



Leumi. Social. Sustainable.

Corporate Social Responsibility Report
The Leumi Group – 2019



Leumi.
Social.
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Cover photo: Saar Buchbinder (see next page)

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Cover photo: **Saar Buchbinder**

A 25-year-old visual artist with autism, for whom painting, photography and music serve as tools of expression, allowing us a glimpse into his inner world. In his paintings, the paint on the canvas take the place of words and the lines are paths through which Saar expresses his unique point of view and the way he sees the world.

The work appears in the *Emerging from the Bubble* exhibition, which is dedicated to works of young men and women with autism.

The exhibition was presented and bought as part of Autism Awareness Week and is on permanent display at the Leumi Headquarters. Please see p. 61

Investors Performance Dashboard

2019^{LA}

Involvement in Corporate Social Responsibility Initiatives and Ratings

- Maala Rating: Platinum Plus
- Ministry of Environmental Protection – Voluntary National Greenhouse Gas Registry
- The UN Global Compact
- CDP
- UN Sustainable Development Goals
- Equileap
- Global Reporting Initiative (GRI)
- FTSE4Good
- MSCI
- Bloomberg ESG

Economy

- NIS 3.4 billion was invested through credit to advance social causes
 - NIS 1.08 billion was invested through credit to advance environmental causes
 - 92% of Leumi's procurement is local
 - NIS 18 million of total procurement amount is "green"
 - NIS 6 million of total procurement amount is from companies that promote the hiring of people from underemployed populations
 - NIS 0.5 million was invested in products and services from NGOs and social businesses
-

LA When a paragraph is marked "LA", the latter refers to the information included in the relevant sentence. For more information regarding the extent, scope, assumptions and estimates made by the Bank regarding the specific data included in the process, please see the relevant sections in the company's reports.

Society	<ul style="list-style-type: none"> • Leumi was ranked 7th among the “100 Best Companies to Work For in Israel” by BDI and TheMarker, and first among financial sector companies • 12% of total employees hired by the Leumi Group are from under-employed populations • Gender equality at Bank Leumi: women constitute approx. 61% of all employees, 55% of senior management and 49% of branch managers • 41% of the 10% highest-paid employees at Leumi are women • 97% of Leumi’s employees are included in collective bargaining agreements • 97% of the Group’s employees participated in employee performance and feedback processes • NIS 48 million was invested in the community, approx. 0.9% of our net income • The vast majority of Leumi’s branches are physically accessible for people with disabilities • From 2015 until the Report’s publication date, Leumi added 26 of its mid-sized suppliers to the Maala ranking, for which we even received an award of appreciation from Maala
Environment	<ul style="list-style-type: none"> • Energy consumption was down 4.55% year-on-year thanks to “green” initiatives we have adopted • The Group’s carbon footprint was down 5% year-on-year • 92% of the power consumed by Leumi is from private power producers • Leumi’s construction and maintenance suppliers have declared their compliance with environmental criteria • 100% of the paper and electronic waste is recycled
Corporate Governance	<ul style="list-style-type: none"> • 44% of Leumi’s Board members are women • Once a year, the Board of Directors discusses the corporate social responsibility (CSR) report, the Bank’s CSR objectives and their implementation vs. planning • 94.5% percent of Leumi’s employees participated in training on prevention of bribery and corruption

Involvement in Initiatives and Ratings

Leumi and its subsidiaries have adopted leading standards in the area of sustainability and corporate social responsibility and are rated by several rating entities in Israel and abroad:



Table of Contents

A Message from the Chairman of the Board and from the President & CEO.....	8	Human Capital.....	67
Organizational Profile	10	Prevention of Discrimination and Promotion of Equality	72
Leumi’s Corporate Social Responsibility Strategy.....	13	Human Capital Development	74
Fair Business Conduct.....	17	Leumi. Social. Sustainable in Times of Crisis Too Human Capital	80
Business Ethics	19	Environmental, Social and Corporate Governance Performance	83
Prevention of Bribery and Corruption	20	Environmental Aspects	84
Risk Management.....	21	Corporate Governance	90
Handling of Inquiries from the Public and Employees.....	22	ESG (Environment, Social, Governance) Performance....	101
Innovation and Digital.....	25	External Assurance and Index GRI UNGC SDGs	111
Creating Value for Customers through Digital Tools.....	27	External Assurance.....	112
Empowering the Israeli High-Tech Industry	29	GRI Content Index.....	115
Preserving Customers’ Privacy and Information Security	30	Compliance with GRI Standards	126
Promoting Digital Literacy.....	31	Leumi and the UN Initiatives.....	129
Contributing to the Economy and Society in Israel.....	33		
Creating Environmental and Social Value.....	34		
Contributing to Growth of Private Customers and the General Public.....	37		
Leumi’s Schools	40		
Contributing to the Growth of the Business Sector.....	43		
Leumi. Social. Sustainable in Times of Crisis Too	47		
Contributing to the Growth of the Elderly.....	51		
Responsible Procurement	53		
Investment in the Community.....	55		

A Message from the Chairman of the Board and from the President & CEO

The present report outlines Leumi's Corporate Social Responsibility activity in 2019. During the preparation of the Report, the coronavirus pandemic broke out, leading to an economic and health crisis – both nationally, in Israel, and globally – and altering the reality in which we live beyond recognition.

As one of Israel's largest banking groups, the Leumi Group is measured in these difficult times by its responsibility and willingness to support its customers, and by its willingness to contribute to the national effort to stabilize the economy and put it back on the path of renewed growth. For this reason, we have advanced the former strategy that connects our core business with social activity and service improvement and adapted it to the current situation. In recent months, the Bank strove to apply the strategy simultaneously across several fronts, including actions to improve our internal and external preparedness, as well as provide a quick and comprehensive solution to the needs of the Bank's customers, partners and all other stakeholders.

We were thus the first among Israeli banks to declare deferment of mortgage payments for private customers, freeze loan repayments for private individuals and small businesses and provide support for coping with a challenging reality characterized by uncertainty. Beginning from the outbreak of the crisis until the publication date of the Q2/2020 financial statements, we extended NIS 4.8 billion in credit to small and mid-sized businesses through the state-guaranteed loan fund (also known as the "Coronavirus Fund"). We also initiated a service to provide the elderly population with cash and significantly improved the digital tools in order to provide remote solutions to our customers.

Internally, over the past few months, we have taken care to provide our employees and executives with the best conditions to enable them to maintain a balanced and safe work and life routine, as far as possible. These included maintaining regular contact with them, such as through ongoing updates on decisions and guidelines; providing managers with tools to assist them in coping with the unprecedented challenges; and performing extensive work to convert all of the Bank's units to remote work, including all the necessary adjustments.

The Bank's corporate social responsibility activity against in the context of the coronavirus crisis, further expresses our **commitment to empowering Israel's society and economy** and constitutes a direct continuation of Leumi's ongoing, enduring activity as an organization operating in the community and for the community. Following are several key actions we took in 2019, which were also pursued in 2020, despite the coronavirus crisis.

In terms of **economic empowerment** of various segments of society, we enhanced the activity of Leumi Schools, which were established to provide the public with a range of smart financial management tools; granted more credit to small businesses out of the understanding of the importance of investing in small businesses to the Israeli economy; and increased the amount of social credit that is used to promote social issues and support affordable housing in Israel.

In 2019, we set the objective of creating an improved service platform for the **elderly**, and to this end, the "age-friendly banking" project was established, in which services are adapted to the elderly and their primary caregivers. Furthermore, the Bank strives to promote digital orientation among the elderly, as well as to promote innovation that meets the needs of this population segment.

In 2019, total **investment in community** outreach programs amounted to approx. NIS 48 million, which was invested in promoting children and youth education, and in supporting the elderly, the community, as well as social, health and cultural issues. At the same time, we continued to pursue the Bank's unique SWITCH program, designed to empower the community by having the Bank's senior executives volunteer in NGOs, with the Bank's full funding. Among the NGOs taking part in the project are ELEM, FIDF, MA'ASE Center, and TOZERET HA'ARETZ.

In the area of **Innovation and Digital**, we continued to lead digital banking in Israel by implementing an innovation strategy across all of the Group's lines of business. We launched a wide range of breakthrough products and services, intended to provide our customers with more accessible and cost-effective banking services, such as Digital Mortgage and the Leumi Me app. In addition, we extended our existing activity on advanced digital platforms, such as through **VIDEA** - which allows customers of all banks to manage an online investment portfolio in a smart and user-friendly manner, and **PEPPER** - Leumi's online-only digital account.

The Bank's **human capital** is key to our success and therefore one of the most important measures we took internally was to continue developing Leumi's **SHIFT** - The School for the Future's Professions. Founded in 2018, the project was set up with the objective of providing employees with tools to cope with the challenges of the new world and future banking. In the past year, SHIFT's first class - which comprised 80 outstanding employees - had graduated after undergoing rigorous screening, the group underwent training in various professions, which are expected to be in demand in the future, and many of the graduates have already been placed in new positions at the Bank.

In addition, Leumi continues to take care of the well-being and personal and professional empowerment of employees and managers which it considers its full partners. The relations between the Bank's management and employees are characterized by transparency, fairness and dialoguing, as reflected in the working conditions, wages and benefits regulated under the collective bargaining agreements in the organization; in providing equal opportunity and adhering to non-discriminatory hiring practices, including hiring workers of diverse ethnic origins and religious affiliation, workers with disabilities or from underemployed population groups; as well as constant cultivation of a learning culture among the employees, which involves investing considerable resources in vocational training and personal enrichment.

Taking a **sustainable** approach, Bank Leumi prioritizes loans to businesses and private customers investing in solar energy projects, in order to promote the use of renewable energy. The Bank has also set the objective of procuring equipment and gifts from domestic suppliers with a social-environmental orientation. In 2019, Bank Leumi supports initiatives for sustainability, environmental protection, human rights, and the fight against corruption by implementing some of the most rigid and advanced standards around the world.

These measures are a mere taste of our diverse activities for Israeli society and the community. We invite you to read all about them and much more in the Report, which has been narrowed down and re-edited to enable better focus and easier reading. We undertake to continue to operate in the spirit of the Report for the good of all the stakeholders of the Leumi Group, the community, and the environment.

Sincerely yours,



Dr. Samer Haj Yehia
Chairman of the Board



Mr. Hanan Friedman
President and CEO

Organizational Profile

Description of the Leumi Group's Business¹

Bank Leumi and its subsidiaries are one of Israel's largest banking groups, managing an operation which was founded 118 years ago. The Bank's predecessor, the Anglo Palestine Company, was established in London in 1902 as a subsidiary of Otsar Hityashvuth HaYehudim Jewish Colonial Trust Limited, the predecessor of Otsar Hityashvuth HaYehudim B.M.²

The Bank is defined as a banking corporation under the Banking (Licensing) Law, 1981, and holds a banking license pursuant to said law. As a "bank" and "banking corporation", Bank Leumi is regulated and governed by a system of laws, ordinances and regulations, including, inter alia, 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's directives, rules, guidance and position papers.

As a leading banking group in Israel, and in order to achieve adequate profitability over time, Leumi constantly examines the trends and changes in the business environment in which it operates and develops strategies that address these changes.



For the Leumi Group's performance during 2019, please see the 2019 Annual Financial Statements.

To implement this strategy, the Bank is organized into three main business lines, each focusing on a different market segment, with each business line specializing in providing banking and financial services to a specific customer segment, in addition the subsidiaries operating both in Israel and abroad:

1. Retail banking – focuses on providing banking services, primarily to households (including mortgages), high net worth customers (Private Banking) and small businesses. The structure of the retail banking line of business enables tailoring services to the customers' needs, by providing an integrative multi-channel customer experience, through the Bank's branches and direct channels (such as mobile and e-banking, telephone (Leumi Call), information kiosks and ATMs). Leumi also operates PEPPER, a digital account that is an integral part of Leumi and offering a unique digital banking experience.

2. Corporate Banking – focuses on providing services to Israeli and international corporations with varying scopes of activities from a wide range of sectors. The Corporate Banking business line aims to provide comprehensive financial and banking services to its various customers, while promoting the involvement of Leumi Group's units in Israel and abroad as a means to expand its product and service offerings.

1. GRI 102-45

2. Otsar Hityashvuth HaYehudim Ltd. was the Bank's controlling shareholder prior to the equalization of voting rights in 1991. In 1993, the State became the owner of most of the Bank's shares pursuant to the Bank Shares Arrangement Law (Temporary Order), 1993. On September 3, 2007 the Company ceased to be an interested party in the Bank.

3. Capital Market and Financial Management manages the Bank's nostro (own) portfolio and operates the Bank's trading rooms, providing services to customers involved in capital and financial markets activities, including institutional entities. Non-financial investments are mainly carried out through Leumi Partners.

In addition to the activities of its business lines, the Leumi Group has additional operations both in Israel and abroad:

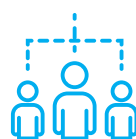
Activity of Israeli subsidiaries in 2019 mainly included non-financial investments, underwriting, and investment banking activities carried out by Leumi Partners. Pursuant to the Law on Minimizing Market Centralization and Promoting Economic Competition (also known as the "Strum Law"), Leumi has sold its holdings in Leumi Card.³

Activity of foreign subsidiaries is carried out by subsidiaries Leumi USA and Leumi UK, which mainly engage in extending loans to corporate and commercial customers and to small businesses. During the reporting period, activities were also carried out through Leumi Romania, the sale of which was completed on July 20, 2019. The Bank also has a representative office in China.

The Leumi Group operates in an increasingly competitive market in all of its operating segments. Its main competitors are other Israeli banks. However, certain operating segments are becoming more and more crowded, and the Bank's competitors include foreign banks, non-banking entities, other institutional entities and technology-based solutions (Fintech).

Bank Leumi does not sell banned or prohibited products

In 2019, the Group received no government assistance, except for the tax credit in respect of donations to the community.



For more information on the Bank's structure, the activities of its subsidiaries in 2019 and its investee companies, branches, agencies and representative offices of the Leumi Group worldwide, please see the Bank's 2019 Financial Statements.

Main Changes in the Reporting Period

Bank Leumi Romania: On July 10 2019, Bank Leumi completed the sale of its entire interests in Bank Leumi Romania (BLROM) to First Bank (a Romanian bank owned by US investment fund JC Flowers & Co.).

Ownership Structure⁴

Bank Leumi le-Israel B.M. is a limited-liability public company whose shares are listed for trading on the Tel Aviv Stock Exchange. As of March 24, 2012, Leumi is defined by law as a banking corporation without a controlling core, and no shareholder meets the definition of a controlling shareholder of the Bank.

3. For more information on Leumi Card's sale agreement, please see the 2019 Financial Report.

4. GRI 102-45



Membership in Organizations and Associations

In July 2020, Bank Leumi withdrew from The Association of Banks In Israel and is not represented by a lobbying firm or public relations firm. These measures are based on a policy meant to promote a more direct and transparent dialogue with all of the Bank's stakeholders, including regulators, the legislature, and customers, as part of the Bank's efforts to boost the public's trust and maximize value for all stakeholders.

Involvement in Politics

Bank Leumi is a business and as such, has no political affiliation or involvement. In accordance with the Bank's credit procedures, credit may not be extended to political parties, factions or candidate rosters, nor do such entities receive account management benefits.

Corporate Social Responsibility Strategy

As part of refocusing the Report, policy papers on CSR topics which have been approved by management and the Board of Directors, are referenced in the Report. These documents are available on the Bank's website and should be read in conjunction with the report.

The Leumi Group's corporate social responsibility is based on a comprehensive policy, led by Leumi's Board of Directors, which discusses the Group's performance and objectives on a yearly basis. The Head of the Human Resources Division is responsible for this domain. At Leumi, corporate social responsibility is managed by the Corporate Social Responsibility and Employee Volunteering Department, by the Corporate Social Responsibility Manager, who is responsible for coordinating all of the relevant functions, and fully cooperates with the managers of the various units and corporate social responsibility contact persons at the subsidiaries and Leumi offices worldwide.

As part of their work, and wherever relevant, the Group's managers and employees responsible for corporate social responsibility participate, on a regular basis, in professional conferences and training on CSR.

In 2019, two lectures were held on corporate social responsibility as part of orientation days for newly hired employees at Leumi. In addition, lectures were given on the environment, community outreach, and responsible credit granting and investment as part of Corporate Social Responsibility conference with approx. 100 stakeholders of the Bank. Also, a seminar dedicated to responsible investment was held, attended by representatives from all the relevant units of the Bank.



For more information on the Bank's CSR statements, please see Leumi's website.

Reporting Reliability Assurance

The Leumi Group carries out external and internal assurance of the corporate social responsibility reports it publishes, in order to ensure their reliability and improve the information and data collection process necessary to preserve and strengthen the transparency of its operations.

As part of these assurance processes, the report underwent four assurances:

- **Internal assurance:** The report undergoes validation by the department and division heads, all the way up to the Bank's management and Board of Directors.
- **Process assurance:** To ensure proper implementation of GRI standards, process assurance was conducted by a team of consultants from the Corporate Social Responsibility and Sustainability Group at accounting firm BDO. The assurance process included full support of the entire program to implement corporate social responsibility at the Bank, including work on the Report.
- **Assurance regarding identification of material topics:** The Global Reporting Initiative (GRI) reviewed the Report and examined how the materiality disclosures were incorporated into the report (GRI Materiality Disclosures Service).⁵
- **External assurance** was carried out by accountancy firm Somekh Chaikin KPMG. The topics which underwent reliability assurance are marked "LA".⁶

5. For more information on the assurance conducted by the GRI, please see p. 115.

6. For more information regarding the external assurance carried out by accountancy firm Somekh Chaikin KPMG, please see p. 112.

