the

Association of Mortgage Advisors). Leumi allowed its customers to compare their mortgage's present interest mix and an interest mix that is in line with the new guidelines, which, in effect, allowed them to understand the change in mortgage payments. This way, the Bank's customers were given the flexibility to split their mortgage tracks.

- **Truth in advertising:** advertisements' content corresponds to the terms of the products and services. The Bank instructs its employees to support advertisements with fair disclosure and clarifications to the extent possible: financial terms, terms of service, risks embedded in the product/service, target audience, indication as to the product/service supply date, etc. Furthermore, Bank's employees are required to avoid making non-objective statements when advertising the product/service.
- **Wording:** using clear wording in product/service advertisements and avoid using hidden messages that may give rise to misleading expectations or associations. The Bank avoids using wording and terminology that are not commonly used by the target audience. Transmission of messages will be adapted, in certain cases, to different populations such as: senior citizens, the younger generation, and underprivileged populations.
- **Visual accessibility:** as part of the product/service marketing and advertising the Bank ensures that non-verbal aspects of the advertisement are in line with its content. The Bank ensures that advertisements are aesthetically pleasing and focus on a key message; it avoids, to the extent possible, using details that may distract customers or details that may contain a misleading hidden message.
- **Using appropriate marketing messages:** some marketing messages may be interpreted by some people as amusing or witty while others may find them offensive. The Bank ensures that marketing messages will be aimed at the general public and are not offensive.
- **Digital accessibility:** The Bank continues to promote transparency and fairness by providing financial services on digital platforms and allowing customers to make personal adjustments when viewing information and making banking transactions.

## Reporting mechanisms

Leumi views every one of its employees as a partner in the proper management of the Bank. Leumi therefore expects employees to immediately report any unusual action to their managers. Each employee, at every level, may also contact and report any unusual activity related to banking work through several other channels such as telephone, email, mail, fax, and any other way available to them.

As part of the revision to the Code of Ethics in 2019, the reporting mechanisms were reassessed and new platform was set up, Speak-Up, allowing every Leumi employee to participate in and influence the creation of a safe and ethical work environment through the knowledge management system or the Leumi One app. This serves as another platform for reporting concerns of violation of laws, regulations, procedures, and rules of conduct. Each application is addressed impartially, quickly, efficiently, and with a commitment to confidentiality and protection of the identity of the relevant individuals, in accordance with the Law for Protection of Employees (Exposure of Offenses, of Unethical Conduct and of Improper Administration, 1997). Leumi is committed to protecting any employee who files a complaint or assists another employee who reported an irregular event, and will not cause their dismissal. If necessary, the Bank will provide the employee with adequate protection from adverse consequences.

## Safeguarding Customers Information Security and Privacy



**Technological innovation in the finance industry is altering communication between people and companies and shaping new habits of information consumption and sharing. Since the emergence of the coronavirus, this change has accelerated since the transition to the digital platform has become a necessity.**

We in Leumi attach great importance to safeguarding the privacy and information security of our customers across all lines of business, as well as those of our employees and any other person whose data is stored in Leumi databases. In this context, Leumi applies numerous means of protection and monitoring through systems that the Bank regularly upgrades and improves, in accordance with technological developments. The Bank also applies numerous controls to identify unusual customer and employee activity in real time. Unusual cases that are discovered are addressed with great severity.

The Bank operates in accordance with generally accepted information security methodologies, including NIST and ISO standards, and in accordance with the regulatory requirements of the Bank of Israel and the Privacy Protection Law.

In view of the importance of this issue, the Bank's Chief Compliance Officer was appointed as the officer in charge of privacy. This officer is in charge of adapting the Bank's privacy protection policy to regulatory requirements and advise the different units of the bank, supported by the Bank's Legal Division, on the implementation of processes and products involving the use of personal information. The training and implementation measures taken to implement privacy protection aspects are included in the steps taken to implement compliance culture in Leumi.

### Using customers' information -

In accordance with its privacy protection policy, Leumi is committed to protecting its customers' privacy rights and the personal information it receives from such customers or collected in connection therewith.

Information about customers is only used for banking transactions and the service is provided to customers for their bank account, subject to the declared objectives of the database in which information about Leumi's customers is stored, and in accordance with the customers' consent, as required by law. Therefore, the reasons for which the information was collected are in line with the way it is used. Information may be disclosed to entities with authorization under the law or a court order, according to the Bank's privacy protection policy, subject to the customer's consent.

When a security incident is discovered which involves unauthorized access to personal information stored in the Bank's systems, including hacking or breaching the Bank's systems, an investigation is launched, conclusions are drawn and systems are improved accordingly. As required by law, serious security events are reported to the Privacy Protection Authority.



For more information about Leumi's Statement on Privacy and Information Security, see the Bank's website.

### Information security and cyber risks -

Leumi operates in a number of channels to increase awareness to and prevention of cyber risks. The range of training tools includes online tutorials for the Bank's employees and external employees, as well as tests, phishing drills and more. Leumi's website has detailed and accessible information for the Bank's customers about how to detect phishing and guidelines for protection that include examples of e-mails, messages, and addresses of an impersonating website.

The Cyber Protection and Security Center - an operative entity that integrates a range of capabilities for dealing with cyber incidents; the center operates 365 days a year, 24 hours a day in order to protect Leumi's customers. Each year, the Cyber Protection and Security Center deals with dozens to hundreds of significant incidents.

In any case involving a Bank employee or a third-party removing information from the Bank or unauthorized viewing of information, the internal audit investigates the incident together with the cyber department. Based on the findings, relevant disciplinary measures are taken. In order to prevent the recurrence of such cases, the Bank refreshes - from time to time - its data security guidance and communicates unusual incidents to all employees with the aim of discouraging employees from getting involved in such incidents.

In 2021, two computerized tutorials on information security and cyber risks were held, in which about 90% of all Bank employees and contractor employees took part.

## Handling of public inquiries



Leumi is committed to cultivating the relationship with its customers and to maintain it over time. These relationships are first and foremost based on trust and fairness and on providing customized services and products, and on a quality service experience. To retain the trust that is the foundation of the relationship with our customers, we rely on high standards of compliance with the laws, rules, and regulations of the state and the regulators, alongside adherence to the values of fairness, transparency, and professional ethics.

The Public Inquiries Bureau is charged with handling complaints, including information or assistance requests. The bureau is headed by the public inquiries commissioner, a Leumi executive who reports to the Bank's general counsel.

The contact details for the Public Inquiries Bureau are available to the general public and employees on Leumi's website, at the Leumi information kiosks, and on signs at the branches and headquarters (there is also a dedicated app for security, catering, and cleaning contract workers).

Below is a list of unusual incidents and relevant legal proceedings filed against the Leumi Group and/or concluded in 2021. The other claims filed against Leumi involve different matters.

| 2021 claims                            | Regarding discrimination | Regarding corruption, bribery and money laundering | Regarding antitrust and anti-competitive behavior | Regarding labor relations, employee rights and breach of protective labor laws | Regarding violation of the Privacy Protection Law | Regarding full disclosure, transparency and fairness towards customers | Regarding sexual harassment |
|--|--------------------------|--|---|--|---|--|-----------------------------|
| Information about claims filed in 2021 | 1                        | 0  | 0   | 8  | 1   | 1  | 0                           |
| Of which: no. of regular claims        | 1                        | 0  | 0   | 8  | 0   | 0  | 0                           |
| Of which: no. of class actions         | 0                        | 0  | 0   | 0  | 1   | 1  | 0                           |
| No. of class actions concluded         | 0                        | 0  | 0   | 0  | 0   | 2  | 0                           |
| No. of settlements and sanctions       | 0                        | 0  | 0   | 0  | 0   | 0  | 0                           |
| No. of convictions                     | 0                        | 0  | 0   | 0  | 0   | 0  | 0                           |



For more information about the Bureau of Public and Employee Inquiries, the complaints received and the way they were handled, see Leumi's website.

### Public complaints at Bank Leumi during 2021<sup>63</sup>

Alongside the increase in applications to the Public Inquiries Bureau, due to the COVID-19 crisis, great emphasis was placed on a swift response to applications, extensive customer support, and assimilation of lessons learned from justified complaints, to prevent recurrence of the faults underlying the complaints.

Public complaints at Bank Leumi during 2021 pertaining to privacy, information security and discrimination issues

| Topic                 | Total no. of complaints | No. of justified complaints |
|-----------------------|-------------------------|-----------------------------|
| Protection of privacy | 7                       | 2                           |
| Information security  | 24                      | 0                           |
| Discrimination        | 12                      | 0                           |
| Total                 | 43                      | 2                           |

In 2021, the Public Inquiries Bureau received four inquiries from employees of subcontractors about employment terms and employee rights. No discrimination-related complaints were received from subcontractors' employees. In addition, in 2021, remedy was granted for 10% of the complaints that were addressed, of which 72% were an exception. Leumi regularly practices lesson-drawing processes in order to prevent the recurrence of the cases that led to complaints.

<sup>63</sup> Due to changes in the Bank of Israel's reporting directive, Leumi is only required to report about complaints and inquiries dealt with by the Public Inquiries Bureau, and is not required to report about complaints and inquiries dealt with by the Bank of Israel in connection with the Bank. In order to maintain maximum transparency, the data in this corporate social responsibility report include all complaints and inquiries raised in connection with Leumi. Therefore, the data presented above do not correspond to the report posted on the Bank's website.

## Corporate Governance



**As a large financial organization, the Leumi Group requires robust corporate governance and management mechanisms that allow for coordination, control, and optimal risk management. The Group has high standards for managing corporate governance beyond compliance, deriving from the perception that this domain is material for its business success in the long run.**

Bank Leumi is a limited liability company incorporated under the Companies Law, 1999 (hereinafter – the “Companies Law”), a reporting company under the Securities Law, 1968, and is defined as a banking corporation under the Banking (Licensing) Law, 1981 and is a licensed bank under said law. As a “bank” and “banking corporation”, Bank Leumi is regulated and governed by a system of laws, ordinances and regulations, including, the Banking Ordinance, the Bank of Israel Law, the Banking (Licensing) Law and the Banking (Service to Customer) Law, as well as by the Banking Supervision Department’ directives, rules, guidance and position papers.