About the Report

This is the 11th corporate social responsibility report published by the Leumi Group which was written pursuant to the Global Reporting Initiative (GRI) standards under the Comprehensive reporting option.⁷ The Report also includes reporting in accordance with the principles of the UN Global Compact (UNGC) Initiative.⁸

The corporate social responsibility strategy focusing process for the Bank's business operations includes adapting the structure of the Report to Bank Leumi's business strategy and to the spirit of its operations. The Leumi Group maintains reporting continuity, publishing a Corporate Social Responsibility Report annually.⁹

Content of the Report

This Report covers the Leumi Group's activity in 2019, in the following areas: the economy, society, the environment and corporate governance. Except where noted otherwise, the Report refers to the Leumi Group's activity in Israel and overseas.¹⁰

The current report also includes reference to the Bank's handling of the coronavirus crisis and its social effects.

The environmental data in the Environmental and Social Performance and Corporate Governance chapter refers to the environmental performance of Bank Leumi alone, which employed about 91 percent of all the Group's employees in 2019 and accounts for more than 91 percent of its profits.¹¹

Following the enactment of the Strum Law, the Bank sold its entire stake in Leumi Card in July 2018. The transaction was completed in February 2019, from which date the Bank has no interests in Leumi Card. In light of the aforesaid, the data shown for 2019 do not include Leumi Card. However, to maintain the completeness of the reporting, data for previous years includes Leumi Card.

7. The Report includes the reporting sections in the appendix required for financial sector entities.

8. GRI 102-45; GRI 102-46; GRI 102-48; GRI 102-49

9. The 2019 Corporate Social Responsibility Report is not part of the Leumi Group's financial statements, immediate reports or periodic reports. In case of any discrepancy between that stated in the Report and the abovementioned reports, the version in the financial statements shall prevail.

10. The data in the Report refer to the period spanning from January 1, 2019 to December 31, 2019.

11. By contribution to the Group's net income

Glossary of 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” to describe the activities of Bank Leumi le-Israel B.M. alone. We use the names of subsidiaries and foreign offices when describing the activities taking place in these companies only.

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Acknowledgements

We would like to thank all the parties in Leumi and its subsidiaries involved in the management and advancement of corporate social responsibility, who assisted in collecting data and preparing materials for the Report.

The Report was published in October 2020.

Identifying Material Topics for Reporting¹²

Under the GRI standards, pursuant to which the Leumi Group reports, the Group seeks to identify economic, environmental, and social issues that are material to its business and stakeholders in order to improve its impact and performance in these domains. The topics – which are reassessed from time to time in cooperation with the stakeholders – are the focus of Leumi’s work and form the basis for the Bank’s corporate social responsibility work plan. The topics are also used to define the scope of reporting required in this Report.

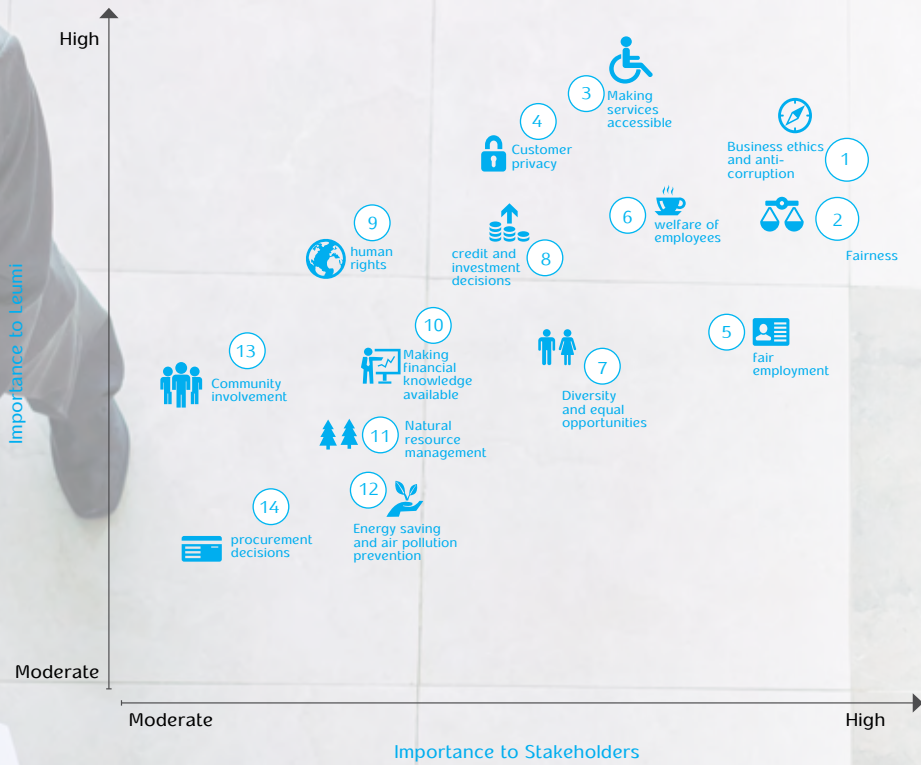
In 2018, the Bank developed 14 material topics in a comprehensive and detailed dialogue process with its stakeholders. Leumi is committed to promoting these topics as part of its day-to-day activities and in accordance with the set objectives.



For more information about the process of identifying the Bank’s material topics, please see the 2018 Corporate Social Responsibility Report, p. 20.

12. GRI 102-40; GRI 102-42; GRI 102-43; GRI 102-44; GRI 102-46; GRI 102- 47

The Materiality Matrix and Reporting Topics



Current location	List of topics
1	Business ethics and anti-corruption
2	Fairness towards customers
3	Making services accessible for disadvantaged populations
4	Customer privacy and information security
5	Maintaining fair employment conditions for employees
6	Health, training and welfare of employees
7	Diversity and equal opportunities in employment
8	Integrating environmental and social considerations in credit and investment decisions
9	Protection of human rights within the framework of the organization's activities
10	Making financial knowledge available
11	Natural resource management
12	Energy saving and air pollution prevention
13	Community involvement
14	Integrating environmental and social considerations in procurement decisions



Fair Business Conduct



The Leumi Group seeks to champion entrepreneurial, innovative and responsible banking for all its customers. From this she devised the Group's Code of Ethics, which serves as its compass and expresses the Group's worldview. Publicly available on Leumi's website, the Code of Ethics outlines the Group's business and professional conduct with its customers and various stakeholders.

The Code of Ethics is reviewed and revised every two years in order to ensure its relevance to the Bank's ongoing activities. In 2020, Leumi launched a revised Code of Ethics: "the Leumi Way- Our Code of Ethics and Conduct". The Code is a direct continuation of "The Leumi Way: Vision, Core Values and Ethics" launched 6 years ago.

The process of formation the revised Code, which began in 2019, was carried out jointly by the following functions: Human Resources, Legal Counsel, Internal Audit, Risk Management, Data and the business lines, and included - in the steering committee - representatives of all the Bank's divisions in order to uncover and solve an array of cross-organizational and division-specific issues.

Formulated prior to the coronavirus crisis, the revised Code was designed to create a more up-to-date and detailed "anchor", which would make it possible to reduce the margin of error and deliberation time, and to form part of Leumi's toolbox. The coronavirus crisis and the transition to the new work routine further emphasized the need for such an "anchor".

Our Code of Ethics and Conduct is a collection of practical, clear and concise rules of conduct addressing all of our spheres of reference, both internally and externally: customers, employees, suppliers, investors, the public, society, and the community.

It is based on Leumi's values and vision - as well as on laws, regulatory provisions, and internal procedures, and is in digital format that enables simple searching, provides links for more information, and allows for ongoing updates.

"The Leumi Way - Our Code of Ethics and Conduct" is the basis for Leumi's unrelenting commitment to creating a worthy and value-based organizational culture for all of us.



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



Business Ethics

Leumi's worldview and the norms to which the Group is committed grew and developed out of recognition of the Group's 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 with all its stakeholders.

The field of 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 topic. In 2019, a single financial sanction was imposed on Leumi for an incident in which an investment advisor tried to dissuade a customer from contacting a portfolio manager.



In 2019, Leumi's ethics hotline received **33 inquiries**, 28 of which involved questions regarding conflict of interest, 2 regarding gifts, and 3 were concerned with other issues.




In 2019, approx. **81 percent** of Leumi's employees successfully completed a tutorial on ethics and core values.


In 2018 the Bank first initiated a comprehensive plan for instilling ethics, and had contract workers working at the Bank sign statements to that effect.

99%

of the Bank's employees signed a statement regarding conflict of interest in 2019..



For more information on the Leumi's Business Ethics statement, please see the Bank's website.



For more information on the Leumi's Fair Conduct statement, please see the Bank's website.

Prevention of Bribery and Corruption

The concept underlying Leumi's commitment to fight bribery and corruption is that the latter are cross-border phenomena which undermine proper governance and economic development, and distorting competition in the global market. Leumi is committed to taking part in the struggle against bribery and corruption and will act to ensure that in its business activities which embody such risk, its employees, customers and business partners are in compliance with anti-bribery and anti-corruption provisions.

Leumi monitors the implementation of its anti-bribery and anti-corruption policy, which was approved by the Board of Directors during the second quarter of 2019 and are implemented by the Bank's various functions. The policy was formulated with the help of an external consultant.

In 2019, 94.5 percent of Bank Leumi's employees took an online tutorial on prevention of bribery and corruption and identifying the risks embodied in them for all of the Bank's employees. In addition, as part of lectures given in various banking courses, participating employees were briefed on how to handle customers that are leading public figures.

In 2019, 6 embezzlement incidents by workers were uncovered, 5 of which were committed by temporary workers or workers employed through manpower contractors, for negligible amounts. In addition, a embezzlement incident was uncovered in the field of procurement, in which an employee of the Bank acted fraudulently, while embezzling the Bank's trust and its funds (not customers' funds). Due to the complexity of the incident and the extent of financial damage incurred by the Bank as a result, a comprehensive learning process was carried out, in which the exposures and risks in the work and control processes of the Procurement Subdivision were mapped out. All employees involved in the incident were dismissed by the Bank.

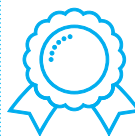
Reporting Mechanisms

Leumi regards each and every one of its employees as a partner to the proper management of the Bank. Leumi therefore expects its employees to immediately report any unusual action to their managers. In addition, each employee, at any rank, can contact and report any unusual activity related to banking transactions through several channels (also anonymous)- by phone, e-mail, mail, fax, or any other means available to them.

During 2019, as part of the revision of the Code of Ethics, reporting mechanisms were reassessed, and a new platform was created, Speak-Up, which allows each Leumi employee to contribute to the creation of a safe and value-based work environment. Each inquiry is handled by a dedicated committee committed to secrecy and confidentiality.



For more information on the Leumi's statement on prevention of bribery and corruption, please see the Bank's website



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



Risk Management

The Leumi Group is committed to act responsibly, while managing and mitigating the risks facing it. Risk management is a necessary precondition to 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 in the requirements of the Bank of Israel and of other Israeli and foreign regulators.



For more information on the Leumi's statement on credit and investment considerations, please see the Bank's website.

Legal Proceedings during the Reporting Period

Below is a list of unusual incidents and legal proceedings filed against Leumi that are pending or have been concluded - which are related to corporate social responsibility aspects - in 2019. Other claims filed against Leumi focused on different subject matters.¹³

Legal Claims in 2019	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 Protection of Privacy Act	Regarding adequate disclosure, transparency and fairness towards customers
Claims filed in 2019	0	0	0	7	1	1
Of which: no. of regular claims	0	0	0	7	0	0
Of which: no. of class actions	0	0	0	0	1	1
No. of class actions concluded	0	0	0	0	0	0
No. of settlements and sanctions	0	0	0	0	0	0
No. of convictions	0	0	0	0	0	0

Handling of Inquiries from the Public and Employees

The Bureau of Public and Employee Inquiries is responsible for handling and measuring complaints and inquiries received by the Bank from the public and employees. The bureau is headed by a public inquiries commissioner, a Bank Leumi executive who reports to the Bank's General Counsel. There is a range of means available to the public and employees for contacting the Public Inquiries Bureau. The contact information for filing an inquiry with the Bank is available on Bank Leumi's website, on its internal portal, at Leumi's information kiosks, and on signs at the branches and headquarters (specifically for security, catering and cleaning contract workers).



For more information on the Bureau of Public and Employee Inquiries, complaints received and their handling, please see Bank Leumi's website

13. For more information about financial sanctions, legal claims, and other proceedings, please see the 2019 Annual Financial Statements, from p. 203.

Public Complaints for 2019 at Bank Leumi in terms of Protection of Privacy, Information Security and Discrimination¹⁴

Topic	Total no. of complaints	No. of complaints found to be justified
Protection of privacy	16	0
Information security	13	4
Discrimination	23	0
Total	52	4

In 2019, the Public Inquiries Bureau received a few inquiries from employees of subcontractors about employment terms and conditions and employee benefits. No ethics-related complaints were submitted.

In 2019, Bank Leumi's Public Inquiries Bureau granted relief in respect of complaints in the amount of approx. NIS 3.3 million, NIS 1.2 million of which were in respect of justified complaints, and others - ex gratia.¹⁵

Leumi conducts lessons-learning processes on an ongoing basis in order to prevent recurrence of the cases that resulted in complaints.

14. The complaints segmented in the above table on the subject of protection of privacy, information security, and discrimination are included in the table for 2019 available on the Bank's website.

15. Complaints which were unjustified or about which it was impossible to form an opinion.

Objectives

Objectives for 2019

Subject matter	2019 objective	Status	Details
Ethics	Customized implementation in the divisions	Done	Conduct at least one implementation activity in each division, whether the activity is dedicated to a specific topic or part of organizational development processes
Ethics	Update the Code of Ethics	Done	Extend the existing Code and include the separate charters in it
Ethics	Strengthen the position of the Ethics Forum and perception of ethics representatives' role	Done	Convene the Ethics Committee twice a year
Ethics	Ethics call center - instill and devise a high standard of response in cooperation with the divisions	Done	Professional response within 5 working days

Objectives for 2020

Subject matter	2020 objective	Details
Ethics	Launch and instill a new code of ethics across the Bank	Communicating the Code to all of the Bank's employees and creating activities to instill the Code
Ethics	Strengthen the position of the Ethics Forum and perception of ethics representatives' role	Hold conferences for the Steering Committee and for the Ethics and Conduct Committee
Ethics	High-quality service and creating a high standard of response in cooperation with the divisions	Ongoing service by the Ethics Hotline



Innovation and Digital



an innovative investment company of the Leumi Group, for smart, accessible and easy investment portfolio management



one of the world's first personal digital banking platforms

NIS **1.6** million

procured from Israeli startups in 2019

Digital for Business

boosting our product offering for businesses. In 2019, a payroll and supplier payment interface was introduced in the Leumi app



sponsorship for a technology incubator that grows and develops tech startups that develop solutions to social and environmental issues. In 2019, emphasis was placed on identifying technologies in the field of aging

Collaboration with the Grandpa and Grandma Community - The True Story

Approx. 2,000 seniors participated in workshops and lectures on digital literacy and challenges in the 21st century

Leumi's Innovation Strategy

The Bank's vision is based on our aim to create a dynamic business environment which incorporates the Bank's values into product and technological innovation. The purpose of this environment is to give our customers the best and most suitable solution for their financial needs, while striving for adequate profitability, maintaining the Bank's stability and striking a balance with the needs of our employees and the shareholders' expectations. As a financial group with major impact on Israel's business and public culture, Leumi regards its commitment to the community as a social and ethical anchor it will continue to cultivate.

In order to accommodate the changing needs of our customers and ensure that the best available technological and financial tools are at their disposal, Bank Leumi has outlined an innovation strategy designed to lead an enterprising banking system that leverages technological innovation to create added value to our customers and support the development of Israeli society as a whole.

Bank Leumi promotes innovation on several levels:



Inside the organization

the Bank's community of innovation leaders encourages innovation for dealing with the needs and challenges facing the employees through Leumi Ideas - a platform for managing and promoting initiatives



Banks across the world

reciprocal learning and cooperation with leading financial institutions



Academic institutions

promoting entrepreneurship among students studying financial subjects



The FinTech Community

cooperation and ventures with the FinTech community in Israel through accelerators, incubators, mentoring for ventures, etc.

Creating Value for Customers through Digital Tools

Leumi Group's **PEPPER** is a first of its kind online-only Digital account. In the past year, **PEPPER** became the fastest growing in the Israeli banking system (according to a survey of banking trends conducted by the Geocartography Knowledge Group).

PEPPER is a perpetually fee-free checking account, with a 24-hour chat service available from Sunday to Friday, written in a clear and user-friendly language.

A **PEPPER** account also offers smart savings, loans, an international credit card, securities, and more.

PEPPER's unique technology is able to become acquainted with each and every customer's unique characteristics and adapt the content accordingly, thereby providing them with an utterly personal banking experience, which includes consumer insights on spending, weekly and monthly expense analyses, live updates, tips and more - all in a straightforward, friendly language. In addition to managing their current accounts, **PEPPER** customers can invest in the capital market through the **PEPPER INVEST** app, that allows them to invest as little as Nis 50 in more than 100 large US companies. This unprecedented offering in Israel is made possible by the Grouping Model, which enables customers to invest in fractional shares and thus removes many barriers to entry.

In 2018, the Leumi Group founded **VIDEA** - an online investment portfolio management company. This is a groundbreaking move in Israel. **VIDEA** manages customers' funds using an innovative algorithm. It offers customers online, transparent, straightforward investment portfolio management. In this way, **VIDEA** renders investment portfolios (of as little as NIS 50,000) more accessible, offering a wider audience such investment products and services.

Bank Leumi offers advanced digital solutions that enable its customers to obtain service without going to a branch. It thereby also **reduces its indirect energy consumption impacts**. In addition to saving paper, this helps reduce the distance driven by customers in order to receive service at the branches, thus reducing air pollution and fuel consumption by customers.

According to Bank of Israel data, Bank Leumi is the country's leading bank in terms of direct use of digital channels by households, with a usage rate of 74 percent.

During 2019, Bank Leumi developed new digital tools aimed at creating value for its customers and enabling them to conduct the transactions they require any time and any place:

- **Setting up an appointment with a banker** - a service that allows customers to book an appointment with a banker in advance, in order to avoid waiting at the branch. The service enables customers to update the subject matter of the meeting as well as to receive a reminder beforehand.
- **Digital guarantee** - a service that provide customers with new guarantee papers digitally and securely. The service also makes it possible to extend existing guarantees.
- **Opening a securities portfolio digitally** - the service allows customers to open an investment portfolio on their own, without arriving at the branch.
- **Securities trading** - a new website and app have been launched for Leumi Trade. The new website and app offer advanced, state-of-the-art user experience and interface.

- **Digital mortgage** – an innovative, pioneering service in the local banking sector, allowing customers to apply for mortgage to buy a property through digital channels without having to arrive at a branch throughout the entire process.
- **Foreign exchange service** – the international payments service has been upgraded, enabling international trade payments, beneficiaries management, and subscribing to the service seamlessly and quickly.
- **Customer-Bank Communication** – the Bank has services enabling customers to communicate with their personal banker, or with a banking center, through an app, without needing to identify themselves. Customers can also correspond with the Bank through WhatsApp – to obtain general information on miscellaneous topics and a link to chat with a banker on issues related to their personal account.
- **Expanding digital services for business customers** – such as extending short-term loans, expanding the independent authorization management service that allows authorized parties to change employees' authorizations independently on behalf of a corporation.
- **Management of payments to suppliers and payroll** – managing payments to suppliers and payroll using the application.
- **Leumi Goodies** – Leumi's new customer loyalty program for holders of credit cards issued by the Bank or who are active on Leumi's digital channels.

Empowering the Israeli High-Tech Industry

As a leading financial institution in Israel, Bank Leumi greatly impacts Israeli society and the development of the economy. As part of its impact, Leumi's strategy is aimed at supporting the growth and prosperity of the Israeli high-tech industry through its LeumiTech department. Besides its significant presence in Israel, LeumiTech has a presence in global high-tech hubs such as Silicon Valley, New York, and London. The department advances the high-tech industry in Israel and worldwide by providing consulting services and credit, developing products and programs adapted to the industry's needs, and offering financial solutions for technology companies tailored to their current stage in order to support their growth.

During 2019, Leumi initiated conferences and events at which professional content and lectures were given about technology for various audiences from different industries in Israel. Hundreds of high-tech customers took part. The conferences focused on the interface between the high-tech industry and other industries and sectors in the economy, including food, manufacturing, real estate, etc.

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

Kamatech - a non-profit initiative aimed at helping the Ultra-Orthodox integrate into the high-tech industry through training, placement, and by encouraging entrepreneurship, in cooperation with the entire high-tech industry. Since the accelerator's inception, Ultra-Orthodox entrepreneurs have founded companies valued at hundreds of millions of dollars.

TechForGood - For the fourth straight year, LeumiTech has been assisting TechForGood - an accelerator focusing on the nurturing and development of technological startups having a positive impact on society and the environment, in addition to generating a financial return. In 2019, the Bank supported an incubator that identifies technologies in the field of aging.

EIF Fund - Starting in 2016, the Bank has been cooperating with the European Union's European Investment Fund (EIF). As part of this cooperation, the Bank offers beneficial loans to small and medium-sized businesses that further technological innovation, growth businesses; research, development and venture capital activity; etc. Since the fund's inception, approximately USD 300 million has been extended.

1.6

NIS 1.6 million - Bank Leumi's total procurement from Israeli start-ups

Social bonds - "Leap to Education": Leumi continues to support social bonds as part of its collaboration with Social Finance Israel, a public benefit company which strives to achieve social goals through the issue of social bonds. The "Leap to

Education" program strives to reduce dropout rates by students from disadvantaged populations studying computer science through personal and academic assistance and grants (subject to meeting certain criteria). Since 2015, Bank Leumi has

been investing in the program, which so far has supported 754 students, enabling them to persevere in their studies. According to SFI data, the program has been successful in decreasing the number of students dropping out.

Preserving Customers' Privacy and Information Security

Technological progress in the finance industry is altering the channels of communication between people and companies and shaping new habits of information consumption and sharing. Since the coronavirus broke out, there has been a marked change - transitioning to the digital platform has become vital, altering the way people and companies consume and share data and how they communicate.

We at Bank Leumi attach great importance to preserving and protecting the privacy of our customers' information across all business lines, and use numerous safeguards through various defense systems which are updated and improved by the Bank on a regular basis and in accordance with technological developments. The Bank also maintains numerous controls for detecting abnormal customer activity in real time.

Bank Leumi takes various measures to provide training on cyber risks and their prevention. Among the various training tools are face-to-face lectures, computerized tutorials, knowledge tests, and more. Each year, most employees undergo refresher courses or training on the subject using said tools.



For more information about the Leumi's statement on privacy and information security, please see the Bank's website

Promoting Digital Literacy

In the realization that in addition to hundreds of thousands of active customers on its digital channels, there are still many customers who need assistance in crossing the digital divide in the financial realm, Leumi uses various banking service tools, across its various channels, to extensively promote tutorials on the subject.

Beyond imparting digital tools, content includes financial education topics provided free of charge to both private and business customers on either a group- or individual format through Leumi's network of schools.¹⁶

In 2019, digital instructors gave one-on-one tutorials at 56 branches across Israel. As part of the project, which was launched during 2017, 303,380 digital training sessions were held for the general public, in addition to publication of "how to" videos [explaining how to use the Bank's various digital channels](#).

Furthermore, in the second half of 2019, a targeted training project for senior citizens took place, in which 2,954 customers aged 65 and over participated.

Partnerships with Social Organizations to Promote Digital Literacy



Promoting digital literacy among teens

As part of the decade-long cooperation, employees of the Leumi Technologies Division volunteer at the Machshava Tova¹⁷ Technology Center in Lod. The employees serve as mentors and lecture on employment at the NGO's service, 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.



Promoting digital literacy among seniors

In 2019, a pilot project was held with the "Machshava Tova" NGO, in which a workshop on the use of smartphones was held for seniors.



Promoting digital literacy in cooperation with the Bank of Israel and the Association of Banks in Israel

A financial education project for the elderly in was conducted in order to bridge the gap in the digital world and provide this population group with tools that will help it to conduct business in this world.

¹⁶. Leumi's schools offer courses in a range of areas, such as: Business management, the capital market, digital marketing, financial education, and home economics workshops. For more details about Leumi's schools, please see p. 40. For further information about the proposed programs, see the [project's website](#).

¹⁷. Machshava Tova - Nonprofit organization that works to reduce social gaps through technology.

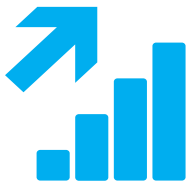
Objectives

Objectives for 2019

Subject matter	2019 Objective	Status	Details
Digital innovation	Development of an incubator for senior citizens as part of the cooperation with TechForGood	Done	Support for an incubator focusing on creating solutions for senior citizens' needs as part of the cooperation with TechForGood
Promoting Digital Literacy	Tutoring customers about Leumi's digital services	Done	Tutoring 100,000 customers

Objectives for 2020

Subject matter	2020 Objective	Details
Promoting Digital Literacy	Digital literacy tutorials with special emphasis on the elderly	Conducting training for 2,000 seniors



Contributing to the Economy and Society in Israel

Approx. NIS **4.5** billion

was invested as credit to advance social and environmental issues

Approx. NIS **6** million

of total procurement amount is from companies that promote the hiring of people from underemployed populations

92%

of total procurement during 2019 was made from Israeli companies

NIS **269** million

in new credit was granted to solar projects

NIS **164** million

in student loans

26 suppliers

were added to the Maala ratings at the initiative of Bank Leumi from 2015 to the report publication date

SWITCH

An innovative program in which the Bank's top executives volunteer in NGOs for a year in an effort to help them expand their activity

NIS **48** million

the Group's total investment in the community in 2019

About **46,000**

volunteer hours were invested by approximately 4,700 Group employees during 2019

As one of Israel's largest banking groups, the Leumi Group has extensive economic impact on the Israeli economy and its stability. As an organization that operates in the community, we recognize our responsibility to strengthen Israel's society and economy and empower the parties that can develop and implement appropriate solutions for the challenges they face.

This impact is reflected on two main levels:

The Leumi Group's direct impact on Israeli economy and society – which stems from the Group's being a leading financial entity in the economy, providing credit and other financial services to millions of customers, whose business success is related to the social and economic strength of the community in Israel.

The Leumi Group's indirect impact on Israeli economy and society – which stems from support of economic activity in Israel through financing of infrastructure projects and of a range of industries – including manufacturing, commerce, chemicals, and food, through advancement of small businesses and trade and involvement in the capital market, services with social and environmental value, domestic and global procurement, financial contribution to the community, and payment of taxes to the state treasury.

Creating Environmental and Social Value

In recent years, the Israeli economy has undergone significant changes in the area of renewable energy, while reducing its consumption of polluting energy and its greenhouse gas emissions. Consequently, the Group offers its customers a range of financial products that help them tackle the environmental challenges they face, reduce their negative impact, and boost positive impact on the environment. These challenges affect, inter alia, the agriculture, construction, transport, energy and water sectors.

To meet the social challenges facing its customers, the Leumi Group develops unique social credit products, which help support economic and social development by granting credit to educational, healthcare and affordable housing facilities, encouraging small businesses and promoting disadvantaged populations in Israel. The Banking Division promotes social businesses, such as those which employ people with disabilities or youth at risk.

Responsible Credit-Granting and Investment

The Group works to identify and monitor the potential risks embodied in its activity and hedges them, in order to avoid causing harm. Social and environmental credit is granted by the Corporate Division and Banking Division.¹⁸

Leumi's credit policy involves environmental risk considerations, aimed at identifying, managing and minimizing, as far as possible, environmental exposure in credit granting. To boost the identification and monitoring process of environmental aspects in its credit activity - as an integral part of the organizational culture - Leumi developed an internal work procedure in 2019, with the help of external experts. The procedure was in addition to training provided to relevant parties in the Bank's business lines.

As part of an adequate credit risk assessment, the internal procedure defines tools for managing Leumi's environmental risks. The procedure prescribes rules, processes, and modes of operation for managing the Bank's exposure to such risks in order to mitigate them, as far as possible.

In 2019, Leumi held a multidisciplinary forum on the topic of ESG investing in Israel and around the world, and established an intra-organizational community to promote processes in this field, including all aspects thereof.

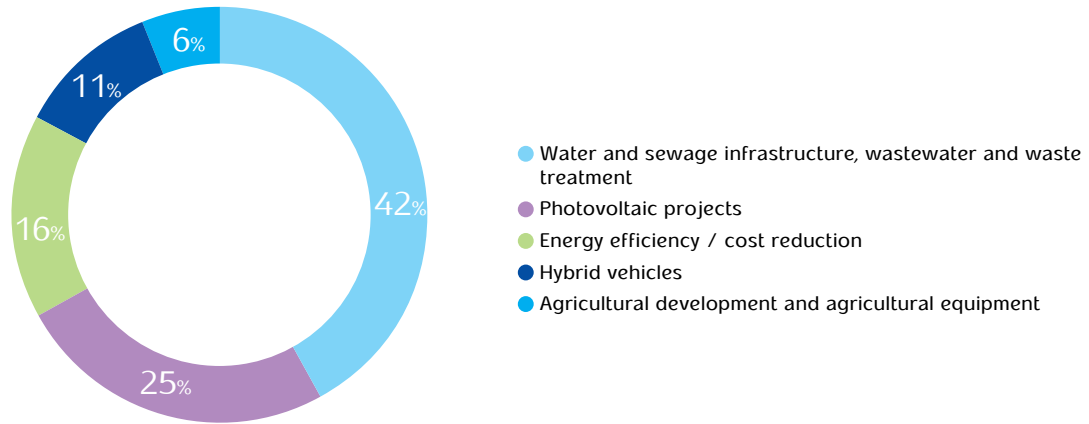


For more information about the Leumi's statement on credit and investment considerations, please see the Bank's website.

18. The figure shown below reflects the total new credit granted in 2019, rather than the total cumulative or revolving credit granted in previous years. The data presented herewith were collected manually and are not automatically retrievable and therefore not comparable with previous years. The data include financial credit and guarantees.

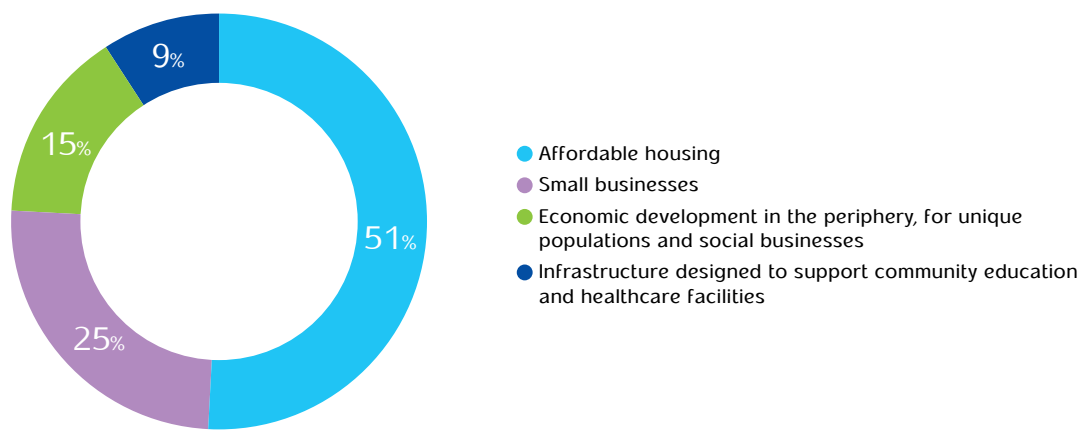
In 2019, Leumi Granted Approximately NIS 1.08 Billion in Credit to Advance Environmental Issues¹⁹


Breakdown of Credit Granted to Promote Environmental Issues in 2019



In 2019, Leumi Granted Approximately NIS 3.44 Billion in Credit to Advance Social Issues²⁰

Breakdown of Credit Granted to Promote Social Issues in 2019



 For more information on the economic value generated by the Leumi Group during 2019, please see the Group's 2019 Annual Financial Statements.

19. Including credit granted to finance projects in China and Africa (NIS 0.4 billion).
 20. Including credit granted to finance projects in China and Africa (NIS 0.26 billion).

Contributing to Growth of Private Customers and the General Public

The Leumi Group provides service to private customers through the Banking Division at Bank Leumi and through **PEPPER** and **VIDEA**. The Leumi Group is deployed nationwide to provide the full range of its services and products to all its customers, through multiple channels: online and mobile, call centers, branches, Leumi information kiosks, and ATMs.

Leumi's Banking Division strives to constantly improve the level of service and create value for its customers at different stages in their lives. The main products and services provided to private customers are: checking accounts, deposits and savings, consumer credit, credit cards, mortgages, investment advice and pension advice.

Service accessibility for the entire population and promoting disadvantaged populations

The Leumi Group seeks to make services accessible through its branches and digital channels for all populations groups of Israeli society, irrespective of gender, religion, geographic location, or physical disability. As of the end of 2019, Bank Leumi had 209 branches nationwide for the Banking Division and Corporate Division business lines. The branches are deployed nationwide, with 39 of them located in the heart of peripheral communities, 22 in predominantly Ultra-Orthodox areas, and 40 in predominantly Arab areas. The vast majority of the Bank's branches are physically accessible in compliance with the regulations.

During 2019, Bank Leumi and newspaper Mishpacha jointly convened a conference for Ultra-Orthodox businesswomen, which focused on banking management of small businesses. About 600 Ultra-Orthodox opinion leaders and businesswomen attended.

Bank Leumi strives to help customers avoid getting into debt and engages in direct, sensitive, fast, and purposeful dialogue with customers who are in financial difficulties, by individually assessing their ability to settle their debts and finding as convenient a solution as possible, both by holding meetings with indebted customers and through various other services, such as mortgage moratorium to help homebuyers through this period.

In 2019, about 260 "customer days" were held, during which Leumi representatives met with 5,182 customers in debt in an effort to assist them in finding the best solution to settle their debts.

Contributing to Growth of Arab Society in Israel

Bank Leumi offers a range of designated products and services for the Arab community in Israel, following the merger of Arab Israel Bank and Bank Leumi in 2016. Today, Arab Israel Bank's former customers enjoy Leumi's strong financial position and its wide range of credit and investment products and value propositions alongside attentive, dedicated face-to-face service in Arabic. The Bank has also increased the number of digital representatives stationed at the branches to personally tutor customers on site in areas with a high concentration of Arabs.

As part of Leumi's efforts to contribute to the prosperity of Arab society in Israel, the Bank offers enrichment activities and meetings to empower women, encourages women-owned businesses and grants loans tailored to the needs of businesses and entrepreneurs from the Arab sector, as well as special loans ahead of the Arab community's holidays.



For more information about the Leumi's statement on accessibility for people with disabilities, please see the Bank's website



For more information about the Leumi's statement on services to promote disadvantaged populations, please see the Bank's website

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, so as to enable them to create a sound financial base that will influence their personal, career, and business development.

Initiatives to Enhance Customers' Financial Knowledge

Simplifying information for customers: As part of its efforts to improve customer service, Bank Leumi revised and redesigned notices being sent to customers – such as regarding fees and commissions, overdrawn accounts and banking ID – so as to make them simpler and easier to understand.

Encouraging savings and awareness of prudent consumption: Bank Leumi helps customers manage their bank accounts in the best way possible, in order to encourage savings, prudent consumption, and planning for the future. For this purpose, the Bank offers a wide range of deposit- and savings plans with various linkage options, for diverse deposit frequencies and periods, with varying exit points, in order to customize the savings process for each customer.