The articles of association of Bank Leumi, which were approved by the shareholders of the Bank and according to which the Bank operates are published on MAGNA, the Israel Securities Authority’s website ([www.magna.isa.gov.il](http://www.magna.isa.gov.il)) The Bank’s articles of association, as well as the rules and procedures to which the Bank is subordinated, govern, among others, the corporate governance aspects of Leumi’s activity, including the conduct of the Board of Directors, risk management, capital management and credit granting, fairness in customer service, proper disclosure of information, compensation of senior employees and more. The Board of Directors’ work procedure, which regulates the conduct of the Bank’s Board of Directors, reflects and embodies the said provisions.

It is hereby clarified that the Board of Directors referred to in this chapter is Bank Leumi’s Board of Directors, rather than of its subsidiaries and foreign offices, unless stated otherwise.

### Bank Leumi’s Board of Directors

**In accordance with the provisions of the law and Proper Conduct of Banking Business Directive 301, which regulates the responsibilities and activities of the Bank’s Board of Directors, the**

Board of Directors outlines Leumi’s strategy, including the risk strategy and risk appetite, and approves the policy that guides its operating activities; the board of directors oversees the management’s activity and ensures compliance with the policy that was set, alongside fulfillment of areas of responsibility and clear reporting; the Board of Directors defines the roles, powers, and duties of the CEO and his reporting to the Board of Directors; the CEO is responsible for guiding and coordinating activities of the management members. In addition, the Board of Directors outlines the organizational culture, which requires the implementation of high standards of professional conduct and integrity, approves the Bank’s Code of Ethics and ensures that the Bank acts in compliance with the law and regulations.

The member of management responsible for corporate social responsibility is the Head of the Human Resources Division. The Board of Directors and its committees receive reports from management from time to time on different and diverse issues to discuss, including the Bank’s customers (regarding service and conduct), and employees. According to the directives of the Bank of Israel, in December 2019 the Board of Directors discussed the Bank’s Code of Ethics and approved it.



For additional information, see the chapter entitled Members of the Board of Directors and the chapter entitled Changes in the Board of Directors in the Bank’s financial statements for 2021.

In February 2021, the Board of Directors approved Leumi Group’s community outreach budget for 2021, and in October 2021, the Board of Directors approved the Bank’s donation policy and strategy.

### Board Members - Appointment and Qualifications

The Bank is defined as a banking corporation without a controlling core, and no shareholder is defined as the Bank’s controlling shareholder. The Bank’s directors are appointed in a process set forth in the following laws and directives: the Companies Law, the Banking Ordinance 1941, the Banking (Licensing) Law (1981), the Banking Supervision Department’s directives and the Bank’s articles of association.

In a banking corporation without a controlling core, only the following may propose to the general meeting candidates to be voted as directors: (1) a committee for appointing directors in banking corporations, appointed by the governor of the Bank of Israel under Section 36A(A) of the Banking Law (Licensing), (1981); (2) anyone holding more than 2.5% of the means of control; (3) a group of holders comprising two or three holders, each of whom holds more than 1% but no more than 2.5%, and together – no less than 2.5% and no more than 5%, of a certain means of control in the Bank, as aforesaid, and has complied with the reporting requirements regarding its holdings in accordance with the Banking Law and Banking Ordinance. The directors are appointed by the general meeting for three years and can be re-appointed for two additional periods of three years each. The Committee for the Appointment of Directors in Banks without a Controlling Core is independent and its composition is established in the Banking (Licensing) Law. According to Section 36A of the Banking (Licensing) Law, the committee shall include two directors acting as external directors in the banking corporation discussed by the committee. For this purpose, “external director” – as defined in the Companies Law or according to the meaning granted to it in the Proper Conduct of Banking Business Directives with respect to the board of directors.

The Bank has no influence over the identity of the candidates and their appointment, and is not exposed to the data pertaining the process of their appointment, including the number of meetings held by the appointing committee during the reporting year and the participation rate of the members of the appointing committee.

As of February 2022, the Board of Directors consists of ten directors, in accordance with the maximum number of board members in banks as set out in Proper Conduct of Banking Business Directive 301 and an announcement of the Banking Supervision Department on July 8, 2021, according to which, the number of directors required in a bank without core control under Section 22(B) of Directive 301 is ten.

According to Directive 301, the legal quorum in Board of Directors’ meetings and resolutions is the majority of Board members provided that at least one third of the directors meet the qualification requirements for an external director as defined in Directive 301 (“External Directors”).

Pursuant to Directive No. 301, at least one third of the Board members should be external directors. Accordingly, as of February 2022, the Bank’s Board of Directors consists of six directors classified as External Directors

including three External Directors according to the Companies Law.

In addition, following the definition of an “independent director” in the Companies Law, the Board’s Audit Committee has confirmed that the External Directors are independent members of the Board.

Pursuant to the Banking Supervision Department’s directives and the provisions of the Companies Law and regulations thereunder, the Bank’s Board of Directors decided that at least three directors with “accounting and financial expertise” serving on the Board of Directors at any given time shall participate in the Board plenum’s discussions of the draft financial statements and their approval, so as to enable the Board of Directors to meet its obligations in accordance with the law and the Bank’s articles of association, and especially its responsibility for examining the Bank’s financial position and preparing financial statements.

In determining the said minimum number, the Board of Directors considered the Bank’s size, the complexity of its activity and the diverse risks involved, as well as its existing systems and procedures, such as: control, risk management, compliance, internal auditing and audit by the independent auditors. In addition, all Board members comply with the legal eligibility requirements for serving as directors in a bank.

As of February 2022 – and as approved by the Board of Directors based on their education, experience, abilities and knowledge – nine out of ten members of the board meet the definition of directors with accounting and financial expertise and professional qualifications in accordance with the Companies Regulations (Conditions and Tests for a Director with Accounting and Financial Expertise and Director with Professional Qualifications), 2005.

All directors in the Bank are subject to the provisions of the law, including the Companies Law, the Banking Law (Licensing), (1981), the Banking Ordinance (1941), and Directive No. 301, including in the matter of their appointment, qualifications (including strict requirements prohibiting connection to the Bank, a corporation controlled by the Bank, an officer in the Bank or a person holding more than 2.5% of the Bank’s shares), the majority required for their appointment, their term of office, and more.

A candidate for the Board of Directors is required to undergo a “fit and proper process of the Bank of Israel, and his/her appointment is subject to the approval of the Banking Supervision Department.

In 2021, a training program for directors was held, which included the following areas: corporate responsibility, including ESG, risk management, economics, accounting, and finance, capital markets and banking, technology, data, and cyber innovation, labor relations and the human resource, and compliance with legal issues and regulatory updates. ESG issues were discussed by the Audit Committee, the Risk Management Committee, and the Board of Directors.

Pursuant to Directive No. 301, the mandatory portion of directors with banking experience is one third; at least half of the Board members will be required to have “professional qualifications” as defined in the Companies Regulations (2005), ‘Conditions and Tests for a Director with Accounting and Financial Expertise’; at least one Board member should have adequate knowledge and proven experience in information technology.

Accordingly, as of February 2022 the Bank’s Board of Directors includes five directors defined as having “banking experience” and all Board members are defined as having “professional qualifications”. In addition, two Board members classified as having proven knowledge and experience in IT serve on the Bank’s Board of Directors.

Before submitting the application to the Committee for the Appointment of Directors in Banking Corporations which was appointed according to Section 36A of the Banking (Licensing) Law, (1981), and according to the provisions of Sections 11D(a)(1) and (2) of the Banking Ordinance, (1941) and the publication of a preliminary notice published by the Bank on February 24, 2021 of the intention to convene an annual general meeting of the Bank’s shareholders with several issues on its agenda, including the appointment of directors, a resolution was adopted by the Board of Directors with respect to the eligibility of the candidates.

The Board of Directors resolved that, in addition to the need to meet the requirements of the law and locate a candidate having suitable experience and qualification to act as a director in a large public financial institution conducting complex activity such as the Bank’s, considering the challenges, opportunities and risks in the business environment in which the Bank operates in general and in the areas of cloud and cyber technology in particular, candidates are required to meet the following requirements:

- Two candidates of the same qualification type (External director according to the Companies Law or ED) such that at least one of them shall be appointed by the general meeting to act as a director, having proved



For more information, please see the immediate report published by the Bank on February 24, 2021 (Ref. No. 2021-01-022431)

knowledge and experience in Information Technology, as this term is defined in Section 25 of Directive 301 and according to the resolution of the Board of Directors dated November 20 2018, with an emphasis on proved and up-to-date knowledge and experience in cloud and Cyber technology;

- Weight shall be given to the candidates’ banking experience as this term is defined in Section 25(a) of Proper Conduct of Banking Business Directive No. 301.

In addition, the Bank’s Board of Directors is of the opinion that balance should be stricken between refreshing its ranks, management succession, and cumulative experience on the Board and that social and gender diversity should also be maintained in the composition of the Board.

In addition, the Bank complies with Section 239(d) of the Companies Law, which establishes the right of representation for both genders in the Board of Directors. In addition, as specified above, the chairman of the Board is of the Arab society. The directors do not report to the President and CEO. According to the Bank’s articles of association, the Board of Directors appoints one of its members to serve as chairman of the Board. Pursuant to the Companies Law, the chairman of the board or their relative may not serve as CEO, unless approved by a special majority in a general meeting. According to Directive 301, members of the Board shall abstain from participating in the ongoing management of the Bank and may not attend meetings of management or its committees, excluding discussions regarding the Bank’s overall strategy.

In 2021, Leumi’s Board of Directors held 41 plenum meetings and its committees held 83 meetings.