Pension consulting services: The Bank offers relevant customers professional comprehensive pension consulting services, which are tailored to their insurance, financial, and family needs, as well as to their retirement plans. Furthermore, the Bank has developed an innovative digital service which allows customers of any bank to obtain information on all their pension assets, where they are being managed, accrued balances, and management fees paid, quickly and efficiently, free of charge.

Financial education conferences: Customer conferences enable Bank Leumi to provide targeted solutions to different populations, adapting to their needs information regarding family budget management and the financial tools available to them.

Digital Cafe: In 2019, Leumi held 6 open lectures on a wide range of financial topics – from digital banking to banking for businesses.

The Leumi Blog: Each month, Leumi Blog publishes around eight new posts with up-to-date and helpful information on a wide range of topics.

Supports for NGOs and social initiatives that seek to enhance financial knowledge:

Young Entrepreneurs: The NGO was adopted by the Leumi Group since its founding twenty years ago. Some 3,500 youth participate in the program in 90 communities across Israel and from all population segments.

More information on the Bank's collaboration with Young Entrepreneurs can be found in descriptions of major social collaborations and projects supported by the Leumi Group in 2019, p. 62.

The Banking Supervision Forum on Financial Education: This forum has been active for several years with the purpose of promoting various initiatives which aim to expand financial understanding among various populations. In 2019, the focus was on digital education for seniors.

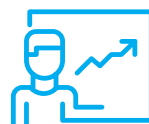
Pa'amonim NGO: The NGO assists individuals, families, organizations and populations in a variety of life situations, who are interested in undergoing mentoring and financial counseling and who need to acquire knowledge, tools and new habits in this area. The assistance is provided by issuing information and tools for independent work and individual or group mentoring, for a period of several months, in the field of financial conduct. The organization also operates financial education programs throughout Israel, offering presentations, study programs and group workshops.

Shiur Acher: Leumi volunteers give financial education classes in schools, expanding children's and youth's financial knowledge in various educational frameworks. In 2019, the activity included 475 employees, 45 adopting units and 54 classes at schools across Israel's geographic periphery. The scope of the activity is estimated at 950 volunteer hours.

LaMerhav: A financial mentoring plan, using an innovative model which is changing the lives of hundreds of young adults who lack a family safety net. Support combined with volunteer work by employees.

Haim BePlus: Through financial education, the NGO works to promote personal financial welfare and prevent people from falling into debt and poverty. The NGO administers courses intended for young adults aged 17–22, which provide them with practical tools and life skills for responsible financial conduct.

The Bank also supports various initiatives by local NGOs focusing on financial education for youth and families undergoing financial crisis.



For more information about the Leumi's statement on making financial knowledge more accessible, please see the Bank's website

Leumi's Schools

As part of its extensive efforts for economic empowerment of various population segments in Israeli society, the Bank established Leumi's Schools, designed to provide the general public and the Bank's customers with a range of professional tools and financial skills, by leading experts, free of charge.

School	Topics	Scope of activity
Leumi's Business School	<p>An extensive course designed to provide small business owners with a variety of practical tools to help them grow and develop their businesses. Free of charge, the course is offered to customers of all banks.</p> <p>The course's curriculum features the following topics: Networking, negotiation, e-commerce, digital marketing, business development, financial aspects of business management, taxation.</p> <p>Furthermore, single-session workshops are held in accordance with demand and need raised by customers.</p>	<p>During 2019, the course was held once, in 6 different areas across the country simultaneously. Each of the courses included a total of 35 academic hours, with about 1,000 business owners participating. In 2014-2019, about 4,000 business customers from across the country participated in the course.</p>
Digital Marketing School	<p>Established in 2017 with women's portal Saloona, Leumi's Digital Marketing School targets early-stage women entrepreneurs or small business owners, providing them with practical tools for establishing and marketing their businesses through a variety of digital platforms. Open School for customers of all banks.</p>	<p>In 2019, 220 female entrepreneurs attended 4 courses of 7 meetings each.</p> <p>Furthermore, 2 courses were held in partnership with municipalities.</p> <p>Digital Women in Business comes to Ashdod - 40 women participated in the course.</p> <p>Digital Women in Business comes to Hadera - 50 women participated in the course.</p>
Next Generation School	<p>The course is designed for next-generation mid-sized family business owners who are in the process of inter-generational transitioning. The course is designed to provide participants with practical tools to improve their business skills, while addressing the unique needs of their businesses in a changing world. The course features the following topics: Strategy and innovation, negotiating for a family business, networking, how to win in a competitive world, and more.</p>	<p>2 courses of 2-3 sessions each. In 2019, about 60 of Leumi's customers participated in the course, free of charge.</p>

School	Topics	Scope of activity
Capital Market School	Leumi's Capital Market School was established to provide customers with hands-on tools for smart conduct in the capital market. Provided free of charge, the course teaches various capital market topics, including investment in securities, adjusting investments and investment psychology, Leumi Trade, pension savings, etc.	In 2019, about 500 customers participated in the Capital Market School's course, included 5 meetings and was held in collaboration with the Open University.
Family Finances Schools	Workshops for private customers and young families - aimed at providing them with professional tools for managing a growth-oriented family budget - were held by professional staff from the Bank and an external company.	In 2019, about 2,000 private customers participated in 60 sessions focusing on family finances.
Amazon Workshops	Upon Amazon's Israel market launch in 2019, we held meetings with small business customers on the topic of "Opportunities and Challenges upon the Launch of Amazon Israel" and establishing an online store.	4 workshops with a total of nearly 400 participants were held.
Senior Citizen School Pilot project	The school was established with the aim of providing added value to senior citizen customers and providing them with tools and knowledge in several areas: digital uses, investing, social engineering, the significance of managing a bank account, and more. The pilot program was a joint effort with the Open University of Israel.	In 2019, one pilot project was conducted. 3 sessions lasting 3 hours attended by nearly 50 customers.

Shared-Value Products and Services for Private Customers

In order to provide as many population groups as possible with access to financial services customized to their needs and means, Bank Leumi offers its private customers products tailored to their different characteristics, with the objective of maximizing shared value - social, environmental, and economic - for Bank Leumi, the customers who use its services, and Israeli society as a whole.

- **Student loans:** Bank Leumi identifies customers who are in the growth period of their lives and offers them loans customized to their needs, in cooperation with educational institutions in order to facilitate interest subsidies and expand access to higher education. In 2019, Leumi granted 5,692 loans totaling approximately NIS 163 million.
- **Customized loans for Arab sector customers:** Bank Leumi recognizes the complexity and challenge of registering real estate properties in Arab society and provides its customers a special loan for building or renovating homes without placing a lien on the property. In 2019, Leumi granted 226 loans totaling approximately NIS 275 million.
- **Loans targeted at the Haredi Sector:** Leumi established collaborations with Hassidic Jewish communities in order to provide solutions for the needs of the Ultra-Orthodox society and enable the funding of special activities, such as the construction of synagogues and acquiring seats at synagogues, by providing loans to individual members of the communities or to organizations on behalf of Hassidic communities. In 2019, Leumi granted 380 loans totaling approximately NIS 16 million.
- **Loans for private solar installations:** Leumi offers dedicated financing tracks for customers who own a roof, structure or land on which small and mid-sized solar installations can be constructed, as well as for entrepreneurs who wish to lease a roof or land for that purpose. Over the course of 2019, Leumi provided a total of approximately NIS 100 million through these loans, with NIS 651 thousand granted to 9 private customers, and approximately NIS 99 million to 376 commercial entities.
- **Loans to finance the purchase of hybrid vehicles:** Leumi offers private customers special loans for the purchase of hybrid vehicles. In 2019, Leumi granted 903 loans totaling approximately NIS 83 million.
- **Loans for funding surrogacy processes:** Leumi provides private customers special financing to support surrogacy processes. During 2019, 5 loans totaling NIS 460 thousand were granted.



Contributing to the Growth of the Business Sector

Strengthening Small and Mid-Sized Businesses

About 578,000 businesses – which constitute about 99% of the businesses operating in Israel – belong to the micro-, small- and mid-size business sector.²¹ This sector provides approximately 1.74 million jobs in Israel, accounting for 52% of the business sector's GDP and constituting one of the Israeli economy's main growth engines.²² Therefore, strengthening the competitiveness of small businesses has a major effect on Israel's economy and society as a whole.

Small business owners struggle with bureaucratic challenges, lack of management know-how and conventional credit tracks due to lack of capital or appropriate financial collateral. In 2019, in recognition of the needs of small and mid-sized businesses and their importance to the economy, the Leumi Group continued to initiate and develop measures and products customized to the needs of this sector.

Total outstanding credit for small and micro-businesses as at the end of 2019 was approximately NIS **62.7** billion and total outstanding credit for the mid-sized (commercial) business sector as at the end of 2019 was approximately NIS **29.6** billion, with a grand total of NIS **92.3** billion.²³

Deposits by small and mid-size businesses with the Leumi Group amounted to NIS **98.9** billion as at the end of 2019.

21. 2017 figures from Demography of Businesses - Survivability and Movements of Businesses, 2015-2017, Active Businesses by Economic Sector and Size Groups (Table 1), Central Bureau of Statistics, 2018.

22. 2017 figures: Salaried Employee Positions by Economic Sector and Size Groups (Table 2) Central Bureau of Statistics, 2018; from the Business Survey, Ministry of the Economy and Industry; and Large Groups, Ministry of the Economy and Industry, Central Bureau of Statistics, 2018

23. The credit does not include off-balance sheet credit and derivatives.

Strengthening Large Businesses

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

The services given 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.

Total credit provided to the large business segment as at the end of 2019 was NIS 67.2 billion.²⁴ Deposits of large businesses with the Leumi Group as at the end of 2019 amounted to NIS 53.5 billion.



24. The credit does not include off-balance sheet credit and derivatives.



Initiatives to promote knowledge among, and provide tools for, business customers

Making financial information and analysis available to businesses: Managing and processing financial information pose significant challenges for CFOs of businesses. A CFO bases his/her work on current information, and the quality and reliability of that information has great impact on the company's financial management and decision making in real time, and as a result – on its success. To help companies cope with these challenges, Leumi has launched 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 tools to manage and obtain concise financial information from the entire banking system in Israel and abroad.

Workshops for business customers: During 2019, dozens of seminars and professional sessions were held for thousands of business customers, in order to improve the knowledge available to them and become better acquainted with them and their needs. The sessions focused on managing family and inter-generational businesses, investments and securities, among other things. To promote the use of renewable energy, Bank Leumi also initiated meetings and lectures on the advantages of solar energy use.

Collaboration with the Consul NGO: The NGO, under the auspices of the Hebrew University, allows outstanding students to consult small and medium-size businesses, taking an overall perspective of the business while providing support and improving business processes. As part of this project, segment supervisors and credit officers provided support for the students on the one end, and to business owners, as needed, on the other.

Leumi Right to Your Doorstep: Every week in 2019, Bank Leumi managers met business customers on their premises to discuss their challenges and offer immediate banking and other solutions (as part of the Bank's overall value propositions for small businesses). Altogether, thousands of meetings were held outside Bank Leumi branches. In addition, as part of a new business service model, an in-depth meeting is held with the customer (at the business or branch) every six months, to understand his/her business and personal needs and offer them the best value proposition for the short- and long term.

Shared-Value Products and Services for Business Customers

Alongside its range of services and credit tracks, the Leumi Group offers unique tracks and benefits to small businesses, businesses operating in geographically and socially peripheral areas and organizations engaged in social activities, seeking to create shared value.

The Leumi-Koret program to promote small businesses in the periphery: Under this program, Bank Leumi has been granting beneficial loans to small businesses in the periphery since 2009. In 2019, 130 loans, totaling NIS 34 million, were granted.

Government Guarantees Fund: For more than ten years, with the objective of supporting and promoting the Israeli economy, financially justified small and mid-sized business-owners that have the potential to grow and create new jobs in Israel, but which struggle to obtain credit, may benefit from state-guaranteed loans. Under this collaboration, Bank Leumi grants loans to businesses in a range of industries, with the objective of enabling them to fulfill their potential and contribute to employment and output for the good of the Israeli economy. In 2019, 1,463 loans, totaling NIS 518 million, were granted.

Yozmot Atid - loans to female micro-entrepreneurs: a joint venture with NGO Yozmot Atid (formerly "Latet Atid"), which was launched in 2012. Under this collaboration, the NGO advises struggling female entrepreneurs, who own a business or have an idea for one, and offers them a support package that includes a business plan, business mentoring from one or several mentors, business training, benefits for opening a business, and access to financing from Bank Leumi, which grants loans of up to NIS 40,000.

Solar loans for small businesses: With the objective of promoting the use of renewable energy by small business owners, businesses that own properties where solar energy panels can be installed may be eligible for a loan of up to 100% of the value of the solar installation.

Financing environmental infrastructures projects: In 2019, Leumi participated in financing several projects with positive environmental impact, such as renewable energy and waste treatment facilities.

NIS **269** million

in new loans were granted to customers investing in solar panels across all of Leumi's business lines during 2019



Leumi. Social. Sustainable in Times of Crisis Too

Leumi's Handling of the Coronavirus to the Benefit of Israel's Society and Economy

In light of the outbreak of the coronavirus crisis and its impact on the Israeli and global economies, along with households and businesses, Bank Leumi initiated several steps (some of which while making use of regulatory reliefs provided to the banking sector) with the purpose of aiding households and businesses to overcome this period:

Improving Customer Service and Adapting to Working Remotely

The coronavirus crisis emphasized the need for developing advanced digital tools. Therefore, during the first half of 2020, Bank Leumi continued to develop and boost its digital tools for customers. These included expanding the range of banking transactions that can be executed through the Bank's digital channels; in addition, the Bank concentrated all the tools and services to assist customers in managing their accounts easily and conveniently, anytime, anywhere:

- **Schedule a Meeting** – meetings with customers – except for certain populations (such as customers over 70 years old, customers with disabilities, and pregnant women, etc.) – were held only upon advance scheduling. Prior to the meeting, an attempt is made to provide the service over the telephone and render the meeting redundant.
- **Promoting use of digital tools** –
 1. Simplifying the process of subscribing to digital services for private and business customers;
 2. Encouraging use of the application and providing tutorials;
 3. Payment of vouchers in accordance with the Apartment Sale Law and obtaining bank guarantees digitally;
- **Supporting customers in times of crisis** – During this period, account managers in the Corporate Division initiated conversations with customers, with the goal of providing consulting and support during times of crisis.
- In light of the current challenges, **PEPPER customers** were offered a benefits package customized to their diverse needs, and the Bank launched an innovative service to encourage customers to save money by using several automated rules which identify day-to-day opportunities for savings based on the customers' financial behavior.
- In light of the stock market crisis, **VIDEA** enabled customers to switch to an extremely risk-averse investment portfolio with no management fees. Customers who had liquidated their portfolio and transferred their funds to a checking account were offered an interest-bearing deposit plan with Bank Leumi.

Credit Reliefs and Initiatives

- **Over 90,000 deferment requests for current payments** were approved.
- **Credit was provided to members of the Histadrut (General Organization of Workers in Israel)**, using a digital process, to customers of any bank.
- **Customer telephone days** for customers going through financial difficulties, with the goal of offering them arrangements and benefits while taking into consideration their repayment capacity. A unique and wide-ranging promotion aimed at thousands of debtors handled by collection centers, who have no active arrangement to digitally invite them to contact the Bank in order to reach debt settlement arrangements benefiting the debtors.



Leumi. Social. Sustainable in Times of Crisis Too

Mortgages

- **Freezing mortgage payments** – Leumi was the first Israeli bank to offer its customers a freeze on mortgage payments for three months, at no fee. Furthermore, the Bank expanded the service to allow its customers to freeze payments for up to six months, with an option to request a 24-month extension. As of July 31, 2020, **over 30 thousand customer mortgages have been frozen.**
- **‘Total Digital’ Mortgage** – An innovative process was launched allowing customers to complete the entire mortgage process without visiting the branch, including signing the loan documents via a recorded video call.
- **Extending capitalization loans for developers** for a period of up to 4 years, in projects financed by the Bank. The Bank allows home buyers to obtain loans for such a period, without repaying the principal and interest (which are paid by the developer or contractor during this period).
- **Providing the option to delay the start of mortgage payments by two years.**
- **Extending the validity of the authorization in principle** for customers who have received an authorization in principle in April – to start a mortgage process – from 24 days to 32 days, so as to assist mortgage borrowers in completing the required processes.
- Offering **‘Flash Loans’** for existing properties, which were fast-tracked, without the need to physically visit the branch. The population of customers eligible for this product was expanded in light of the coronavirus.
- **Issuing a digital eligibility certificate** – Bank Leumi was the first bank in Israel to allow its customers to obtain digital eligibility certificates for mortgages.
- **Long-term bullet loans** – An extraordinary new product which allows home buyers to take out bullet (bridge) loans for a period of up to 15 years.

Credit and Debit Cards

To save customers a visit to the branch, make digital services accessible and reduce the need for cash, the Bank took several measures related to credit cards:

- Initiated issuance of 10,000 debit cards, which were sent to customers’ homes.
- The Bank collected information from customers arriving at branches to withdraw cash, in order to send debit cards to their homes, making additional visits unnecessary.
- The Bank contacted the card-less customers – both those withdrawing cash at branches and those who do not withdraw cash – and offered to issue them a card to use at ATMs.
- The Bank sent the cards waited in the branches to its customers, and assisted them in activating the cards by telephone. In this way, visiting the branches was made redundant.



Leumi. Social. Sustainable in Times of Crisis Too



Assisting and Supporting Business Customers during the Coronavirus Crisis

Following the outbreak of the coronavirus, Bank Leumi made significant efforts to reinforce and assist businesses encountering difficulties, with the goal of assisting them in overcoming the crisis:

- The Corporate Division **worked relentlessly to mentor customers** and provide support through various credit solutions.
- **Freezing loan payments** - Leumi allows its small business customers to “freeze” monthly loan repayments for a period of up to six months.
- Reinforcing the credit centers and automating most work processes, so as to help customers by shortening the process of obtaining a loan from the **government-guaranteed fund**, a loan fund dedicated mostly to assisting businesses who are in cash flow difficulties as a result of the coronavirus outbreak.

The fund was established in April 2020. Loans are guaranteed by the state for a period of one to 5 years, with the state paying the interest during the first year. So far, the fund has provided over NIS 4.8 billion in loans, of which NIS 2.1 billion was granted to small businesses.

- **Expanding customers’ knowledge** - As part of a joint initiative with the Manufacturers Association of Israel, webinars were broadcast to business customers on topics relevant to them (such as managing a business during a time of crisis).



Leumi. Social. Sustainable in Times of Crisis Too

- **Virtual meetings** – The Corporate Division transitioned its meetings with customers and advanced professional instruction sessions online, after previously holding them in person. Meetings were held using services such as Webex, Zoom and webinars, in order to continue reinforcing relationships with customers and provide them with information and professional support.
- **Leveraging a private asset by up to 70%** (in lieu of 50%, generally applied until now) - Leumi allows its customers to obtain a business loan against 70% of a private asset's value.
- **The Leumi PAY app for businesses** – Businesses subscribed to the application receive payment from customers within one working day, even if customers choose to pay in installments. The service is provided free of charge, and is targeted to small businesses, micro-businesses, professionals and service providers.
- **Opening an e-commerce store** in partnership with Isracard: Especially now, in order to allow businesses to increase their income and keep working at any time, across Israel, Leumi customers enjoy unique benefits when opening an Isracard e-commerce store.
- **Establishing a digital community for small businesses in collaboration with Sachal Group** – A digital complex providing end-to-end support: professional knowledge and lectures by key speakers and experts; free personal business mentoring and support from external business advisors; online lectures including a variety of practical tools to assist businesses during this challenging and uncertain time. Beyond the supportive online community, Leumi customers also enjoy complimentary consulting services from key experts.
- **'Adopt a Company' Project** – A collaboration between the Leumi's Corporate Division and Globes. As part of the project, 50 market-leading companies will provide 50 mid-sized businesses with mentoring and support over a period of approximately six months, with the goal of forming meaningful and productive relationships and assisting the medium-sized businesses in surviving the crisis and returning to normal. Among other things, Leumi will also support the project by providing business lectures and advanced learning sessions to these mid-sized companies.



All the information and the tools to allow businesses and private customers to continue managing their accounts easily and conveniently have been collected and uploaded to the Bank's website



Contributing to the Growth of the Elderly

Leumi is Proud to Honor Senior Citizens

At an age in which longevity is on the rise and the senior citizen population continues to grow, Bank Leumi has set its sights on creating an improved service environment for senior citizens.

In September 2019, a multidisciplinary team was established to study banking and social issues pertaining to senior citizens. As part of these efforts, the Bank formed a collaboration with the Center for Digital Innovation (CDI Negev) for the purpose of conducting extensive research focusing on the 75+ population. As part of the process, customer service calls with senior citizens at the branches were recorded, a senior citizen focus group was established, and the Bank launched an extensive study of their characteristics and general and banking needs.

Following this extensive research, the decision was made to establish the 'Age Friendly Bank' project. The project was launched at the end of 2019, with most of it being implemented in 2020.

It includes:

1. Customizing service to the elderly and primary caregiver

- a. Expanding the Mobile Branch service - The Mobile Branch Van visits nursing homes and assisted living facilities throughout the country on a regular basis, in order to make a variety of banking services more accessible to senior citizens directly at assisted living facilities throughout the country, and to provide personal training for hundreds of thousands of customers and help them acquire life skills in the digital banking domain. In addition, the vans are equipped with accessible ATM services for customers of all banks. **The vans provide service at dozens of assisted living facilities throughout Israel, assisting approximately 500 customers per month.**
- b. Providing preferential service to customers over 75 years of age in terms of waiting times for the call center and at branches.
- c. Enabling senior citizen customers to receive service at their branches without scheduling an appointment in advance.
- d. Training on preventing ageism for service providers at the Bank.

2. Promoting digital orientation among senior citizens

- a. Establishing a school for senior citizens through which courses will be administered to thousands of senior citizens on topics such as handling mobile phones and understanding banking transactions, as well as courses on complementary content worlds, such as data security and fraud prevention.
- b. Collaboration with the 'Grandpa and Grandma, the True Story' Facebook group - As part of the joint effort, initiated in 2019 with the 40,000-strong senior citizen Facebook community, Leumi provides tools and information to senior citizens to support daily life in the digital world. This content includes 10 enrichment lectures entitled "Grandpa's and Grandma's Opportunities and Challenges in the 21st Century" given throughout Israel in 2019. **The lectures were attended by nearly 1,000 people.**
- c. Collaborating with the Machshava Tova NGO, as part of which Leumi offered its senior citizen customers workshops on the various uses of smart phones (photographing tips on Whatsapp, web security and an introduction to social media). **8 workshops were held in 2020, in which approximately 850 customers participated.**
- d. Training as part of the Bank of Israel's efforts to promote digital banking to senior citizens.
- e. Digital conferences at branches - Customers were invited to a lecture on the digital world and to receive personal training at the branch.

3. Promoting innovations which provide solutions for the needs of senior citizens

TechForGood - In 2019, Leumi supported the launch of the AEON incubator for technological innovation for the elderly. Old age brings with it numerous challenges, and alongside them - great opportunities for innovation in products, services and creative use of technology as a tool for improving quality of life for the elderly, their caregivers and families. Main goals of the incubator:

- To make dedicated products and services for the elderly more accessible in a manner that provides a solution for concerns, shame and fears which are often present along with the changes brought on by old age.
- Quality of life at home - Solutions which make possible to maintain an active routine and independent lifestyle, so as to preserve the quality of life of the elderly in their homes and in the community.
- Nursing and caregiving - Tools for training, communication and support of caregivers.

Program Website: <https://www.techforgood.co/aeon>

- **Promoting collaboration in conjunction with employee volunteerism** - For more information, please see the Community Outreach section on p. 57.

Responsible Procurement

Leumi's procurement activity mostly includes the ongoing purchase of products and services for projects, for all of Leumi Group's functions, as needed.²⁵ Bank Leumi's Procurement Department is responsible for identifying and screening suitable suppliers, as well as for negotiating, entering into agreements, and maintaining regular contact with them.



For more information about the Leumi's responsible procurement statement, please see the Bank's website.

Supplier Conduct Evaluation

The Leumi Group is working to manage a responsible supply chain with positive impact on the environment and the community. As part of these efforts, suppliers are inspected so as to examine their conduct in terms of corporate social responsibility (such as employment; protecting the environment; ethics).

In 2019, 3 security firms were inspected at 14 supplier sites, 1 Leumi catering company at 2 operating sites and 5 cleaning companies. All inspections conducted at security services vendors yielded deficiencies that were rectified in cooperation with the vendor.

Additionally, all contractors taking part in construction projects over the year were inspected - a total of 21 contractors in 25 different projects. All inspections, which included on-site inspections, yielded deficiencies. The minor deficiencies were rectified immediately and did not necessitate cessation of work. Approximately 10% of inspections found deficiencies that required work be halted until they were corrected.

Promoting Diverse Procurement

As part of our efforts to promote diverse procurement and to expand the Group's positive impact through procurement, Leumi has launched several measures:

- Promoting Green Procurement: With the goal of minimizing the negative impact from its operations, the Bank is working to include use of recycled materials and energy-conserving and environmentally-friendly products. An case in point is the Bank's car fleet, where the use of hybrid vehicles which consume less fuel has been expanded.
- In 2019, the Bank made environmentally-friendly purchases valued at approximately NIS 18 million.
- Collaboration with Maala: Leumi continues to require suppliers to fill out Maala's questionnaire for mid-sized businesses, in order to check their compliance with corporate social responsibility norms and to promote CSR practices among them. From 2015 until the Report's publication date, Leumi initiated the addition of 26 of its suppliers to the Maala rating. In 2019, Leumi was even given a recognition award by Maala for its efforts to add suppliers to the rating and promote corporate social responsibility in Israel.

25. Most of the procurement activity is carried out by the Procurement Department of the Finance Division, that is responsible for procurement processes and for carrying out large transactions (hereinafter :the Bank's Main Procurement). In addition to these procurement activities, direct purchases are made by the headquarters, units and branches. The information in this section refers to the Bank's Main Procurement activity only, unless noted otherwise..

- Support for the WeSource initiative: In 2019, Leumi continued to support the WeSource initiative of NGOs Jasmine and Zionism 2000, in order to set up an online pool of diverse and social suppliers. The objective of the pool of suppliers is to make it easier for large organizations to increase the scope of procurement from social businesses, NGOs and businesses which employ people from underemployed populations as well as small businesses.

Supplier Promotion and Development

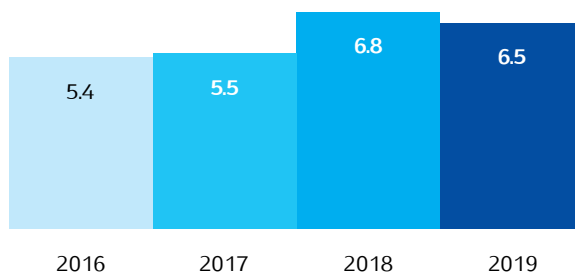
The Bank is actively engaged in expanding its suppliers' capabilities. Most of its efforts are focused on the Bank's schools. The Bank also holds conferences and tours for suppliers.

Procurement Figures

- In 2019, the Bank's Main Procurement included 813 suppliers
- Suppliers who began providing services to Leumi in 2019 undertook to comply with the fair employment environment criteria (terms of employment, safety, etc.)
- Construction and maintenance suppliers who began providing services to Leumi in 2019 undertook to comply with environmental criteria, similarly to other suppliers of the Bank in these areas
- Total social procurement in 2019 was NIS 6.5 million. Of which:
 - Approx. NIS 6 million is from suppliers employing workers from underemployed populations
 - Approx. NIS 0.5 million is from NGOs and social businesses
- Total procurement from startup companies in 2019 was NIS 1.6 million.

- 64% of primary procurement suppliers to Leumi in 2019 were SMBs, with approximately 24% of procurement made through these suppliers²⁶.
- 92% of Leumi's Main Procurement during 2019 was from local suppliers registered in Israel

Social Procurement by Bank Leumi (NIS million)



2019 saw an update of the methodology and optimization of the data. This led to an update of previous years' data as well.²⁷

26. Supplier diversity at Leumi is defined as follows: small suppliers - businesses with 0-20 employees; mid-sized suppliers - businesses with 21-100 employees; data refer to Bank Leumi only.
 27. 102-48

Investment in the Community

The Leumi Group promotes its social-values vision by investing in the community through donations and social sponsorships. Members of the Donations and Sponsorships Committees are appointed by the President and CEO, and evaluate applications for support meticulously and thoroughly, in accordance with predefined criteria.

The Group does not grant donations earmarked for political parties, or for promoting political aims.

In 2019, the Group's total expenditure on community outreach totaled NIS 48 million, which was spent as donations and social sponsorship of 437 entities. This amount includes the total donations and social sponsorships by Leumi and all of the Group's subsidiaries, budgets of employee volunteer activities, and donations of equipment and employee volunteer hours.



For more information about the Leumi's statement on investment in the community, please see the Bank's website

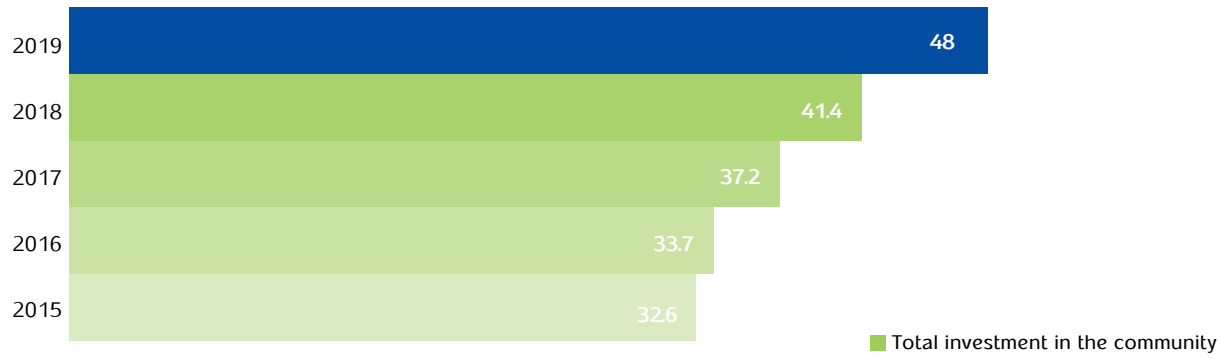
NIS **48** million

the Group's total investment in the community during 2019

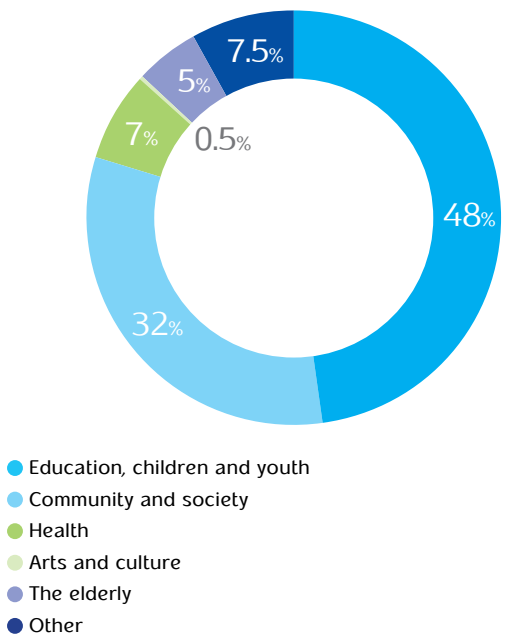
NIS **343.2** million

The Leumi Group's total investment in the community since 2010

Total Investment in the Community – Leumi Group (NIS Million) Since 2015



Breakdown of Community Outreach Budget by Field, for 2019



The Leumi Group is a leading banking group and, as such, has notable and significant impact on Israel’s economic, environmental and social fabric. This realization resulted in the Group’s worldview and the norms to which it is committed. The Group’s commitment to the community is a societal and value-driven foundation that we

continue to cultivate, and therefore the Group and its employees are committed to working towards developing society and the economy.

The Leumi Group’s community outreach is expressed in its constant, long-standing investment in the **next generation**. As of September, 2019, Leumi’s Board of Directors expanded its social policy to cover **senior citizens** as well, a policy that will henceforth be known as **From Generation to Generation** as well as the relationship between them.

The Group also helps needy populations, distributing food packages ahead of the Passover, Ramadan, Easter, and Nebi Shuieb holidays. As well as to issues at the heart of the social consensus, such as hospitals, various healthcare organizations and distributing medications to those in need free of charge, adopting 4 IDF battalions as part of the Adopt A Fighter project, and more, while maintaining equality among all parts of Israeli society.

In honor of Israel Gay Youth’s (IGY) fundraising event, Leumi’s PAY app launched a first of its kind collaboration with the organization to allow customers of all banks to simply and conveniently make a donation, using a dedicated button on the app’s homepage.

Employee Volunteering

The social involvement of its employees is a key element in the Group's perception of its responsibility towards the community. The employees view it as their mission, investing their time and skills in social causes.

The principles guiding Leumi employees' volunteer activity are as follows:

- A perception of a long-term, significant communal partnership and coordination 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 volunteering process, and - as a result - strengthening their commitment.
- Activity among local populations focusing on the From 'Generation to Generation' policies, youth, young adults and senior citizens.

The Group's employee involvement and volunteer work includes the following:

- **Social and values enrichment, and financial education:** Value-enrichment and spirit activities, lectures and personal mentoring in after-school programs, kindergartens, schools, youth groups, boarding schools, and hospitals.
- **Improvement of scholastic achievements:** help with homework, tutoring for final exams, mentoring, and lectures.
- **Improvement of living conditions:** Painting and renovations, donating equipment and distributing food including the Kimcha Depischa holiday food donation initiative, for Passover, Ramadan, Easter and Nebi Shuieb.
- **Supporting senior citizens:** Distributing food and support packages in the winter, spending time over the phone to abate loneliness, home visits on holidays and birthdays, activities at senior citizen clubs.
- **Additional areas:** Picking and sorting food, activities with the disabled, beach cleanups, empowering women, activities with Israelis of Ethiopian origin, Arab society, and more.




For more information about the Leumi's social policy and employee volunteering, see the statement on investment in the community on the Bank's website.

Management of Volunteer Work at Leumi

The volunteer work at Leumi is managed by the Corporate Social Responsibility and Employee Volunteering Department in the Human Resources Division. The unit is responsible for establishing contacts with social organizations, initiating large national-scale projects, coordinating activities, and supporting the volunteers. The field work is operated by a network of social leaders across Israel, with about 30 divisional social leaders and 300 leaders across all Bank functions throughout Israel.

The leaders have at their disposal a budget and technological tools to help them manage and monitor the activity, such as: an information website and ideas for activities, online forms and a system for reporting work hours and volunteer

work. The social leaders are responsible for identifying local volunteering needs, creating and liaising with social organizations in the community, managing the unit's volunteering budget and implementing the activity program. Activities to recognize the leaders and volunteers are held at the divisional and Bank levels. Most of the employees' volunteer work is carried out outside working hours.