The Audit Committee: The legal quorum for discussion and decision-making by the Audit Committee is a majority of its members, provided that the majority of those present are independent external directors and at least one is an ED. As of February 2022, the Audit Committee consists of five directors classified as External Directors, including three external directors, one of whom serves as chairman of the committee. The independence, expertise and term of office of the committee members are determined according to the provisions of the Companies Law, the Banking Ordinance and the Proper Conduct of Banking Business Directives issued by the Bank of Israel, all of which are not under the Bank’s control. Directive 301 provides that at least two members of the Audit Committee shall have accounting and financial expertise. The Board of Directors of the Bank resolved that the Audit Committee of the Board shall consist, at any time, at least three directors having accounting and financial expertise. As of the date hereof, four of the five directors serving on the Audit Committee have accounting and financial expertise.

During 2021, the Audit Committee held 37 meetings.<sup>64</sup>

<sup>64</sup> For further information and details regarding the composition of the committee, please see the Bank’s corporate governance website at: <https://www.leumi.co.il/Articles/10991>

The Bank's Board of Directors discusses the corporate social responsibility report, the Bank's and the Group's corporate social responsibility objectives for the coming years, and the implementation of the appointed CSR objectives by the Bank and Group. In 2021 the CSR report was presented and approved by the Bank's Board of Directors.

Each of Leumi's subsidiaries has its own independent board of directors, and corporate governance in the subsidiaries is conducted in accordance with relevant laws and regulations, and in the spirit of conduct in the Leumi Group. The Board of Directors of Leumi and the subsidiaries operate, inter alia, by means of standing committees and ad hoc committees, in addition to the committees required by law.

During 2021, Leumi's Strategy Committee held five meetings.

#### Bank Leumi – Composition of the Board of Directors<sup>65</sup>–

The Bank's board of directors has ten directors, three of which are women; including six external directors and nine directors with accounting and financial expertise

The age average on the Board of Directors is 62.5; the youngest director is 52 years old and the oldest is 72 years old.

There is no procedure limiting the age of an acting director. As aforesaid, the maximum duration of a director's office is limited to three consecutive terms of three years each.

| No. of directors | No. of external directors | No. of directors with accounting and financial expertise | No. of women on the board | Up to age 30 | Aged 31–50 | Aged 51+ | Main committees   |
|------------------|---------------------------|--|---------------------------|--------------|------------|----------|---|
| 10               | 6                         | 9  | 3                         | 0            | 0          | 10       | Audit, Risk Management, Credit, IT and Technological Innovation, Strategy, Compensation |

Full details on the members of Leumi's Board of Directors can be found in Leumi's 2021 Financial Statements on the Israel Securities Authority's website and the Bank's website.<sup>66</sup>

#### Activity of the Board of Directors–

In 2021, Leumi's Board of Directors continued to perform its duties, including to set the strategy, supervise management's activities and their compliance with the Board's policy, ensure that clear areas of responsibility and reporting exist in the Bank, outline organizational culture which requires the implementation of high standards of professional conduct and integrity, ensure that the Bank complies with the law and regulations, approve financial reports and policies in different areas, including risk management and more.

At least once a year, the Board of Directors discusses the ESG report and the implementation of the corporate social responsibility annual objectives report of the Bank and Group. Accordingly, in August 2021, the ESG report was presented to the Board of Directors and approved. The Head of the Human Resources Division is responsible for presenting the annual ESG report to the Bank's Board of Directors. The report reviews the implementation of the corporate social responsibility plan, the organization's performance, whether it has met its goals and its objectives for the coming years.

#### Raising issues on the agenda of the Board of Directors and the general meeting–

The agenda for Leumi's board meetings is determined by the Chairman of the Board, in coordination with the Chief Executive Officer of the Bank, in view of the relevant regulatory requirements. Social and environmental issues, as well as aspects of corporate governance, are discussed by the Board of Directors and its committees as necessary and/or as required by law. The Audit Committee of the Board approved a procedure regulating employees' reporting mechanisms of irregular activity, including to the chairman of the Audit Committee. In addition, mechanisms were established to protect the identity of such reporting employees. In addition, the Audit Committee receives periodic reports from the compliance officer regarding various issues on significant compliance and money laundering violations and others. In 2021, no complaints were made to the Board of Directors on material corporate responsibility issues.

**Shareholders' meeting**– The agenda of the general meeting is set by the Board of Directors. Certain shareholders may request the Board of Directors to put additional issues on the agenda of the general meeting, provided that the issue is suitable for discussion by the general meeting. By law, the Bank must publish a prior notice regarding the convening of a general meeting if its agenda includes the election of directors and may also include in the notice other topics on the agenda, at least 21 days prior to publication of the notice regarding the convening of the general meeting. On February 24, 2021, the Bank published a preliminary notice of its intention to convene an annual general meeting of the shareholders of the Bank with several issues on its agenda including the appointment of two external directors according to the requirements of the Companies Law and the appointment of two External Directors according to the provisions of Directive 301. For more information, please see the immediate report published by the Bank on February 24, 2021 (Ref. No. 2021-01-022431)

The Bank publishes timely invitations to general meetings, according to law. Within the framework of the meeting invitation report, the Bank specifies the proposed agenda, the majority which is required to pass resolutions, and an explanation of the shareholders' right to vote in the general meeting on different issues, including on the appointment of directors. In accordance with the provisions of the law, the preliminary notice, the invitation to the meeting and the entire resolutions of the general meeting are published through the MAGNA System by way of an immediate report. The manner by which institutional shareholders, interested parties and/or senior executives vote is published in the resolutions of the general meeting, where a special majority is required. Details of the shareholders' resolutions are attached as an appendix to the minutes of the general meeting, which is open to the shareholders' review at the Bank but not published.

<sup>65</sup> The data in the table are as of February 2022.

<sup>66</sup> MAGNA system: www.magna.isa.gov.il

#### Preventing Conflicts of Interest-

Leumi operates in accordance with the legal and regulatory provisions regarding conflicts of interest, including the provisions of the Companies Law and Directives 301 and 312 of the Banking Supervision Department. In accordance with the provisions of the Companies Law, a director of the Bank has a fiduciary duty to the Bank and must act in good faith and protect the Bank's best interests. Pursuant to these provisions, no person shall serve as a director in a bank, if their business or current occupations creates a permanent conflict of interest between them and the corporation. The Bank's procedures determine mechanisms for avoiding of conflicts of interest situations (even when they are not conflicts of interest of a permanent nature), such as the prohibition on releasing background material and the prohibition on participating in discussions and decision-making of the Board of Directors and its committees.

Each director is requested, when appointed, and thereafter twice annually and regularly to provide details regarding positions and/or corporate holdings, held by him/her and by their relatives which may be considered as conflict of interests. In addition, Leumi's Chairman of the Board does not serve as a member of the Bank's management, and the chairpersons of the subsidiaries' boards of directors in Israel do not serve, as managers in those companies on principle.

#### Monitoring Performance and Risk Management-

The Board of Directors oversees management's actions and monitors them by means of several mechanisms, including:

- Once every six weeks, the Board of Directors receives a report on the Bank's current business state, which is submitted in writing by Leumi's President and CEO and discussed by the Board.
- Following the Audit Committee's recommendation, the Board discusses the Bank's annual and quarterly financial statements and approves them.
- At least once a year, the Board of Directors discusses and establishes guidelines concerning the overall risk management framework, based on the ICAAP document and policy papers specifying the internal exposure limits and risk management of each of the Bank's material risks. The above resolutions also pertain to all corporations controlled by the Bank and its affiliates, after the recommendation of the Risk Management Committee in the framework of a joint meeting with the relevant professional committee of the Board.
- Each quarter, the Board of Directors discusses a quarterly risk report, which outlines the Bank's and Group's risk profile, following a discussion at the Risk Management Committee. Furthermore, the Board of Directors receives a written report of each new substantial product of the Bank (such as: a new derivative financial instrument substantially different from the Bank's existing instruments, a new type of exposure, market making, etc.) following the approval of the Risk Management Committee. Once every six months, the Board of Directors discusses the follow-up report on the implementation of the resolutions of the Board of Directors' plenum and committees.
- The Board of Directors has various tools for maintaining proper supervision, including deliverables of the internal audit and control functions (such as the Internal Auditor, Risk Manager, Compliance Officer), and external functions (including the independent auditor).
- The Board of Directors defined a list which is updated from time to time, consisting of irregular events of which it wishes to be informed. In accordance with the work plan approved by the Board of Directors, the Internal Audit Division carries out audits at a predetermined frequency and examines the implementation of the Board's resolutions on the matters being examined and the process for monitoring the Board of Directors' decisions.
- A substantial deviation, as defined by the Board of Directors, from the boundaries which were established in the policy approved by it, is brought for the approval of the Board of Directors.
- The Board of Directors exercises supervision and control mechanisms over the Leumi Group's subsidiaries.
- The Risk Management Committee of the Board of Directors receives regular and periodic reports on relevant issues, including from the Chief Risk Officer, and submits its recommendations on these issues to the Board of Directors, according to the matter and as required, and in accordance with the work procedure of the Board of

Directors, as approved by the Board of Directors. In addition, the Chief Risk Officer reports to the Committee immediately, and if necessary – to the Board of Directors as well – on any issue, finding, or deficiency under its purview that could materially affect Leumi's risk management and/or business. The Chief Risk Officer may decide on other issues that are to be brought for further discussion and examination by the Risk Management Committee.

- Semi-annual meetings of the Audit Committee with the following entities (without members of the Board of Directors): the CEO, Chief Internal Auditor, Chief Legal Counsel, Independent Auditor, Chief Compliance Officer, Chief Risk Officer, Head of the Finance and Accounting Division, Head of the Human Resources Division, and Head of the Accounting Division. The Audit Committee also holds an annual meeting with the chairperson of the Board of Directors, in addition to the annual meeting of the chairperson of the Board of Directors with the Board of Directors, without management members.