For more data regarding the Leumi Group's volunteer work over the years, please see p. 101



4,723
employees of the Leumi Group did volunteer work during 2019



46,006
hours were volunteered by Leumi Group employees during 2019



9.7 hours
on average were volunteered by each volunteer at the Leumi Group



53% - portion of volunteers out of the Group's total no. of employees



Main Social Projects and Collaborations Supported by the Leumi Group in 2019

Over the course of 2019, Leumi invested in nearly 430 community partners, to many of which Leumi employees contributed their time. Following are the main projects:

SWITCH – An Innovative program of Bank Leumi

With the goal of assisting NGOs in expanding their operations, Bank Leumi developed SWITCH, an innovative program, under which senior executives of the Bank work at social NGOs for a year, an endeavor which is financed entirely by the Bank. These executives serve in various functions with the NGOs, such as business development, mentoring program development and mentoring graduates, project management, and developing joint ventures. Among the NGOs taking part in the project are Elem, FIDF, Ma'ase Center, and Tozeret Ha'aretz. In 2019, 5 Bank executives participated in the program, and the NGOs they were assigned to reported being extremely satisfied.

Aharai! – Youth Leading Change is an NGO that seeks to integrate teenagers and young adults at risk in Israeli society, by education for values and leadership development, and offering tools. 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: Groups for leadership and preparation for the army, matriculation study centers, hiking courses, empowerment for youth of Ethiopian descent, pre-military service preparatory programs, community service communes, Nahal units and a graduates' organization.

The Aharai! – Youth Leading Change NGO has been the Leumi Group's strategic partner for 18 years. The Group is the NGO's main donor and supports its activities in the periphery; the Bank's top executives support and mentor the NGO's managers. More than 550 Leumi employees volunteered in Follow Me! projects in 2019.



The collaboration between Leumi and Aharai! Youth Leading Change was profiled in a book titled “Leaving No One Behind: Israeli Business and Inclusive Growth”, published by Maala and Prof. David Grayson, a global expert on corporate social responsibility and corporate sustainability.

The book reviews the social impact of Israeli businesses and their contribution to inclusive growth.

Effectiveness of the activity of Aharai! Youth Leading Change From the Aharai! program graduates survey conducted in 2020:



95% of graduates enlist in the IDF compared to 69% of the general population



3X of Aharai! graduates served as officers compared to the general population.
4X of Aharai! graduates of Ethiopian origin compared to the Ethiopian population in Israel



66% of graduates attended higher education institutions, vs. an average of 31% in OECD countries



20% of graduates did a year of community service / pre-army preparatory program compared to 6.1% in the general population



80% of graduates are eligible for a matriculation certificate vs. 69% in the general population



60% of graduates are employed in the public sector, and over the age of 31
80% of the graduates are employed

Survey of the Aharai! NGO out of approx. 2,000 participants – students and graduates.



Saar Buchbinder's painting

Permanent painting exhibition by autistic children and youth

At the beginning of 2019, Leumi recognized Autism Awareness Week, during which the Bank hosted the Getting Out of the Bubble exhibition – paintings and other works of art created by autistic children and teenagers, curated by Ms. Kagan, who is a mother to an autistic child whose work was also on display.

The Bank also held a seminar during which a mother to an autistic child gave a talk for employees, in which she touchingly spoke of a family's challenges when raising an autistic child, children on the spectrum gave a musical performance, and more.

At the conclusion of the seminar, the Bank announced the purchase of the entire collection and making it a permanent exhibit at its headquarters, next to the office of the Head of the Human Resources Division.

Following is a letter received following the purchase and launch of the exhibition:

“June, 2019 Dear Bank Leumi.

Thank you for buying my painting, I am glad you bought my painting and I ask that you put it up somewhere important where lots of people can see it. With the money I got, I bought paints and canvases so I can paint many more new paintings. I'm glad you bought my painting because I am making progress like the famous painters whose paintings people buy.

Thank you Bank Leumi, from me, Saar Buchbinder”

The Atidim NGO – Kdam-Atidim Program

The NGO encourages and promotes excellence among disadvantaged youth from Israel's geographic periphery. The Kdam-Atidim program encompasses six school years, from junior high to high school. Each year focuses on age-appropriate abilities with the goal of developing a skill range which would earn students a quality high school diploma and a ticket to academic studies.

The program is intended to plant the seed of an academic education in those highly skilled students who perceive higher education as unattainable. Kdam-Atidim helps them realize this dream, through reinforced studies in mathematics, English and science, intensive and extensive preparation for the Psychometric Entrance Test, enrichment activities and self-empowerment, developing excellence, and exposure to academia and industry.

Students' results on their high school matriculation exams and the Psychometric Entrance Test show a pattern of significant improvement, and a larger number of disadvantaged students are accepted to ROTC programs.

The program is supported by the Ministry of Education, and consists of 3,057 students, male and female, from 16 communities and 34 centers.

Etgarim is an NGO founded with the aim of using outdoor sports to empower and integrate people with disabilities into society. Since 2017, Bank Leumi has sponsored an Etgarim summer camp in the Tzipori Forest for special needs children and youths. The summer camp enables special needs children to experience outdoor activities at a camp setting. Hundreds of children with physical, emotional, sensory, and cognitive disabilities from a range of populations from all across the country participate in the camp. **About 500 Bank Leumi employees volunteer at the camp every year, as part of the cooperation, running the stations and accompanying the children.**

Young Entrepreneurs: The NGO was adopted by the Leumi Group since its founding twenty years ago. **Some 3,500 youth participate in the program in 90 communities across Israel and from all population segments.** The young entrepreneurs are exposed to production processes and gain experience in marketing and sales, financial management and reporting. At the end of the program, they dissolve their companies, distribute profits among them, or decide to donate the proceeds to the community. In addition to the financial support, Leumi employees invest their own time and energy in providing ongoing guidance and training on financial and business matters to the young entrepreneurs.

In an international competition held in July 2020, with 40 countries participating, the NGO collected 3 prestigious awards and earned the esteem and appreciation of the international organization's management:

- Second place - overall ranking at all competitions
- First place - the Membership Award
- Second-place - Audience's Choice

A Different Lesson: A nonprofit working to promote equal opportunity and to encourage significant involvement by the public in the education system. As part of the collaboration, volunteer employees of the Bank taught a 12-session experiential course on prudent financial conduct in schools populated by students of disadvantaged populations. In addition to the focus of the studies, the course expands the horizons of students from a variety of populations, develops their critical thinking, and enables them to meet role models and encounter new career choices. **In 2019, the activity included 475 employees of the Bank, 45 adopting units and 54 classes at schools across Israel's geographic periphery. The scope of the activity is estimated at 950 volunteer hours.**

The Make-A-Wish Foundation is part of an international organization founded in the US in 1980, with the goal of making wishes come true for children aged 3-18 fighting a life-

threatening disease. By making a wish come true, the foundation strives to provide a powerful and life-changing experience, an experience which provides hope, strength and joy during a difficult time in the children's lives. In many places around the world, physicians perceive making a wish come true an integral part of the supportive treatment. **During 2019, approximately 200 employees made 19 wishes come true for children from all over Israel, with the foundation's support.**

Kimcha Depischa (holiday food donation activity):

Leumi looks on with concern on the welfare of the needy populations with regards to nutritional safety as part of its community outreach activity. We make sure to hold an annual holiday food donation activity (Kimcha Depischa) – as we near the Passover, Ramadan, Easter and Nebi Shuib holidays, Leumi employees donate and purchase food items, package them and personally distribute quality and diverse food packages to families in need, to allow them to celebrate the holidays.

In 2019, **approximately 1,150 volunteers packaged and distributed over 4,000 food packages** to needy families supported over the year by the volunteering employees, based on the recommendations of welfare departments at municipalities, and to Holocaust survivors, lone soldiers and organizations with which we partner throughout the year.

Honor Thy Elders: LATET is one of the largest and most important organizations working in Israel to reduce poverty and address nutritional insecurity among families and individuals in need, through a variety of programs.

As part of the Aid For Life program for Holocaust survivors in distress, since 2017 the Bank has been donating winter care packages, which include a home heating device, a down blanket, an electric kettle and warm clothing.

In 2019, 1,000 volunteers distributed 900 care packages to individuals supported by the organization.

Synergy: The Synergy program is an innovative model for strengthening the boards of directors of social organizations and developing leadership among business leaders. Under the leadership of Bank Leumi, JDC Israel Institute for Leadership and Governance, and social NGOs and organizations, the program enables business managers to become acquainted with the third sector and have social impact. The program includes:

- Training a selected group of managers from the Bank's One Hundred Forum to serve as directors in the organization
- Personal mentoring and matching social organizations with participating Forum members
- Support on assuming the position of director, including personal mentoring and fostering personal development

Bank Leumi's Synergy program was launched in 2018 with the participation of 18 senior managers at the organization, of whom 10 were placed in positions at social organizations and continued their work there into 2019.

Measuring the Effectiveness of Investing in the Community²⁸

Bank Leumi examines the effectiveness of its community outreach activity, including meeting targets, using defined measures derived from the social policy prescribed by the Bank's Board of Directors.

Employee volunteering is meticulously managed and its data is monitored, such as the number of volunteers and volunteer hours. In addition, the effectiveness of sizable donations is monitored by the objectives and targets of the relevant NGOs.

All of the above is measured and monitored by materiality surveys and employee satisfaction surveys from the Bank's investment in the community activity.

28. Data regarding volunteering include Leumi employees only

Objectives

Objectives for 2019

Subject matter	2019 objective	Status	Details
Service accessibility	Verify compliance with accessibility standards, subject to organizational development, process- or restructuring constraints, etc.	Done	Monthly monitoring of the units to close existing gaps, in accordance with the timetable and commitments to the Commissioner for Equal Rights for People with Disabilities
Service accessibility	Convene a quarterly forum that includes representatives of all the Bank's units	Done	to instill, synchronize, and champion accessibility at the Bank level
Service accessibility	Conduct accessibility surveys at Bank Leumi branches.	Partially done	About 40 branches a year, including monitoring deficiencies and corrective actions thereof
Accessibility training and learning	Regular annual training for accessibility trustees	Done	Update, refresh, and conduct hands-on training of new and current trustees on accessibility regulations
Accessibility training and learning	Train digital representatives and guides on the use of the Bank's website and applications on digital devices, with emphasis on visually-impaired users.	Done	Have digital representatives guide and support customers with disabilities to enhance their independent use of devices.
Accessibility training and learning	Mandatory new employee tutorial to learn about accessibility at Bank Leumi	Done	For all new hires
Accessibility training and learning	A knowledge refresher quiz for customer-facing and call center Bank employees	Done	80% of the population
Financial education	Make expert content more accessible through family finances workshops for people with disabilities	Done	Podcasts are planned for the general public and improving accessibility for people with disabilities
Financial education	Customize family finances for the Ultra-Orthodox sector and recruit customers	Done	5 sessions for potential customers

Subject matter	2019 objective	Status	Details
Financial education	Use of digital means to increase exposure to family finances workshops for additional customers	Partially done	Exposure to 50,000 customers
Financial education	Establishment of digital lobbies - establishment of two independent "digital lobbies" for the benefit of the Ultra-Orthodox (in Elad, Betar Illit)	Done	Establishment of two digital lobbies
Procurement	Continue collaboration with Maala to have Leumi's suppliers join Maala's rating of mid-sized businesses	Done	Incorporate Leumi's suppliers in Maala's rating of mid-sized businesses
Procurement	Continue to make socially-conscious purchases according to the work plan	Done	Map out and execute relevant transactions with diverse or social suppliers
Procurement	Continue to encourage small-size suppliers to enroll in Leumi's Small Business School	Done	Contact potential suppliers
Volunteering	Volunteering by Employees	Done	Have at least 3,500 employees participate in at least one volunteer activity
Volunteering	Have employees volunteer at "Aharai!" and "Etgarim"	Done	Have at least 1,000 volunteers participate
Volunteering	Employee volunteering to distribute food packages for Passover	Done	800 volunteers

Objectives for 2020

Subject matter	2020 objective	Details
Procurement	Accounting audit for the three relevant security firms in order to verify compliance with laws regarding employment, including protecting employee benefits in terms of wages	Audit reports with no deficiencies on the 3 security firms or a report detailing correction of all deficiencies, including references
Procurement	Continue collaboration with Maala to have Leumi's suppliers join Maala's rating of mid-sized businesses	Incorporate Leumi's suppliers in Maala's rating of mid-sized businesses

Subject matter	2020 objective	Details
Procurement	Continue to pursue socially-conscious procurement	Map out and execute relevant transactions with diverse or social suppliers
Procurement	Continue to encourage small-size suppliers to enroll in Leumi's Small Business School	Contact potential suppliers
Service accessibility	Training for accessibility trustees	Conduct training for all accessibility trustees
Service accessibility	Tutorials by digital representatives	Training for digital representatives regarding use of devices by customers with disabilities, with emphasis on visual disabilities
Service accessibility	Accessibility knowledge test - split into 2 inspections at HQ or branches	Performance was similar to 2019 - over 94%
Service accessibility	Tutorials for new hires	Develop monitoring capabilities for new employees' performance
Service accessibility	Conduct service surveys and covert surveys	Conduct 20 service surveys at branches and 8 covert surveys at branches and at the Banking Center
Service accessibility	Upgrade and update the accessibility website	Develop a new updated website with professional content, which will be Bank's source of knowledge
Volunteering	Encourage employee volunteer work among senior citizens	2,500 volunteers



Human Capital

Ranked **7th**

among the 100 Best Companies to Work For held by BDI Code and The Marker, and 1st among companies in the financial system

Development of innovative training programs,

including a reskilling program - retraining of Group employees for the professions of the future

97%

of the Group's employees underwent a feedback process in 2019

33,362

training days provided to the Leumi Group employees in 2019

53%

of managers are women, and women comprise 60% of all employees in the Group

12%

of all employees hired by the Leumi Group in Israel in 2019 were people from under-employed populations.

23%

of Bank Leumi's branch managers are from the Arab community (9 of which are women)

Approx. NIS **66 million**

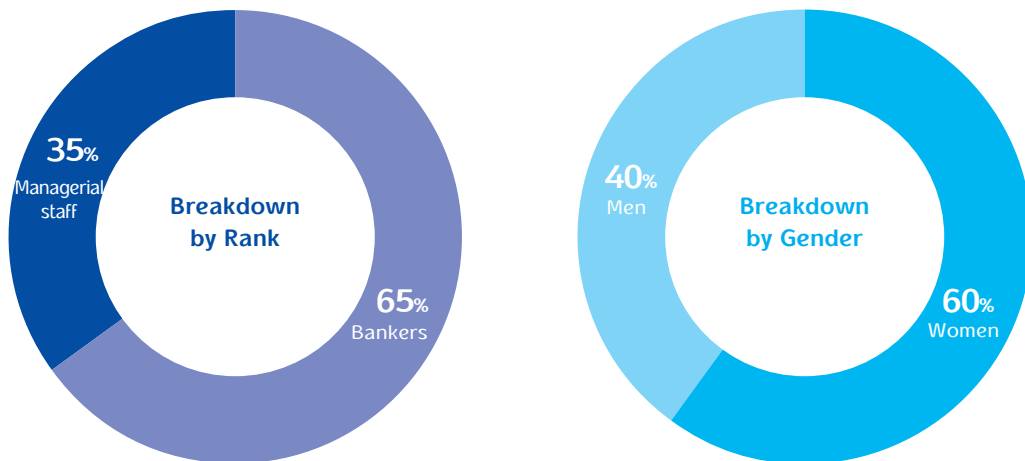
was invested in organizational development, instruction and training of Bank Leumi employees

Leumi Group employs workers in Israel and overseas and considers them to be a key factor in its success. The Group attributes great importance to the welfare, satisfaction, and professional and personal development of its employees. The Leumi Group seeks to promote fairness in employment, equal opportunity, job diversity, and to avoid offensive employment, while maintaining a constant dialogue with its employees, promoting their professional development, and protecting their health and welfare.

Total number of employees in the Group by year (as at the end of the year): ^{29,30}

	2019	2018
The Bank in Israel	8,372	8,637
Consolidated companies in Israel	235	275
Group in Israel - total	8,607	8,912
Consolidated companies - overseas ³¹	632	828
Group in Israel and abroad - total	9,239	9,740

Following is a breakdown of the Group's employees as of December 31, 2019:

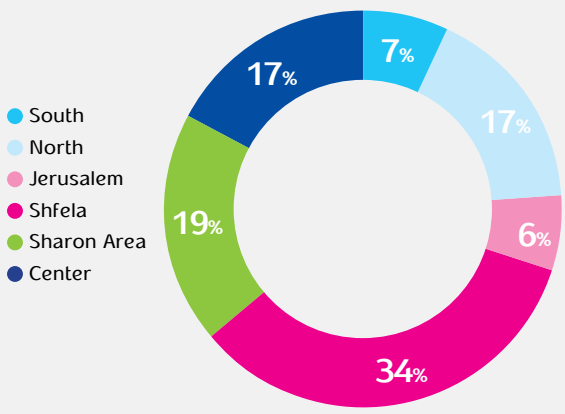


29. Position - a full-time position including specific overtime, working hours of service bureaus and contract workers.

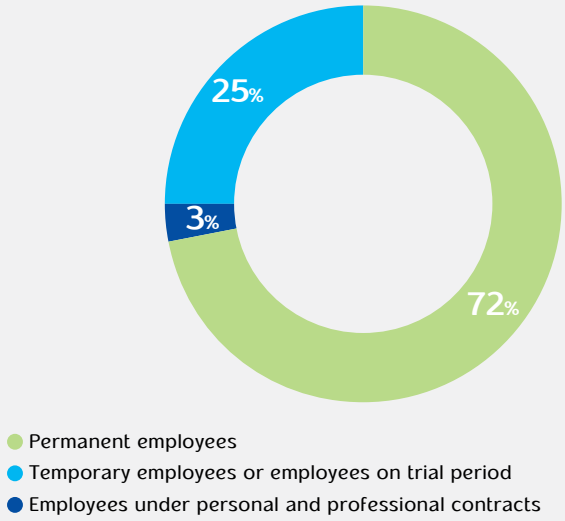
30. For more information on employee figures, please see the Data appendix, p. 102

31. Including foreign offices

Geographical Distribution in Israel of the Leumi Group's Employees



Breakdown of the Group's Employees by Type of Contract, in Israel Only




112 employees, who represent 1.32 percent of the Group's total workforce in Israel, work in part-time positions.³²

Employment Characteristics at Bank Leumi


As of 2019, approx. 94% of Leumi's employees are employed full time. Any differences between benefits granted to full-time employees and those granted to part-time employees are the direct result of the percentage of their position.