#### Assessing the Board of Directors' Performance

According to Directive 301, the Board of Directors undergoes – at least once every two years – a self-evaluation process, the purpose of which is to examine the effectiveness and efficiency of its work, including an examination of the structure of the Board and its committees and their suitability to the Bank's strategy and nature of its activity, as well as an examination of the Board's work processes including detection of weaknesses in its work. Thereafter, the Board of Directors discusses the findings which arise from the self-evaluation process and makes changes in its work processes, as needed.

In addition, the Board of Directors periodically updates its working procedure, which is based, on the applicable provisions of the law and Board's resolutions. The procedure stipulates the roles of the Board of Directors and its committees, the powers of the Board of Directors and its committees, their work methods, including the reports brought before them, as well as matters and transactions that are to be brought for the approval of the Board of Directors.

### Executive compensation

All directors serving on Leumi's Board of Directors, excluding the Chairman of the Board, receive compensation and reimbursement of expenses in accordance with the law regarding External Directors' compensation. The Chairman of the Board's terms of employment were approved by the Audit Committee (sitting as the Compensation Committee, the Board of Directors, and the general meeting.

The Bank's Compensation Policy is subject to the approval of the Bank's general meeting and is brought for the approval of the general meeting at least once every three years. On December 23, 2019, the general meeting of the Bank approved, following the approval of the Board of Directors and according to the approval and recommendations of the Audit Committee, the Revised compensation Policy (hereinafter – the "Compensation Policy"). In the above general meeting, of the 1,100,527,536 shares which participated in the vote – 876,615,075 shares voted for the approval of the Compensation Policy and 223,912,461 shares voted against it.

The Compensation Policy is in effect from the beginning of 2020 until the end of 2022, and is based on the provisions of Amendment 20 to the Companies Law regarding the terms of office and employment of bank officers, on the provisions of the Proper Conduct of Banking Business Directives regarding compensation policy in a banking corporation and on the Officer Compensation in Financial Corporations (Special Permit and Non Tax-Deductible Expenses Due to Exceptional Compensation) Law (2016), (hereinafter – the "Compensation Limitation Law.")

The Compensation Policy sets out a framework for the compensation of the Bank's officers and it refers, among other things, to the components of the fixed compensation, which is the principal compensation paid to officers, which includes a predetermined salary, social rights, ancillary benefits and retirement and termination of employment terms, and to the variable components which include any compensation which is not fixed. Said components include: an annual measurable performance-based bonus comprised of a bonus component based on a weighted return on the Bank's equity, a bonus component based on the weighted return on the Bank's stock compared to the return of the TA-Banks Index, and a bonus component based on weighted efficiency ratio of the Bank; a qualitative personal bonus, based on the achievement of personal targets and qualitative criteria according to the relevant officers' purviews; and a special bonus for special occasions. It should be noted that the members of the Board, including the chairman, are not entitled to a variable annual bonus. The President and Chief Executive Officer of the Bank is not entitled to a variable annual bonus as well, unless otherwise determined by the Bank's competent organs.

The total variable bonus amount payable to an officer is limited to a ceiling of eight monthly salaries per year; on special occasions, the Compensation Committee and the Board of Directors may approve a further special bonus to any officer, of no more than one monthly salary for any officer. In addition, the Bank's Board of Directors may, after having received the approval of the Compensation Committee, reduce the measurable annual bonus at its discretion. Furthermore, the Compensation Policy sets out,

based on Directive 301A, a mechanism for repayment of the variable bonuses, including repayment criteria and circumstances and a repayment period.

The Compensation Policy also sets out arrangements for deferment of payment of the variable bonus to officers, the payment of which is subject to the Bank's meeting the required capital adequacy ratios according to the directives of the Banking Supervision Department immediately before each vesting date.

The Compensation Policy established various mechanisms and arrangements designed to allow the Compensation Committee and the Board of Directors of the Bank to approve revisions in the Compensation Policy or in the compensation components in the terms of service and employment of officers to whom the Compensation Policy applies during the term of the Compensation Policy, without being required to re-obtain the approval of the Bank's General Meeting for each such revision. The revisions to the policy will be made if the Compensation Committee and the Bank's Board of Directors believe that the circumstances on the revision date justify their implementation. Thus, for example, the Compensation Policy allows the Compensation Committee and the Board of Directors to link the lowest compensation paid by the Bank for purposes of Section 2(B) of the Compensation Limitation Law to the maximum compensation of Bank's officers such that the total compensation amount to officers (excluding compensation the payment of which is not expected under generally accepted accounting principles) and the lowest compensation paid by the Bank at that time will increase at the same rate. It was also established in the

Compensation Policy that the compensation of any officer in the Bank who reports to the President and CEO (in addition to the chairman of the Board and the President and CEO) may, according to the resolution of the Compensation Committee and Board of Directors, exceed the limit established in Section 2(a) of the Compensation Limitation Law, and in such an event, a certain part of the compensation of those officers shall not be recognized as an expense for tax purposes, according to Section 32(17) of the Income Tax Ordinance.

On July 22, 2020, the Bank's Board of Directors approved the separation of the Compensation Committee from the Audit Committee.

The Compensation Committee gives its recommendation to the Board of Directors on the Bank's Compensation Policy and the compensation of officers and members of management. According to the Companies Law and Directive 301, the committee is comprised of External Directors and EDs according to the Companies Law. If necessary, the Compensation Committee is assisted by external independent consultants.

Additional information regarding the compensation policy appears in Appendix A of the immediate report of the Bank dated November 10, 2019, regarding an extraordinary meeting which was summoned and approved the compensation policy.<sup>67 68</sup>

<sup>67</sup> Ref. No.: 2016-01-066408.

<sup>68</sup> Information regarding the Compensation Policy of senior officers translated into English and available to the public: <https://english.leumi.co.il/Articles/37696/>.



For more information regarding compensation of officers, please see the MAYA website and the periodic report for 2021.

## The Bank's Independent Auditors

In the general meeting held on September 13, 2021, it was resolved to re-appoint Somekh Chaikin (KPMG) and Brightman Almagor Zohar & Co. (Deloitte) as joint independent auditors of the Bank for a period commencing on the date of the current annual general meeting and ending on the termination of the next annual general meeting of the Bank, to authorize the Board of Directors of the Bank to determine their fees.

For more information, see the immediate report on the gathering of the general meeting dated August 5, 2021 (Ref. No. 2021-01-127977) and the immediate report on the meeting's outcomes dated September 13, 2021 (Ref. No. 2021-01-146520).

## Internal audit

The Internal Audit Division is responsible for auditing the entire Leumi Group and all its units in Israel and overseas, in accordance with the multiyear work plan that assists the Group in achieving its targets. The internal audit contributes to the Board of Directors' and management's efficient and effective implementation of the responsibility imposed on them, and it is regarded as a tool that contributes to the proper and effective operation of the Group. Pursuant to Proper Conduct of Banking Business Directive No. 307, the Audit Division undertakes an independent evaluation of the effectiveness of the Bank's internal control structure, in order to maximize value and improve the operations of the Bank and the Group.

The functions of the Audit Division include:

- Verifying that the Bank's operations comply with the law, regulations, policy, and procedures of the Bank, while maintaining an ongoing dialog with the regulators.
- Examining the Bank's internal control systems, evaluating them and examining their effectiveness.
- Reviewing the implementation and effectiveness of risk management procedures and risk assessment methodologies.
- Reviewing of the steps taken to maintain the Group's assets, with an emphasis on cost effectiveness.
- Conducting special inspections and handling employee complaints about unusual activity and concern for the compromising of proper conduct or integrity.

### Rotation of Internal Auditors

The internal auditors of Leumi and its subsidiaries are appointed auditors. Therefore, their appointment and termination of office shall be made by the Board of Directors, based on the recommendation of the Audit Committee. However, internal and external rotation of employees of the internal audit division is made, enabling to refresh the perspectives and to innovate the auditing; it also supports the preservation and implementation of career paths.

The rotation shall be initiated by the employee or by the division, after a minimum period of time, in line with procedures and subject to a cooling off period of about six months when transitioning from a business unit to the Audit Division. The Audit Division strives to undertake internal rotation after a period of about five years.

## Risk Management

Leumi Group is committed to act responsibly while mitigating the risks it faces. Risk management is a necessary condition for meeting the Group's current and long-term objectives. The Group is engaged in a wide range of activities that involve financial and non-financial risk-taking. The risk management methods and work procedures in Israel and overseas are regularly assessed and updated, taking into account the changes taking place in the business environment and requirements of the Bank of Israel and other Israeli and foreign regulators.

### Risk profile – defining the risk factors' severity

The methodology for classifying the severity of the exposures to various risks, as depicted in the risk factors' severity table below, is based on quantifying the effect of various scenarios being realized on the Group's capital, i.e. its stability.

There are five levels of severity, with a highly severe risk defined as damage leading to a decrease of the capital adequacy ratio of CET1 capital under the risk appetite level (a CET1 capital ratio of 6.5%). The classification into other risk levels is made as a function of the potential damage to the Group's CET1 capital adequacy and a relevant subjective assessment. Factors affecting the assessments include various considerations, such as: risk management processes, effect of interaction with other risks and changes in the external risk environment which can increase or decrease the assessment of the severity of the risks beyond the quantitative damage to the Bank's capital. The subjective assessment also includes expert assessments by relevant functions in the Bank. In cases where a specific quantitative scenario does not adequately express the severity of a risk factor, greater weight will be given to a qualitative estimate.

In light of the above, it should be emphasized that the effect of the various risk factors varies among the banks, so extra care should be exercised in making various comparisons.

**Some of the information in this section constitutes "forward-looking information". For the meaning of this term, see pages XX-XX in this report.**

Table of risk factor severity for 2021 –

| Risk   | Definition   | Level of severity* |
|--|--|--------------------|
| 1 Overall credit risk  | The Bank's risk of loss as a result of the possibility that a counterparty fails to meet its commitments towards the banking corporation. This relates to on-balance-sheet and off-balance-sheet credit risk.  | Moderate           |
| 1.1 Borrowers and collaterals quality risk                       | Risk for default by a borrower or counterparty which causes them to fail to meet their contractual financial obligations, such as default by a borrower or counterparty in derivatives and the residual risk for failure to realize a collateral.                                    | Moderate           |
| 1.2 Concentration risk of a large borrower or group of borrowers | The credit risk arises from the borrowers' relatively large portion of the Bank's loan portfolio.  | Low                |
| 1.3 Concentration risk per industry or segment                   | The credit risk arises from concentration of loans to borrowers in certain economic sectors or segments.   | Moderate           |
| 2 Overall market risk  | Risk of exposure of the Group's assets to changes in foreign exchange rates, inflation and asset prices, the correlation between them and their volatility.  | Low to moderate    |
| 2.1 Basis risk   | The risk arising from exchange rate fluctuations, including inflation (held-for-trading and banking portfolios).   | Low                |
| 2.2 Interest rate risk   | The risk arising from interest rate fluctuations (held-for-trading and banking portfolios).  | Low to moderate    |
| 2.3 Interest spread and share price risk                         | The risk arising from fluctuations in share and bond prices in the commercial and banking portfolios for assets revalued to market prices.   | Low to moderate    |
| 3 Liquidity risk   | The risk arising due to the inability to withstand uncertainty as to the ability to raise funding and/or dispose of assets, unexpectedly and within a very short time, without incurring a substantial loss.   | Low                |
| 4 Pension risk   | Total risks associated with various employee-related liabilities.  | Low to moderate    |
| 5 Operational risk   | The risk of loss as a result of inadequate, or failure of, internal processes, people and systems, or external events.   | Moderate           |
| 5.1 Information security and cyber risk                          | A risk arising from attack on the IT systems and/or IT infrastructure, which may result in information theft, in theft of financial assets (cash and cash equivalents) and/or disruption to the operational continuity (by disrupting information and/or compromising availability). | Moderate to high   |

| Risk                        | Definition  | Level of severity* |
|-----------------------------|---|--------------------|
| 5.2 Technology risk         | The risk of loss as a result of malfunctions and mechanical failures, as a result of processes for advancing and implementing technological innovation/innovative products and services and/or projects   | Moderate           |
| 6 Model risk                | The exposure to loss or harm to the Bank's reputation due to erroneous, model-based decision-making, as a result of: using an erroneous model, reliance on non-representative data, errors in implementing the model or faulty use of the model.  | Moderate           |
| 7 Legal and regulatory risk | Total risks included in the legal risk and regulation risk outlined in the report.  | Moderate           |
| 8 Compliance risk           | Risk arising from non-compliance with legal provisions and binding regulations.   | Moderate           |
| 9 Reputational risk         | The risk that negative publicity will reduce the customer base, cause a decline in income or liquidity or lead to high legal expenses.  | Low to moderate    |
| 10 Strategic risk           | A business risk that includes current and future adverse effects on capital, profits, reputation or standing as a result of erroneous business decisions, inappropriate implementation of the decisions or lack of response to industry-specific, economic, regulatory and technological changes. | Moderate           |
| 11 Global systemic risk     | Risks caused due to global external events which may bring about the materialization of several risks at once.  | Moderate to high   |
| 12 Local systemic risk      | Risks resulting from local events which may lead to the materialization of several risks at once.   | Moderate to high   |

\* In reference to a possible damage to the capital adequacy and subjective assessment of the effect of risks that are not easily quantifiable. The level of risk does not express the probability for its occurrence but rather the damage to the Bank if the scenario were to materialize.



For more information about Leumi's Statement on Credit and Investment Considerations see the Bank's website.

For more information about key risks arising from the Bank's activity and the mitigation of those risks in 2021, including the consequences of the coronavirus crisis, conduct risks, environmental risks and more – see the Bank's 2021 financial statements,



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**Independent Limited Assurance Report to the users/readers of Bank Leumi le-Israel B.M. 2021 Environment, Social and corporate Governance (ESG) Report**

We were engaged by the management of Bank Leumi le-Israel B.M. (further referred to as "The Bank") to provide limited assurance on the specified parts as mentioned in the table below (further referred to as "Specified parts"), marked with "LA" in the report, regarding the information presented on The Bank's 2021 ESG Report for the year ended 31.12.2021 (further referred to as "The Report"). Management is responsible for A) the preparation and the presentation of the report in accordance with the Sustainability Reporting Guidelines of the Global Reporting Initiative ("GRI-SRS") as described in pages 115-128 of the Report, and the information and assertions contained within it B) for determining The Bank's objectives in respect of sustainable development performance and reporting C) for establishing and maintaining appropriate performance management and internal control systems from which the information is derived, to be free from omissions and material misstatements whether due to fraud or error D) the identification of stakeholders and material issues for reporting.

Our responsibility is to provide a limited assurance engagement and to express a conclusion based on the work performed. We conducted our engagement in accordance with International Standard on Assurance Engagements (ISAE 3000), *Assurance Engagements other than Audits or Reviews of Historical Financial Information*, issued by the International Auditing and Assurance Standards Board (IAASB). That Standard requires that we comply with applicable ethical requirements, including independence requirements, and that we plan and perform the engagement to obtain limited assurance about whether the Report is free from material misstatement.

A limited assurance engagement, regarding data and information included in the Environment, Social and corporate Governance (ESG) report, consists of making interviews and inquiries, primarily of persons responsible for the preparation of information presented in the report, and applying analytical and other evidence gathering procedures, as appropriate. These procedures included:

- Examination of the material aspects in the report, for the purpose of performing a limited assurance, based on public information sources, knowledge of The Bank business and other comparative information of similar organizations.
- Inquiries of management to gain an understanding regarding the material aspects to the stakeholders of Bank Leumi le-Israel B.M.
- Interviews with senior management and relevant staff at The Bank group level and selected business unit level concerning corporate responsibility strategy and policies for specified parts, and the implementation of these across The Bank business.
- Interviews with relevant staff at The Bank corporate and business unit level responsible for providing the information in the Report.

Limited assurance was performed regarding specific data and information detailed in the table below only:

| Topic   | Sub - Topic   |
|---|---|
| Initiatives and Ratings                             | Involvement in initiatives and ratings in sustainability and corporate responsibility topics in 2021  |
| Corporate Governance                                | Percentage of women out of Leumi's Board members in 2021  |
|   | Managerial activities regarding Corporate Social Responsibility in Leumi in 2021  |
|   | Percentage of Leumi's employees participated in Anti-Bribery and Anti-Corruption training in 2021   |
| Economic  | Total credit granted to promote social issues in 2021   |
|   | Total credit granted to promote environmental issues in 2021  |
|   | Percentage of Leumi's procurement from local source in 2021   |
|   | Total value of investments in green projects through Leumi Partners in 2021   |
|   | Total value of green procurement of Leumi in 2021   |
| Social  | Total procurement amount from companies that promote employment of people from underemployed populations, NGO's and social businesses in 2021 |
|   | Percentage of employees hired by the Leumi Group, from underemployed populations in 2021  |
|   | Percentage of women out of all employees, senior management, and branch managers in Leumi in 2021   |
|   | Percentage of women constitute of the top decile of highest-paid employees at Leumi in 2021   |
|   | Total hours invested in learning and training Leumi Group employees in 2021   |
|   | Percentage of employees that are employed under collective agreements in 2021   |
|   | Percentage of employees who participated in feedback and evaluation processes in Leumi in 2021  |
| Total investment in the community in 2021           |   |
| Environment   | Physical Accessibility in Leumi's branches for people with disabilities   |
|   | Percentage of year-on-year decrease in Leumi's energy consumption in 2021, compared to 2020   |
|   | Percentage of year-on-year decrease in Leumi's carbon footprint in 2021, compared to 2020   |
|   | Percentage of power consumption from private power producers in 2021  |
|   | Construction and maintenance suppliers of Leumi declaration regarding compliance with environmental criteria in 2021                          |
| Percentage of paper waste recycled by Leumi in 2021 |   |

The "LA" mark included as part of a given paragraph, refers to the information and/or data included in the relevant sentence only.

- Comparing the information regarding the material aspects presented in the Report to corresponding information in the relevant underlying sources to determine whether all the relevant information contained in such underlying sources has been included in the report.
- Where relevant, conducting interviews regarding the calculation, aggregation and methods used to collect and report the information in the report.
- Reading the information presented in the Report to determine whether it is in line with our overall knowledge and experience with the Environment, Social and corporate Governance (ESG) performance of Bank Leumi le-Israel B.M.

A limited assurance engagement is substantially less in scope than a reasonable assurance engagement in relation to the evidence-gathering and review of supporting information procedures performed. As a result, the level of assurance obtained regarding the bank's Environment, Social and corporate Governance (ESG) report is substantially lower than the assurance that would have been obtained had we performed a reasonable assurance engagement.

#### Conclusion

Based on the limited assurance procedures performed and the evidence we have obtained, described in this report, nothing has come to our attention to indicate that Bank Leumi le-Israel B.M. 2021 ESG Report is not presented, in all material respects, in accordance with the GRI-SRS and The Bank's reporting criteria.

Our limited assurance report is made solely to Bank Leumi le-Israel B.M. in accordance with the terms of our engagement. Our work has been undertaken so that we might state to The Bank those specified parts we have been engaged to state in this limited assurance report and for no other purpose or in any other context. We do not accept or assume responsibility to anyone other than Bank Leumi le-Israel B.M. and its subsidiaries for our work, for this limited assurance report, or for the conclusions we have reached.

Somekh Chaikin  
 Certified Public Accountants  
 Tel Aviv, Israel  
 June 9, 2022

## GRI Content Index

This report successfully completes the GRI materiality control indexes<sup>69</sup>.