Hiring Managers from Local Communities

As of December 31, 2019, 2 Leumi executives were employed in the UK and China offices. The remaining employees are local.



For more information on the Leumi's statement on employment, please see the Bank's website



For more information on the Leumi's statement on employees' health and welfare, please see the Bank's website

32. The Bank's workweek is 39 standard hours-long, which is about three hours less than the number of hours prescribed by law. In addition to these 1.32 percent of the employees, there is another 5 percent who work part-time at the call center.



Maintaining Proper Work Relations

The work relations between the Bank's management and employees are based on a system of collective bargaining agreements and other accords created signed over the years, including ad hoc agreements between the Bank's management and the employees' representative body.³³ In 2019, relations between management and employee representatives remained good, based on mutual respect and attentiveness. In 2019, there were no labor disputes, strikes or lockouts initiated by the employee representative body at Leumi.

In 2019, about 97 percent of employees and managers in the Leumi Group in Israel were employed under collective bargaining agreements. The Group's remaining employees in Israel are employed through personal contracts. There were no collective bargaining agreements at the foreign offices during 2019 besides the Bank's employees from Israel, who are subject to the collective bargaining agreement.³⁴

Employee Engagement and Increasing Transparency

Leumi has several built-in mechanisms in place for dialogue between employees and management, such as:

- Live meeting with the President and CEO: In 2019, one virtual meeting was held with the President and CEO, which was broadcast to all Bank Leumi employees and enabled a dialogue between the President and CEO and the employees. The meeting focused on strategic topics at Bank Leumi and was aimed at connect the employees to "The Leumi Way" and give them a sense of belonging.
- Meetings between employees, the President and CEO, and division managers: Throughout the year, regular meetings are held between groups of employees and the President and CEO and division managers. These meetings enable an open and direct dialogue between management and diverse employee groups. Members of management also visit different branches and HQ units, during which they talk with the employees.

33. The collective bargaining agreement applies to Bank employees from day one, regardless of whether they are under trial/ temporary or permanent status. Employees with a personal contract, professional contract/ executive status are not included in the collective bargaining agreement.

34. GRI 102-41

Contract Workers

Leumi obtains services from employees of manpower agencies, service providers and software companies, who serve in various capacities. These workers are employed by the manpower agencies and software companies, and there is no employee–employer relationship between them and the bank.

Following are several examples of services Leumi receives from contract workers:³⁵

- **Call center, tellers, and office workers:** are employed by manpower companies.
- **Outsourced workers:** Employees of software companies who usually work off–premises, providing computer and software services to Leumi or serving as digital representatives at the branches, etc.

As at December 31, 2019, Leumi received services from contract workers totaling 865 positions.

As part of its policy, in some cases, Leumi hires contact workers as employees, according to need.

The contracts that Bank Leumi signs with manpower companies include the latter’s commitment to declare that, in the five years preceding the drawing up of the agreement, they were not convicted of, nor was any fine imposed on them for, failing to provide benefits or compensation to any of their employees. The companies must also notify the Bank of any proceedings pending against them by the authorities and of any conviction and/or fine imposed on them during the agreement term.³⁶



For more information regarding Leumi’s statement on employee safety and security, please see the Bank’s website.



For more information on the rate of absenteeism due to the employees’ illness or work accidents, please see ESG Performance, p. 104

35. Services provided by suppliers – such as representatives and assimilators working on short term projects, or providing security, catering and cleaning services are not included in the contract worker data.

36. For more information about how Bank Leumi ensures suppliers’ fair conduct and the Bank’s responsible procurement policy, please see p. 53.



Prevention of Discrimination and Promotion of Equality

Prevention of Workplace Discrimination, Harassment and Abuse

The Leumi Group attributes great importance to the satisfaction and professional and personal development of its employees. Under this approach, the Group promotes and maintains transparency, fairness, equal opportunity and diversity in employment, while avoiding offensive employment, abuse and harassment.

Leumi views incidents of discrimination very seriously, and handles them immediately. Any complaint by a candidate or employee regarding discrimination based on any cause whatsoever is examined in depth. In 2019, 3 claims of gender-based discrimination were handled. Although it was determined that no actual discrimination took place, relevant procedures were reinforced among the Group's employees.³⁷

In 2019, no complaints of sexual harassment were filed.

Promotion of Employee Diversity

Bank Leumi believes in the importance of hiring and retaining diverse human capital, and therefore seeks to expand its hiring from diverse populations in Israeli society.

The Bank maintains in constant contact with NGSs and organizations for the purpose of filling positions through external recruitment. As part of the collaborative programs for integration employees from diversified populations, the Bank has developed a program in collaboration with Beit Ekstein to hire employees with autism for unique positions at the Bank. This program aids the Bank in hiring employees according to need. In addition, the Bank has developed a program to hire hearing impaired employees for its Digital Banking function. In 2019, 9 employees were hired through this program. The bank also has mentoring programs for employees with disabilities in order to help them best integrate optimally.

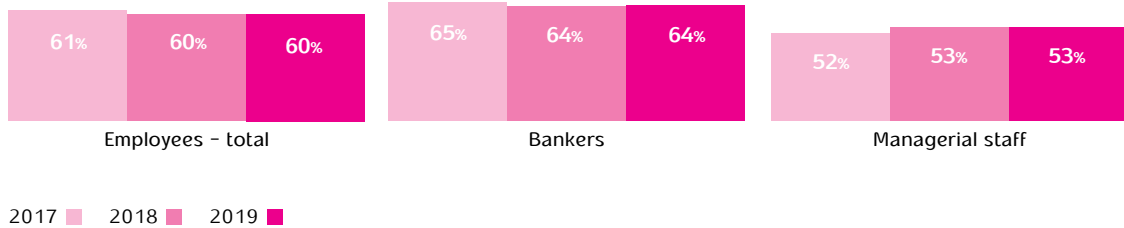
12%
of all employees hired by the Leumi Group in Israel in 2019 were people from under-employed populations

8%
of Leumi's employees are from the Arab community; 23.6% of them are managers

23%
of Bank Leumi's branch managers are members of the Arab community

37. Hiring data include Bank Leumi only.

Percentage of Women in the Leumi Group



For more information regarding Leumi’s statement on employment, please see the Bank’s website

For more information regarding Leumi’s statement on non-discrimination, equal opportunity and diversity in employment, please see the Bank’s website

Fair Wages at Bank Leumi

Bank Leumi operates with fairness and full transparency with respect to employment terms and conditions. Salary terms at every rank are set on the basis of professional and factual criteria and are anchored in salary agreements. The Group compensates its employees solely based on performance, irrespective of their other personal characteristics, such as gender, religion, or nationality.

In 2019, a new collective bargaining agreement was signed at Bank Leumi, following which the minimum base salary paid to women and men was increased to NIS 6,000, and in 2021, it is expected to increase to NIS 6,200. This amount is higher than the minimum wage in Israel.

In 2019, there was a 2 percent year-on-year

increase in the ratio between the maximum monthly salary and minimum monthly salary paid by Leumi.³⁸

In 2019, the highest salary paid by Leumi was 12.3 times the median salary per employee. In 2018, this ratio stood at 11.7. There was a 6.5 percent year-on-year increase in the maximum wage paid to an employee and a 1.4 increase in the median salary.³⁹

In 2019, the Human Resources Division conducted an extensive study to examine wage gaps between men and women; its findings are outlined below.

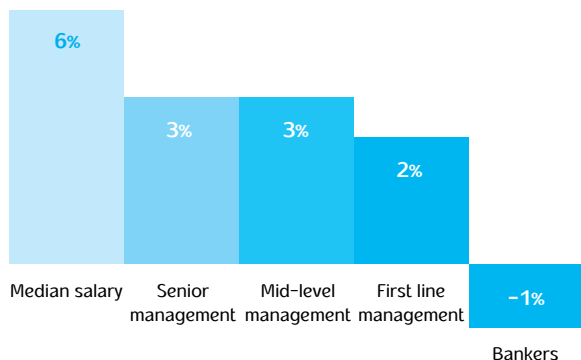
- (41 percent of the 10 percent highest-paid employees at Leumi were women)

38. Wages, in this section - taxable income, excluding bonuses: For more information on wage figures for officers, please see the Financial Statements.

39. The median average employee salary is calculated net of the highest salary, pursuant to the GRI standard requirements.

The chart below shows the ratio between women’s and men’s wages by rank.⁴⁰

Wage Gaps between Men and Women



The figures in the diagram refer to wages for which provisions are calculated at Leumi and the Bank’s core population.

The gaps arise from the high variance among the employee population of each group, including differences in age, seniority, rank, position, and additional personal characteristics of the employee.


No significant gaps in the average wages for men and women were identified compared to previous years.

Additionally, with regards to new hires to the Bank in 2018-2019, no significant wage gaps were found between men and women upon their hiring during this period.

Human Capital Development

The human factor is the basis for the Leumi Group’s activity and success; the Group attaches great importance to nurturing its employees in order to inspire in them a sense of identification and pride in their workplace and to continue attracting high-quality people. Bank Leumi’s management supports its business units in achieving their business goals through encouraging learning and training processes, with a focus on improving the professional and managerial skills of its employees and managers, in line with the changing work environment.

In 2019, approximately NIS 66.7 million was invested in organizational development, education and training of Bank Leumi employees.⁴¹



For more information regarding Leumi’s statement on employee learning and development, please see the Bank’s website.

Reskilling: Shift – The School for the Future’s Professions

Shift was established in 2018 with the objective of preparing for changes in the banking domain and preparing Bank Leumi’s employees for the changing job market. Shift offers the Bank’s employees to learn one of the professions the Bank has identified as likely to be increasingly in demand in the future.

40. The salary ratio between men and women is calculated as a man’s salary divided by a woman’s salary minus 1; it is emphasized that the test is applied relative to the average monthly salary at each rank.

41. This figure includes, inter alia, the cost of Training Department employees’ positions, cost of absence due to participation in training, training hours, and a training support budget.

Three tracks were launched in the first stage: for data analysts, digital product managers, and QA software testers, following which additional tracks were launched for system analysts. Each such track has a thorough screening process to identify the most suitable candidates. In 2019, the school's first class - in which some Bank Leumi employees attended while continuing their work - was held. **81 employees participated in this program in 2019**, most of whom were assigned to new positions.

The program, **Shift Light**, was expanded in 2020 to offer Bank employees the chance to acquire significant skills for the challenges of the new world, and to develop vital tools and abilities. As part of each track, various content is presented both in online sessions and enrichment lectures, as well as through self-learning (videos, LinkedIn Learning courses, etc.). The content focuses on fundamental skills - including developing learning abilities, flexibility and curiosity - which are vital to coping with the opportunities and challenges of the future. As they go through the process, employees exercise what they have learned and share it with each other on the communities formed in the various tracks.

Employee Development Initiatives

- **Sales and service simulator:** An innovative and unique training and learning space for employees and managers to train in and develop interpersonal skills: service and sales, interpersonal communication, management, and negotiation skills.
- **Leadership program:** A unique two-year program for the development of senior middle management, led by members of management and top executives. As part of the program, managers develop their leadership and influence skills, while focusing on three main areas: self-management, relationships management, and systems management. The program combines academic studies with workshops and peer learning.

- **Business class and "gyms":** Workshops and one-day training seminars for improving skills and reducing knowledge gaps in business areas.
- **Developing future talent:** The Bank has in place processes to identify high potential managers for complex positions. Additionally, some of the internal organizational development processes are also shared with academic institutions, such as IDC Herzliya, to develop a human-capital reserve.
- **Upskilling for Business Division account managers:** The program offers a variety of learning opportunities to upgrade account management skills, instilling business skills, and strengthening the sense of personal competence, with the goal of nurturing employee-customer relations, improving skills and boosting employees' sense of competence.

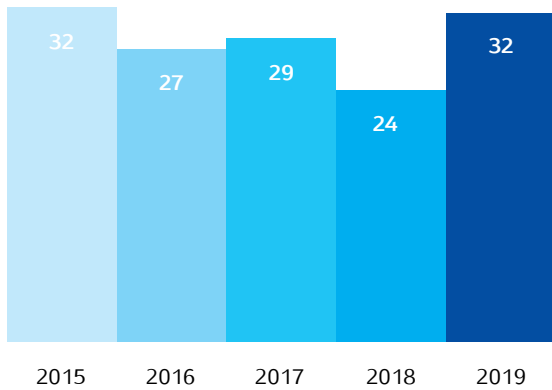
Training

Employee training as well as knowledge management and retention have become key catalysts to the growth of the organization in an era of frequent organizational change, with the Bank's employees needing to assume new positions or acquire new knowledge or skills, while the Bank undergoes intensive streamlining processes accompanied by extensive employee retirement.

In 2019, learning activities were focused on enhancing the professional knowhow of employees and managers with emphasis on core banking areas and designated training activities that support customer service, as well as organizational changes according to the Bank's business objectives. In addition, in 2019, Bank Leumi further boosted the development and implementation of data-based teaching, such as target learning at banking centers.

In 2019, the total number of training days for the Leumi Group stood at 33,362, of which 20 percent were held online in the employee’s own working environment.⁴²

Average Hours of Training per Group Employee



Leumi Jobs: Improving Transparency in Internal Transfer and Placement Processes

Leumi has an online system which allows employees and managers to view available positions at the Bank and apply for them. The platform encourages employees to play an active role in managing their careers, increases transparency, and is an expression of Leumi’s approach to promoting and developing employees.

Employee Feedback and Evaluation

During the year, two structured feedback meetings are held. The first meeting is held as part of the annual employee evaluation review, in an effort to improve employees’ performance and development, and to empower them. The evaluation meetings are structured and include reference to meeting the targets for the preceding year and setting targets and emphases for the coming year. Most of the process is conducted between employees and their direct supervisors, providing an opportunity to obtain the manager’s feedback about the employee’s performance and quality of work, coordinate mutual expectations looking forward, and discussing possible ways to pursue learning and development.

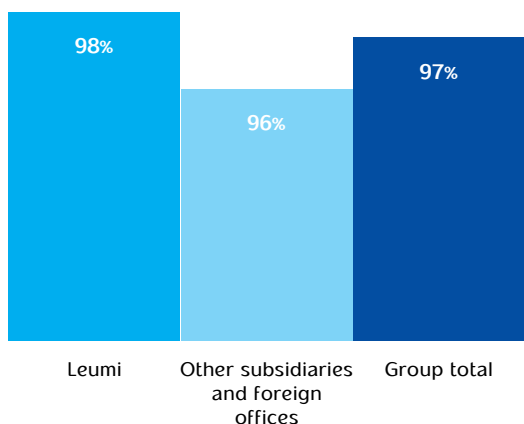
The second meeting is a mid-year dialogue, which is a less structured discussion dealing with goal achievement, feedback, and development needs.

In addition to this feedback, Leumi administers other processes, under various circumstances, to evaluate managers using external assessment entities.

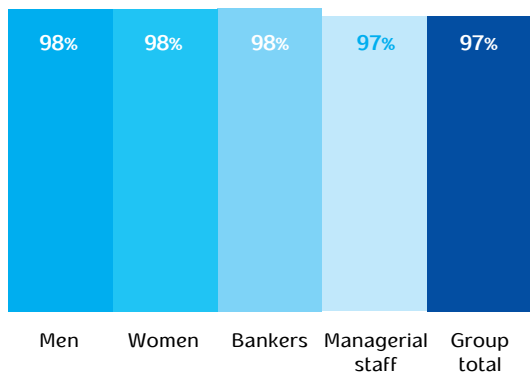
8.7% of the Bank’s employees received a pay raise during 2019

42. The data in the information systems cannot be broken down by rank or gender, pursuant to GRI requirements, and as shown in previous years. The training data breakdown shown above does not include Bank Leumi UK or Bank Leumi USA.

Percentage of employees participating in feedback and evaluation processes during 2019, by Company



Percentage of employees participating in feedback and evaluation processes during 2019, by Gender and group employee⁴³



Employee Satisfaction

Since 2013, Bank Leumi has carried out the Leumi Pulse surveys - concise, focused surveys offering a quick, continuous, up-to-date snapshot of employee perceptions about key aspects of the organizational culture, implementation of the vision and core values, about the Bank's leadership and employee engagement. The surveys' results are brought before the Bank's management as a basis for dialogue, and for drawing lessons and recommendations for improvement at the Bank's division level. Moreover, employees are informed of the main findings and plans for improvement.

69% of Bank Leumi's employees, at all of the Bank's units, responded to Leumi Pulse surveys during 2019. Survey findings showed an increase in employees' engagement and high level of satisfaction across the various metrics.

Every year, Bank Leumi allows BDI to conduct an external employee satisfaction survey, which, among other things, is used to rank the Bank among the 100 Best Companies to Work For in Israel.

- Ranked **7** among the 100 Best Companies to Work For
 - Ranked **1** in the financial sector, by the BDI and The Marker Israel survey
- For more information, please see the survey.

43. The percentage of feedback recipients at the Leumi Group is based on the percentage of feedback recipients out of the total number of participants in the annual evaluation process.

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 well-known at Leumi that there is a close connection between fulfilling one's IDF reserve duty and being a high-quality employee - more often than not, people with values and loyalty are significant contributors to the organization and have leadership and management skills.

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

During the year, the Head of the Human Resources Division sent a letter of recognition to all reserves soldiers. The letter was given to these employees by their direct superiors in functional meetings meant to boost recognition and increase awareness of the topic at Leumi. These employees also received two tickets to a Zappa Club concert of their choice.