In recent years, Leumi has reported its compliance with GRI standards alongside acceptance of the UN Global Compact principles signed by Leumi for the 12th year. This year, as part of Leumi's support for UN Sustainable Development Goals and following the mapping of the analysis of Leumi's actions to achieve these goals, we compared the sustainability goals endorsed by Leumi in its activity with the GRI Standards, based on the SDG Compass initiative as presented in the index below.<sup>70</sup>

#### GRI 101: Foundation 2016

#### GRI 102: General disclosure 2016

| Indicator serial no.          | Indicator  | Page/details  | UNGC | SDGs |
|-------------------------------|--|---|------|------|
| <b>Organizational Profile</b> |  |   |      |      |
| 102-1                         | Name of the organization and its organizational profile      | 9   |      | -    |
| 102-2                         | Activities, brands, products, and services                   | 9-10  |      |      |
| 102-3                         | Location of headquarters                                     | 9   |      | -    |
| 102-4                         | Location of operations                                       | 10  |      | -    |
| 102-5                         | Ownership and legal form                                     | 98  |      | -    |
| 102-6                         | Markets served   | 10  |      | -    |
| 102-7                         | Scale of the organization                                    | 9, 14   |      | -    |
| 102-8                         | Information on employees and workers                         | 55  | 6    | -    |
| 102-9                         | Supply chain   | 51, 86  |      | -    |
| 102-10                        | Significant changes to the organization and its supply chain | Please see the 2021 Annual Financial Report   |      | -    |
| 102-11                        | Precautionary principle or approach                          | 75-76, 78   | 7    |      |
| 102-12                        | External initiatives   | 13  | 1-10 |      |
| 102-13                        | Membership of associations                                   | In July 2020 Leumi discontinued its membership in the Association of Banks in Israel, and it is currently not represented by a lobbying or public relations firm. | 1-10 |      |

<sup>69</sup> For the Materiality Disclosures Service, GRI Services reviewed that the GRI content index is clearly presented and the references for Disclosures 102-40 to 102-49 align with appropriate sections in the body of the report.

<sup>70</sup> For further information about the initiatives and Leumi's support for them, see page 13.

| Indicator serial no.                     | Indicator   | Page/details | UNGC | SDGs |
|--|---|--------------|------|------|
| <b>Strategy</b>                          |   |              |      |      |
| 102-14                                   | Statement from senior decision maker  | 4-5          |      |      |
| 102-15                                   | Key impacts, risks, and opportunities   | 72, 104, 109 |      |      |
| <b>Ethics &amp; Integrity</b>            |   |              |      |      |
| 102-16                                   | Values, principles, standards, and norms of behavior                          | 90           | 10   | 16   |
| 102-17                                   | Mechanisms for advice and concerns about ethics                               | 92           | 10   | 16   |
| <b>Corporate Governance</b>              |   |              |      |      |
| 102-18                                   | Governance structure  | 99           |      | -    |
| 102-19                                   | Delegating authority  | 99           |      | -    |
| 102-20                                   | Executive level responsibility for economic, environmental, and social topics | 103          |      | -    |
| 102-21                                   | Consulting the stakeholders on economic, environmental, and social topics     | 99           |      | -    |
| 102-22                                   | Composition of the highest governance body and its committees                 | 102          |      | 16   |
| 102-23                                   | Chair of the highest governance body  | 104          |      | 16   |
| 102-24                                   | Nominating and selecting the highest governance body                          | 99           |      | 16   |
| 102-25                                   | Conflicts of interest   | 104          |      | 16   |
| 102-26                                   | Role of the highest governance body in setting purpose, values, and strategy  | 99           |      | -    |
| 102-27                                   | Collective knowledge of highest governance body                               | 103          |      | 4    |
| 102-28                                   | Evaluating the highest governance body's performance                          | 108          |      | -    |
| 102-29                                   | Identifying and managing economic, environmental, and social impacts          | 105          |      | 16   |
| 102-30                                   | Effectiveness of risk management processes                                    | 105          |      | -    |
| 102-31                                   | Review of economic, environmental, and social topics                          | 105          |      | -    |
| 102-32                                   | Highest governance body's role in sustainability reporting                    | 103          |      | -    |
| 102-33                                   | Communicating critical concerns   | 103          |      | -    |
| 102-34                                   | Nature of total number of critical concerns                                   | 104          |      | -    |
| <b>GRI 102: General Disclosures 2016</b> |   |              |      |      |
| 102-35                                   | Remuneration policies   | 106          |      | -    |
| 102-36                                   | Process for determining remuneration  | 106          |      | -    |
| 102-37                                   | Stakeholders' involvement in remuneration                                     | 106          |      | 16   |
| 102-38                                   | Annual total compensation ratio   | 60           |      | -    |
| 102-39                                   | Percentage increase in annual total compensation ratio                        | 60           |      | -    |

| Indicator serial no.          | Indicator  | Page/details  | UNGC | SDGs |
|-------------------------------|--|---|------|------|
| <b>Stakeholder Engagement</b> |  |   |      |      |
| 102-40                        | List of stakeholder groups                                 | 18  |      | -    |
| 102-41                        | Collective bargaining agreements                           | 68  |      | 8    |
| 102-42                        | Identifying and selecting stakeholders                     | 20  |      | -    |
| 102-43                        | Approach to stakeholder engagement                         | 20  |      | -    |
| 102-44                        | Key topics and concerns raised                             | 18  |      | -    |
| <b>The Reporting Process</b>  |  |   |      |      |
| 102-45                        | Entities included in the consolidated financial statements | 9-10  |      | -    |
| 102-46                        | Defining the report content and topic boundaries           | 20  |      | -    |
| 102-47                        | List of the material topics                                | 20  |      | -    |
| 102-48                        | Restatements of information                                | 76  |      | -    |
| 102-49                        | Changes in reporting                                       | 20  |      | -    |
| 102-50                        | Reporting period   | The data in the Report cover the period from January 1, 2021 to December 31, 2021.                                  |      | -    |
| 102-51                        | Date of the most recent previous report                    | This is the 13th ESG report published by Leumi Group; the report was published in March 2022.                       |      | -    |
| 102-52                        | Reporting cycle (annual or biennial)                       | The Leumi Group maintains reporting continuity, publishing an ESG Report annually.                                  |      | -    |
| 102-53                        | Contact point for questions regarding the report           | Corporate Social Responsibility Officer at Bank Leumi, Keren Tairi Keren.tairibaba@bankleumi.co.il                  |      | -    |
| 102-54                        | Claims of reporting in accordance with the GRI standards   | This report was written in accordance with the GRI reporting standards, under the "comprehensive" reporting option. |      | -    |
| 102-55                        | GRI content index  | 115   |      | -    |
| 102-56                        | External assurance   | 112-114   |      | -    |

**Economic Performance**  
**GRI 103: Management Approach 2016**

| Indicator serial no. | Indicator  | Page/details | UNGC | SDGs |
|----------------------|--|--------------|------|------|
| 103-1                | Explanation of the material topic and its Boundary | 25           | -    |      |
| 103-2                | The management approach and its components         | 25           | -    |      |
| 103-3                | Evaluation of the management approach              | 25           | -    |      |

**GRI 201: Economic Performance 2016**

| Indicator serial no. | Indicator   | Page/details  | UNGC | SDGs |
|----------------------|---|---|------|------|
| 201-1                | Direct economic value generated by the Bank                                     | 25  | 7    | 8, 9 |
| 201-2                | Financial implications and other risks and opportunities due to climate change  | 72-74   |      |      |
| 201-3                | The Bank's obligations in respect of retirement, compensation and pension plans | Leumi offers its employees a retirement course starting about a year before they reach retirement age. In addition, despite the fact that this is not mandatory, every employee resigning from the Bank is entitled to receive the severance pay accrued for him/her. | -    |      |
| 201-4                | Financial assistance received from government                                   | In 2021, the Group received no government support, except for the tax credit in respect of donations to the community.  | -    |      |

**Market Presence**  
**GRI 103: Management Approach 2016**

| Indicator serial no. | Indicator  | Page/details | UNGC | SDGs |
|----------------------|--|--------------|------|------|
| 103-1                | Explanation of the material topic and its Boundary | 60           | -    |      |
| 103-2                | The management approach and its components         | 60           | -    |      |
| 103-3                | Evaluation of the management approach              | 25           | -    |      |

**GRI 202: Market Presence 2016**

| Indicator serial no. | Indicator  | Page/details | UNGC | SDGs |
|----------------------|--|--------------|------|------|
| 202-1                | Ratios of standard entry level wage by gender compared to local minimum wage | 60           | 6    | 8    |
| 202-2                | Proportion of senior management hired from the local community               | 54           | 6    | 5, 8 |

**GRI 203: Indirect Economic Impacts 2016**

**GRI 103: Management Approach 2016**

| Indicator serial no. | Indicator  | Page/details | UNGC | SDGs |
|----------------------|--|--------------|------|------|
| 103-1                | Explanation of the material topic and its boundary | 25           | -    |      |
| 103-2                | The management approach and its components         | 25           | -    |      |
| 103-3                | Evaluation of the management approach              | 25           | -    |      |

**GRI 203: Indirect Economic Impacts 2016**

| Indicator serial no. | Indicator  | Page/details | UNGC | SDGs  |
|----------------------|--|--------------|------|-------|
| 203-1                | Infrastructure investment and services supported | 25           | -    | 5, 9  |
| 203-2                | Significant indirect economic impacts            | 25           | -    | 8, 10 |

**GRI 204: Procurement Practices 2016**

**GRI 103: Management Approach 2016**

| Indicator serial no. | Indicator  | Page/details | UNGC | SDGs |
|----------------------|--|--------------|------|------|
| 103-1                | Explanation of the material topic and its Boundary | 51           | -    |      |
| 103-2                | The management approach and its components         | 51           | -    |      |
| 103-3                | Evaluation of the management approach              | 51           |      |      |

**GRI 204: Procurement Practices 2016**

| Indicator serial no. | Indicator                                 | Page/details | UNGC | SDGs |
|----------------------|---|--------------|------|------|
| 204-1                | proportion of spending on local suppliers | 52           | -    | 5, 8 |

Anti-corruption

**GRI 103: Management Approach 2016**

| Indicator serial no. | Indicator  | Page/details | UNGC | SDGs |
|----------------------|--|--------------|------|------|
| 103-1                | Explanation of the material topic and its Boundary | 91           | -    |      |
| 103-2                | The management approach and its components         | 91           | -    |      |
| 103-3                | Evaluation of the management approach              | 91           |      |      |

**GRI 205: Anti-corruption 2016**

| Indicator serial no. | Indicator   | Page/details | UNGC | SDGs |
|----------------------|---|--------------|------|------|
| 205-1                | Operations assessed for risks related to corruption                   | 91           | 10   | 16   |
| 205-2                | Communication and training on anti-corruption policies and procedures | 91           | 10   | 16   |
| 205-3                | Confirmed incidents of corruption and actions taken                   | 91, 96       | 10   | 16   |

**Anti- Competitive Behavior**

**GRI 103: Management Approach 2016**

| Indicator serial no. | Indicator  | Page/details | UNGC | SDGs |
|----------------------|--|--------------|------|------|
| 103-1                | Explanation of the material topic and its Boundary | 91-92        | -    |      |
| 103-2                | The management approach and its components         | 91-92        | -    |      |
| 103-3                | Evaluation of the management approach              | 91-92        |      |      |

**GRI 206: Anti- Competitive Behavior 2016**

| Indicator serial no. | Indicator   | Page/details | UNGC | SDGs |
|----------------------|---|--------------|------|------|
| 206-1                | Legal actions for anti-competitive behavior, anti-trust, and monopoly practices | 96           | -    | 16   |

**Energy**

**GRI 103: Management Approach 2016**

| Indicator serial no. | Indicator  | Page/details | UNGC    | SDGs |
|----------------------|--|--------------|---------|------|
| 103-1                | Explanation of the material topic and its Boundary | 78-79        | 7, 8, 9 |      |
| 103-2                | The management approach and its components         | 78-79        | -       |      |
| 103-3                | Evaluation of the management approach              | 78-79        |         |      |

**GRI 302: Energy 2016**

| Indicator serial no. | Indicator  | Page/details | UNGC | SDGs |
|----------------------|--|--------------|------|------|
| 302-1                | Energy consumption within the organization                 | 80           | 7, 8 |      |
| 302-2                | Energy consumption outside of the organization             | Not measured | 8    |      |
| 302-3                | Energy intensity   | 81-82        | 8    |      |
| 302-4                | Reducing of energy consumption                             | 80           | 8, 9 |      |
| 302-5                | Reductions in energy requirements of products and services | 75           | 8, 9 |      |

**Emissions**

**GRI 103: Management Approach 2016**

| Indicator serial no. | Indicator  | Page/details | UNGC    | SDGs |
|----------------------|--|--------------|---------|------|
| 103-1                | Explanation of the material topic and its Boundary | 78, 82       | 7, 8, 9 |      |
| 103-2                | The management approach and its components         | 78, 82       | -       |      |
| 103-3                | Evaluation of the management approach              | 78, 82       |         |      |

**GRI 305: Emissions 2016**

| Indicator serial no. | Indicator                                     | Page/details | UNGC | SDGs |
|----------------------|---|--------------|------|------|
| 305-1                | Direct (Scope 1) GHG emissions                | 83           | 7, 8 |      |
| 305-2                | Energy indirect (Scope 2) GHG emissions       | 83           | 7, 8 |      |
| 305-3                | Other indirect (Scope 3) GHG emissions        | 83           | 7, 8 |      |
| 305-4                | GHG emissions intensity                       | 83           | 8    |      |
| 305-5                | Reduction of GHG emissions                    | 82-83        | 8, 9 |      |
| 305-6                | Emissions of ozone-depleting substances (ODS) | Negligible   | 7, 8 |      |
| 305-7                | NOx, SOx, and other significant air emissions | Negligible   | 7, 8 |      |

**Supplier Environmental Assessment**

**GRI 103: Management Approach 2016**

| Indicator serial no. | Indicator  | Page/details | UNGC | SDGs |
|----------------------|--|--------------|------|------|
| 103-1                | Explanation of the material topic and its Boundary | 86           | 8    |      |
| 103-2                | The management approach and its components         | 86           | -    |      |
| 103-3                | Evaluation of the management approach              | 86           | -    |      |

**GRI 308: Supplier Environmental Assessment 2016**

| Indicator serial no. | Indicator  | Page/details | UNGC | SDGs |
|----------------------|--|--------------|------|------|
| 308-1                | New suppliers that were screened using environmental criteria        | 86           | 8    |      |
| 308-2                | Negative environmental impacts in the supply chain and actions taken | 86           | 8    |      |

**Employment**

**GRI 103: Management Approach 2016**

| Indicator serial no. | Indicator  | Page/details | UNGC | SDGs |
|----------------------|--|--------------|------|------|
| 103-1                | Explanation of the material topic and its Boundary | 59           | -    |      |
| 103-2                | The management approach and its components         | 59           | -    |      |
| 103-3                | Evaluation of the management approach              | 59           |      |      |

**GRI 401: Employment 2016**

| Indicator serial no. | Indicator  | Page/details | UNGC | SDGs        |
|----------------------|--|--------------|------|-------------|
| 401-1                | New employee hires and employee turnover   | 62           | -    | 4, 5, 8, 10 |
| 401-2                | Benefits provided to full-time employees that are not provided to temporary or part-time employees | 66           | -    | 5, 8        |
| 401-3                | Parental leave   | 66           |      | 5, 8        |

**Labor - Management Relations**

**GRI 103: Management Approach 2016**

| Indicator serial no. | Indicator  | Page/details | UNGC | SDGs |
|----------------------|--|--------------|------|------|
| 103-1                | Explanation of the material topic and its Boundary | 59           | -    |      |
| 103-2                | The management approach and its components         | 59           | -    |      |
| 103-3                | Evaluation of the management approach              | 59           |      |      |

**GRI 402: Labor - Management Relations 2016**

| Indicator serial no. | Indicator  | Page/details | UNGC | SDGs |
|----------------------|--|--------------|------|------|
| 402-1                | Minimum notice periods regarding operational changes | 59           | -    |      |

**Occupational Health and Safety**

**GRI 103: Management Approach 2016**

| Indicator serial no. | Indicator  | Page/details | UNGC | SDGs |
|----------------------|--|--------------|------|------|
| 103-1                | Explanation of the material topic and its Boundary | 68           | -    |      |
| 103-2                | The management approach and its components         | 68           | -    |      |
| 103-3                | Evaluation of the management approach              | 68           |      |      |

**GRI 403: Occupational Health and Safety 2018**

| Indicator serial no. | Indicator   | Page/details | UNGC | SDGs |
|----------------------|---|--------------|------|------|
| 403-1                | Occupational health and safety management system  | 68           | -    |      |
| 403-2                | Hazard identification, risk assessment, and incident investigation                      | 68           | -    |      |
| 403-3                | Occupational health services  | 66           |      |      |
| 403-4                | Worker participation, consultation, and communication on occupational health and safety | 66, 68       |      |      |

**Training and Education**

**GRI 103: Management Approach 2016**

| Indicator serial no. | Indicator  | Page/details | UNGC | SDGs |
|----------------------|--|--------------|------|------|
| 103-1                | Explanation of the material topic and its Boundary | 65           |      |      |
| 103-2                | The management approach and its components         | 65           | -    |      |
| 103-3                | Evaluation of the management approach              | 65           |      |      |

**GRI 404: Training and Education 2016**

| Indicator serial no. | Indicator  | Page/details | UNGC | SDGs  |
|----------------------|--|--------------|------|-------|
| 404-1                | Average hours of training per year per employee                                      | 65           | 6    | 4, 5  |
| 404-2                | Programs for upgrading employee skills and transition assistance programs            | 64-65        | -    | 4, 8  |
| 404-3                | Percentage of employees receiving regular performance and career development reviews | 61           | 6    | 5, 10 |

Diversity and Equal Opportunity

GRI 103: Management Approach 2016

| Indicator serial no. | Indicator  | Page/details | UNGC | SDGs |
|----------------------|--|--------------|------|------|
| 103-1                | Explanation of the material topic and its Boundary | 54           | 6    |      |
| 103-2                | The management approach and its components         | 54           | -    |      |
| 103-3                | Evaluation of the management approach              | 54           |      |      |

GRI 405: Diversity and Equal Opportunity 2016

| Indicator serial no. | Indicator  | Page/details | UNGC | SDGs     |
|----------------------|--|--------------|------|----------|
| 405-1                | Diversity of governance bodies and employees           | 55, 56, 58   | 6    | 5        |
| 405-2                | Ratio of basic salary and remuneration of women to men | 57           | 6    | 5, 8, 10 |

Non- discrimination

GRI 103: Management Approach 2016

| Indicator serial no. | Indicator  | Page/details | UNGC | SDGs |
|----------------------|--|--------------|------|------|
| 103-1                | Explanation of the material topic and its Boundary | 58, 59       | 6    |      |
| 103-2                | The management approach and its components         | 58, 59       | -    |      |
| 103-3                | Evaluation of the management approach              | 58, 59       |      |      |

GRI 406: Non- discrimination 2016

| Indicator serial no. | Indicator  | Page/details | UNGC | SDGs     |
|----------------------|--|--------------|------|----------|
| 406-1                | Incidents of discrimination and corrective actions taken | 96, 97       | 6    | 5, 8, 16 |

Human Rights Assessment

GRI 103: Management Approach 2016

| Indicator serial no. | Indicator  | Page/details | UNGC | SDGs |
|----------------------|--|--------------|------|------|
| 103-1                | Explanation of the material topic and its Boundary | 26           | 1, 2 |      |
| 103-2                | The management approach and its components         | 26           | -    |      |
| 103-3                | Evaluation of the management approach              | 26           |      |      |

GRI 412: Human Rights Assessment 2016

| Indicator serial no. | Indicator  | Page/details | UNGC | SDGs |
|----------------------|--|--------------|------|------|
| 412-1                | Operations that have been subject to human rights reviews or impact assessments  | 91           | -    | 16   |
| 412-2                | Employee training on human rights policies or procedures   | 91           | 1, 2 | 16   |
| 412-3                | Significant investment agreements and contracts that include human rights clauses or that underwent human rights screening | 91           | 1, 2 |      |

| Indicator serial no. | Indicator  | Page/details | UNGC | SDGs |
|----------------------|--|--------------|------|------|
| 103-1                | Explanation of the material topic and its Boundary | 46           | 1    |      |
| 103-2                | The management approach and its components         | 46           | -    |      |
| 103-3                | Evaluation of the management approach              | 46           |      |      |

GRI 413: Local Communities 2016

| Indicator serial no. | Indicator  | Page/details | UNGC | SDGs |
|----------------------|--|--------------|------|------|
| 413-1                | Operations with implemented local community engagement, impact assessments, and development programs | 48, 49       | 1    | 4    |
| 413-2                | Operations with significant actual and potential negative impacts on local communities               | 96           | 1    |      |
| FS13                 | access points in low-populated or economically disadvantaged areas by type                           | 31           |      | 8    |
| FS14                 | Initiatives to improve access to financial services for disadvantaged people                         | 31           |      | 4    |

Supplier Social Assessment

GRI 103: Management Approach 2016

| Indicator serial no. | Indicator  | Page/details | UNGC | SDGs |
|----------------------|--|--------------|------|------|
| 103-1                | Explanation of the material topic and its Boundary | 51           | -    |      |
| 103-2                | The management approach and its components         | 51           | -    |      |
| 103-3                | Evaluation of the management approach              | 51           |      |      |

GRI 414: Supplier Social Assessment 2016

| Indicator serial no. | Indicator   | Page/details | UNGC | SDGs |
|----------------------|---|--------------|------|------|
| 414-1                | New suppliers that were screened using social criteria        | 52           | -    | 5, 8 |
| 414-2                | Negative social impacts in the supply chain and actions taken | 51, 96       | -    | 5, 8 |

**Public Policy**

**GRI 103: Management Approach 2016**

| Indicator serial no. | Indicator  | Page/details | UNGC | SDGs |
|----------------------|--|--------------|------|------|
| 103-1                | Explanation of the material topic and its Boundary | 92           | -    |      |
| 103-2                | The management approach and its components         | 92           | -    |      |
| 103-3                | Evaluation of the management approach              | 92           |      |      |

**GRI 415: Public Policy 2016**

| Indicator serial no. | Indicator               | Page/details   | UNGC | SDGs |
|----------------------|-------------------------|--|------|------|
| 415-1                | Political contributions | The Group does not grant donations earmarked for political parties, or for promoting political aims. | -    | 16   |

**Marketing and Labeling**

**GRI 103: Management Approach 2016**

| Indicator serial no. | Indicator  | Page/details | UNGC | SDGs |
|----------------------|--|--------------|------|------|
| 103-1                | Explanation of the material topic and its Boundary | 90           | -    |      |
| 103-2                | The management approach and its components         | 90           | -    |      |
| 103-3                | Evaluation of the management approach              | 90           |      |      |

**GRI 417: Marketing and Labeling 2016**

| Indicator serial no. | Indicator   | Page/details | UNGC | SDGs |
|----------------------|---|--------------|------|------|
| 417-1                | Requirements for product and service information and labeling                       | 90           | -    |      |
| 417-2                | Incidents of non-compliance concerning product and service information and labeling | 96           | -    | 16   |
| 417-3                | Incidents of non-compliance concerning marketing communications                     | 96           |      |      |

**Customer Privacy**

**GRI 103: Management Approach 2016**

| Indicator serial no. | Indicator  | Page/details | UNGC | SDGs |
|----------------------|--|--------------|------|------|
| 103-1                | Explanation of the material topic and its Boundary | 94           | -    |      |
| 103-2                | The management approach and its components         | 94           | -    | 10   |
| 103-3                | Evaluation of the management approach              | 95           |      |      |

**GRI 418: Customer Privacy 2016**

| Indicator serial no. | Indicator  | Page/details | UNGC | SDGs |
|----------------------|--|--------------|------|------|
| 418-1                | Substantiated complaints concerning breaches of customer privacy and losses of customer data | 97           | -    | 16   |

**Socioeconomic Compliance**

**GRI 103: Management Approach 2016**

| Indicator serial no. | Indicator  | Page/details | UNGC | SDGs |
|----------------------|--|--------------|------|------|
| 103-1                | Explanation of the material topic and its Boundary | 90, 91       | -    |      |
| 103-2                | The management approach and its components         | 91           | -    |      |
| 103-3                | Evaluation of the management approach              | 91, 95-97    |      |      |

**GRI 419: Socioeconomic Compliance 2016**

| Indicator serial no. | Indicator  | Page/details | UNGC | SDGs |
|----------------------|--|--------------|------|------|
| 419-1                | Non-compliance with laws and regulations in the social and economic area | 96           | -    | 16   |

**Product profile (Sector supplement)**

**GRI 103: Management Approach 2016**

| Indicator serial no. | Indicator  | Page/details | UNGC | SDGs |
|----------------------|--|--------------|------|------|
| 103-1                | Explanation of the material topic and its Boundary | 24, 75       | 8    |      |
| 103-2                | The management approach and its components         | 24, 75       | -    |      |
| 103-3                | Evaluation of the management approach              | 24, 75       |      |      |

**Product profile (Sector supplement) 2016**

| Indicator serial no. | Indicator  | Page/details | UNGC | SDGs |
|----------------------|--|--------------|------|------|
| FS6                  | The value of the organization's product and service portfolio  | 8, 25        | -    |      |
| FS7                  | The value of products designed to promote social objectives or that includes social considerations         | 24           | -    |      |
| FS8                  | The value of products designed to promote environmental goals or that include environmental considerations | 75, 76       |      |      |

**Audit (Sector supplement)**  
**GRI 103: Management Approach 2016**

| Indicator serial no. | Indicator  | Page/details | UNGC | SDGs |
|----------------------|--|--------------|------|------|
| 103-1                | Explanation of the material topic and its Boundary | 16           | 8    |      |
| 103-2                | The management approach and its components         | 16           | -    |      |
| 103-3                | Evaluation of the management approach              | 16           |      |      |

**Audit (Sector supplement) 2016**

| Indicator serial no. | Indicator  | Page/details | UNGC | SDGs |
|----------------------|--|--------------|------|------|
| G4-DMA               | Audit and implementation of environmental, social policy and risk assessment processes | 108          | -    |      |

**Topics identified as material to GRI reporting**

| Topics identified as material to GRI reporting |  |   |   |
|--|--|---|---|
| 1  | Business ethics and anti-corruption                  | Anti-corruption   | 205: Anti-corruption  |
|  |  | Public policy   | 415: Public Policy  |
|  |  | Anti-competitive behavior   | 206: Anti-competitive Behavior  |
| 2  | Fair terms of employment                             | Working environment and terms of employment                         | 401: Employment   |
|  |  | Management-employee relations                                       | 402: Labor/Management Relations   |
|  |  | Freedom of association  | 407: Freedom of Association and Collective Bargaining   |
| 3  | Customer privacy and information security            | Customer privacy  | 418: Customer Privacy   |
| 4  | Making services accessible to underprivileged groups | Accessibility for underprivileged groups - industry-specific aspect | FS13: Access points in low-populated or economically disadvantaged areas by type<br>FS14: Initiatives to improve access to financial services for disadvantaged people  |
|  |  |   |   |
| 5  | Employee development and retention                   | Occupational health and safety                                      | 403: Occupational Health and Safety   |
|  |  | Training and organizational development                             | 404: Training and Education   |
| 6  | Fairness towards customers                           | Non-discrimination of customers                                     | 406: Non-discrimination   |
|  |  | Product and service labeling  | 417: Marketing and Labeling   |
| 7  | Responsible investments                              | Bank product profile - sector-specific aspect                       | FS6: Percentage of the portfolio for business lines by specific region, size) e.g. micro/small/ large (and by sector)<br>FS7: Monetary value of products and services designed to deliver a specific social benefit for each business line broken by purpose<br>FS8: Monetary value of products and services designed to deliver a specific environmental benefit for each business line broken down by purpose |
|  |  |   |   |
|  |  | Inclusion of human rights clauses in investment contracts           | 412: Human Rights Assessment  |
| 8  | Diversity and equality in employment                 | Non-discrimination of employees                                     | 406: Non-discrimination   |
|  |  | Diversity and equal opportunity                                     | 405: Diversity and Equal Opportunity  |
| 9  | Community involvement                                | Local community   | 413: Local Communities  |

| Topics identified as material to GRI reporting |  |   |  |
|--|--|---|--|
| 10   | Commitment to protecting the environment | Consumption of materials (including fuel)     | 301: Materials                         |
|  |  | Water consumption                             | 303: Water                             |
|  |  | Emissions                                     | 305: Emissions                         |
|  |  | Effluents and Waste                           | 306: Effluents and Waste               |
| 11   | Environmental risk management            | Economic performance                          | 201: Economic Performance              |
| 12   | Making financial knowledge available     | N/A   | N/A                                    |
| 13   | Supply chain                             | Local procurement practices                   | 204: Procurement Practices             |
|  |  | Assessment of suppliers' environmental impact | 308: Supplier Environmental Assessment |
|  |  | Assessment of suppliers' social impact        | 414: Supplier Social Assessment        |



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