An additional unique benefit is given to employees recognized as disabled army veterans. These employees are eligible for ten additional leave days, pursuant to their status as IDF disabled

veterans, for rehabilitation and recuperation 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 10 days.

Maternity and Parental Leave for Employees

Pursuant to Israeli law, Bank Leumi grants employees who give birth a 26-week maternity or parental leave.⁴⁴ The leave consists of a 15-week long paid leave (Maternity Leave A) and 11 weeks of unpaid leave (Maternity Leave B). At the end of the 26 weeks, an employee is entitled to continue her unpaid leave until one year from the birth date has elapsed,⁴⁵ without prejudice to her rights. After returning from maternity leave and until 12 months have elapsed from the date of birth, the employee is entitled to a "parenting hour" - working 60-90 minutes less each day (depending on the place of residence) while continuing to receive a full salary.⁴⁶

A female or male employee who has had a child is entitled to a maternity or parental leave of up to 20 weeks, consisting of 9 paid weeks (Parental Leave A) as well as up to 11 weeks of unpaid leave (Parental Leave B). It should be noted that the spouse giving birth is eligible for the mandatory paid parental leave for the first 6 weeks, such that, together, they receive a total of up to 26 weeks of maternity and parental leave.⁴⁷

425 Bank Leumi employees served about

2,850 days of reserve duty in 2019

44. For women who have been employed by the Bank for more than one year. Women who have been employed by the Bank for less than one year are entitled to 15 weeks of paid leave and unpaid leave only.

45. Subject to her seniority with the organization.

46. A full-time permanent employee. Under law, for non-permanent employees, the entitlement ends after 4 months from the beginning of the maternal and parental leave period; the number of parenting hours is determined according to the employee's place of residence.

47. As long as the spouse giving birth meets the legal requirements thereto.

A male or female employee is entitled to continue their unpaid leave until one year from the birth date has elapsed, without prejudice to their rights.⁴⁸ After returning from maternity leave and until 12 months from the date of birth have elapsed, and if the mother waives them, her

spouse is also entitled to parenting hours, as mentioned above.⁴⁹

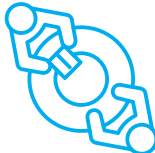
Employees returning from maternity or parental leave return to their former positions, except in exceptional cases, in agreement with the employee.

Data on Maternity and Parental Leave for Employees - Bank Leumi

Bank Leumi Data	Women	Men	Total
No. of employees who have taken maternity or parental leave in 2019	418	5	423
No. of employees who returned from maternity or parental leave in 2019	469	5	474
Ratio between the no. of employees who have taken maternity or parental leave and returned to work in 2019	112%	100%	112%
No. of employees who have taken maternity or parental leave in 2018 and have worked at least 12 months after their return to work	266	5	271
Ratio between the no. of employees who have taken maternity or parental leave in 2018 and have worked at least 12 months after their return to work and the no. of employees who have returned from maternity or parental leave in 2018	46%	63%	46%

Employee Turnover

One of Leumi’s metrics for a healthy organizational culture is the Bank’s ability to retain its most talented and skilled employees. In 2019, the departure rate at Bank Leumi was 12 percent.



For more information on the breakdown of employee turnover by age, please see p. 105

Employment Termination and Retirement

Bank Leumi offers its employees retirement training courses a year before they reach retirement age. The courses feature lectures on a range of topics, including retirement as a turning point, post-retirement from a social perspective, organizing time post-retirement, relationships with the family after retirement, improving memory, leading a healthy lifestyle, wills and inheritance, retirement and post-retirement targets and investment planning, sleep disorders, volunteering, and medical insurance, etc.

48. Subject to the employee’s seniority with the organization.

49. A full-time permanent employee. Under law, for non-permanent employees, the entitlement ends after 4 months from the end of the maternity and parental leave period. The parenting hour may be split between the two parents.



Leumi. Social. Sustainable in Times of Crisis Too | Human Capital

The outbreak of the coronavirus in Israel, alongside the emergence of a global crisis, necessitated Bank Leumi to make rapid adjustments to the manner in which it manages its human capital.

Upon the initial outbreak of the virus in Israel, Bank Leumi placed the health of its employees and customers above all else, and rendered the guidance issued by the Ministry of Health more strict even before it was approved by the government. Under this approach, over one third of Bank employees telecommuted during the lockdown, including trading room employees, investment advisors, and account managers - who worked flexible hours, all while maintaining the strictest cyber security precautions. Leumi is currently studying how to streamline work from home even under normal circumstances.

One of the principles guiding the Bank's management and the Workers' Union was the employees' income security. Although many employees did not work during the lockdown, no employee was put on unpaid leave, all employees received wages on time, and the Bank participated in, and shared the cost of, some of the vacation leave days.

The switch to telecommuting and remote supervision, alongside the need to cope with employees going into individual quarantine, brought forth new challenges for the Bank's management. For these purposes, customized managerial tools were developed for the period and circumstances, which included, among other things, reinforcing aspects of personal and managerial resilience, remote supervision, and more. Throughout the crisis, managers were provided a variety of tools to assist them in seeing all these challenges through, as well as more focused support for those who needed it. Additionally, despite the physical restrictions, the Bank continues to invest in human capital while converting training and instruction to digital formats and creating a period-appropriate leadership program.

In terms of employee experience, the Bank deemed it important to ensure that employees are regularly updated on decisions and guidelines. The Human Resources Division was at the forefront of internal communications with Leumi employees, a multi-discipline team was established to handle regular communications through the various channels - such as text messages, video messages, and live conversations with the President and CEO, and worked daily to address the changing guidance, while addressing needs and sensitivities and raising common and individual issues with the President and CEO and members of management.

Objectives

Objectives for 2019

Subject matter	2019 objective	Status	Details
Diversity Hiring	Hire employees from diverse populations	Done	16 people with disabilities were hired by Leumi
Health and Safety	Achieve a 10 percent year-on-year drop in work accidents with casualties	Done	Achieve a 10 percent year-on-year drop in work accidents with casualties as a result of construction or maintenance deficiencies
Health and Safety	Hold the required safety certifications for safety trustees for relevant employees according to regulations	Done	Complete training and certification for 100 percent of all trustees at locations with 20 or more employees.
Health and Safety	Train construction and maintenance contractors on work safety	Done	Conduct work safety training for new contractors and periodic training (every 2 years) for others - at least 50 percent of the potential number
Health and Safety	Have safety supervisors at the branches and headquarters conduct 70 safety surveys	Done	<ol style="list-style-type: none"> 1. Complete the safety survey automation process. 2. Complete 35 safety surveys from 2018. 3. Conduct 35 safety surveys for 2019.
Health and Safety	Hold refresher courses for all safety trustees at the branches	Done	Train 90 percent of the branch trustees
Health and Safety	Control over branch safety surveys	Partially done	Monitor the 20 safety surveys conducted during 2019 and over the past few years

Objectives for 2020

Subject matter	2020 Objective	Details
Diversity and Inclusion	Diversity hiring	Hire 10 people with disabilities
Security and safety	Reduce work accidents with casualties compared to 2019	Achieve a 10 percent year-on-year drop in work accidents with casualties as a result of maintenance hazards and/or poor planning.
Security and safety	Have safety supervisors at the branches and headquarters conduct safety surveys	Complete 100% of the safety surveys required for the current year according to the 5-year work plan.
Security and safety	Train safety trustees in branches with more than 20 employees	Train 90 percent of the branch trustees
Security and safety	Train safety trustees in branches according to an multi-annual plan	30 branches in which internal and external inspections will be conducted



Environmental, Social and Corporate Governance Performance

Approx. **4.55%**

Decrease in the Group's energy consumption compared to 2018

Approx. **92%**

of the power consumed by Leumi was purchased from private power producers

Approx. **9.4%**

Decrease in the Group's carbon footprint compared to 2018

Carbon offsetting—planting **300** trees in the South of Israel, in areas hit by fires, and investing in the **construction of a solar roof** to save power in Kfar Ofarim

A **2%**

decrease in fuel consumption compared to 2018

100%

of all paper and electronic waste generated by Leumi is recycled

45,000 m³

the estimated water loss prevention in 2019

44%

percentage of women on the Board of Directors



Environmental Aspects

The environmental impacts of companies' business operations is an integral part of the Leumi Group's business and financial considerations in all the markets in which it operates.⁵⁰ The Group recognizes its responsibility for managing the direct and indirect impacts of its operations and for reducing the negative impacts on the environment, climate, and natural resources available in the areas of in which it operates. For this purpose, in addition to complying with regulatory requirement, the Leumi Group strives to voluntarily adopt and comply with the leading and most advanced standards in this field globally.

The Leumi Group's direct impact on the environment is derived from three main factors:

- **Energy consumption:** consumption of power, fuels for transportation, and emergency generators
- **Carbon footprint:** direct and indirect carbon emissions resulting from energy consumption
- **Waste and water:** responsible treatment of electronic waste and paper waste, and total water consumption



For more information regarding Leumi's Environmental statement, please see the Bank's website



For more information on the total environmental credit granted by Leumi during 2019, please see p. 36

As of 2019, the Bank was not penalized or fined in respect of environmental offenses.

50. All the data in the chapter refer to the environmental performance of Leumi only, which employs approx. 91% of all employees in the Group and over 91% of its profits. To maintain the completeness of the reporting, data for previous years include Leumi Card. When assessing the rate of change compared with last year, only Bank Leumi's data were taken into account.

Initiatives and Activities to Protect the Environment

Promoting and Raising Awareness to Environmental Issues at the Bank

- **Environmental trustees:** Environmental trustees have been appointed at all of Leumi's branches, as well as at the headquarters units. They 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:** As part of the transition to digital, customers sign orders digitally, whether through their mobile phones or through touch screens at branches, rather than signing hard copies. This led to a 50% reduction in the number of documents printed at branches for the purpose of performing banking transactions.
- **Eco-friendly mail:** The Leumi Group promotes its customers' transition to using eco-friendly mail, i.e. - simple and convenient online messaging, through one's computer or mobile phone - which allows for reducing paper consumption. Approx. 2 million Leumi customers use this service.
- **Environmental aspects of the supply chain:** To reduce the Bank's adverse environmental impact, environmental best practices are applied to procurement procedures of construction, maintenance, and electronic products, such as lighting and refrigerators. The list includes cleaning detergents, product packaging, biodegradation rate of the materials, use of recycled or recyclable materials, modularity and convenience of reuse, use of hazardous materials, energy and water resource conservation, and more. Furthermore, as part of the Bank's detailed specifications for workstation procurement, the Bank requests information about the product's power consumption. This figure is taken into account in the product evaluation process.

Reduction of Energy Consumption

- Reducing the need to arrive at branches:** The Bank offers advanced digital solutions allowing its customers to receive services without needing to go to a branch (such as the "Schedule an Appointment" service enabling customers to access telephone support). Thus reducing air pollution and fuel consumption by making trips to branches redundant.
- Shuttle service for employees:** To save fuel and optimize employees' transit between headquarters and the service center - located in Tel Aviv, Lod, and Bnei Brak - Leumi offers shuttle service between its sites.
- Transportation service for employees:** Leumi offers employees roundtrip transportation to and from work.
- Encouraging employees to commute by bicycle:** As part of the push for sustainable transport at Leumi, designated bicycle parking spaces were created at Bank Leumi headquarters in Tel Aviv and at the Leumi Service Campus in Lod. Showers were also installed for employees wishing to commute by bicycle.
- Purchasing power from small producers:** As of 2014, Leumi consumes most of its electricity from private power producers.
- Replacement of lighting fixtures with cost-effective ones:** In 2019 the Bank continued to take steps in this area in branches and headquarters buildings. Furthermore, several LED lighting fixtures were installed, which are characterized by high-energy efficiency and a longer-than average life.
- Analysis of energy consumption patterns at the branches:** As part of renovation and energy efficiency projects, the Bank frequently installs energy monitoring systems and smart building systems at the branches and headquarters buildings, to enable analysis of energy consumption patterns.
- Green Building:** When building a new branch or renovating existing ones, environmental aspects such as window coating on warm facades, remote control systems, schedules/sensors for automated turning off of air conditioning, lighting, etc, are taken into account.

The total energy consumption of the Leumi Group in 2019 was 323,950 gigajoules.⁵¹

4.55% year-on-year energy consumption reduction by the Group.

51. As of 2017, data measuring systems were improved. As a result, the report also includes data on gasoline consumption for all of the executives' leased cars and data on the total diesel fuel consumption by Leumi's vehicles.

Power Consumption

Due to the nature of banking activity, over 77% of the Leumi Group's energy consumption comes from electricity. Efforts are made to reduce power consumption through various projects and processes.⁵² Approx. 92% of the power consumed by Leumi was purchased from private power producers. In 2019, there was a 5.4% year-on-year reduction in the Leumi Group's power consumption.

In 2019, the Bank promoted a project of a natural gas-fired power plant on the Bank's premises. As part of the project, the Bank also won a tender of the Electricity Authority, allowing it to receive a subsidy given to small private electricity manufacturers.

Total power consumption excludes 70,000 kWh that were produced by photovoltaic cells (solar energy) and sold back to the Israel Electric Corporation.⁵³

Fuel Consumption

Most of Leumi Group's fuel consumption is made by its fleet of vehicles. In 2019, 2,219,481 liters of gasoline and 41,670 liters of diesel fuel were consumed. This figure reflects a 2% year-on-year reduction in fuel consumption.

Carbon Offset

As part of its community outreach activity, Leumi invested in the installation of a solar roof in Kfar Ofarim, a home for autistic adults in Ramat Hasharon. The solar roof generates approx. 85,000 kWh annually, resulting in reduced power consumption and electricity cost savings for the institution. The meter has been defined by the Israel Electric Corporation as a "net meter", enabling the facility to save power over the next 20 years.

In addition, in 2019, 300 trees were planted by dozens of Leumi's volunteers in Kibbutz Or HaNer in Southern Israel, an area damaged by fires.

Carbon Footprint

The carbon footprint of the Leumi Group in 2019 was 38,522 tons CO₂e.⁵⁴ This represents a 5% year-on-year decrease in the Group's carbon footprint.

An adjusted comparison to the Group's carbon footprint intensity data reported in 2018 shows a 9.4% year-on-year decrease.

52. As of 2015, the Group improved its measuring and reporting of power consumption data, which now include power consumption in the branches and in properties in which electricity bills are paid directly to the property management companies. The Bank makes every effort to gather ongoing power consumption data on all its properties and branches for which the electricity bill is paid directly to the property management companies. The total consumption in these properties may vary from time to time, depending on the availability of the information and does not necessarily reflect an increase or decrease in the Bank's power consumption.

53. Pursuant to the regulation, all renewable energy generated by Leumi (using solar panels) is sold to the Israel Electric Corporation.

54. This figure includes Leumi's emissions across all three scopes; the carbon footprint components were calculated using the Greenhouse Gas Emissions Calculator of the Ministry of Environmental Protection, published in 2019.

Responsible Recycling and Disposal

The Group's commitment to environmental protection includes responsible disposal of its waste. Most of the waste produced by the Group is electronic and paper waste, which is collected and disposed of by authorized contractors.⁵⁵

In 2019, 877.5 tons of waste were recycled, as follows:

Leumi's categories:	Units	Leumi in 2019
Collecting batteries from employees and customers	Tons	1.08
Cardboard recycling	Tons	39
Fluorescent tube recycling	Tons	0.42
Paper recycling	Tons	674
Electronic waste recycling	Tons	163
Total waste sent for recycling	Tons	877.5

Paper consumption by Bank Leumi totaled 569 tons - an overall 12.4% year-on-year decrease. 100% of the paper waste generated by Leumi is sent for recycling. In 2019, the paper waste sent for recycling totaled approximately 674 tons.⁵⁶

In 2019, Leumi continued its efforts to increase the use of recycled paper, which is currently used by most headquarters units. As of the end of 2019, recycled paper accounts for about 5.6% of Leumi's total paper consumption.

The Leumi Group generated approximately 163 tons of electronic waste - a 37% decrease compared with last year; 100% of the electronic waste was sent for recycling.

Apart from the electronic waste, the total hazardous waste collected by Leumi during 2019 was approx. 18 tons. 100% of the hazardous waste was recycled.⁵⁷

55. Under the Bank's guidelines, all office paper is transferred for shredding and recycling, and all electronic waste is transferred for recycling by the Recycling Corporation.

56. Printing paper and envelopes; paper recycling exceeded paper consumption due to disposal of archived documents and closing of branches.

57. Hazardous waste includes batteries, magnetic media, and fluorescent light bulbs.

Consumption and Treatment of Natural Resources

Water Consumption

Due to the nature of the Bank's activities, most of its water consumption is for office use. In order to maintain proper monitoring and management of water consumption, Leumi has installed a system that identifies and neutralizes water leaks. Furthermore, smart taps were installed at all branches and most headquarters units. Thus, and by using a further control mechanism to monitor water saving, the Bank was able to maintain its water consumption at a similar level over the years.

Total consumption for 2019 was 148,659 m³. Adjusted to the number of employees, the water consumption per Bank employee is approximately 17.6 m³. In accordance with data provided by WINT – the company that runs the smart tap systems installed on Leumi's premises throughout the country – the systems prevented the loss of approximately 45,000 m³ in water during 2019 (the data are based on actual identified water leaks amounting to 1,771 m³ during 2019).

Prevention of Leakage

Leumi manages its diesel fuel reserves for regular use and emergency purposes in accordance with the law and regulations, including periodic leak testing of the containers. In recent years, including 2019, no leaks were detected.

Corporate Governance

As a complex 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 field is material for its business success.

Bank Leumi is a limited liability public company incorporated in accordance with the Companies Law, 1999 (hereinafter: the "Companies Law") and a reporting corporation as per the Securities Law, 1968; it is defined as a banking corporation pursuant to the Banking (Licensing) Law, 1981 and holds a banking license pursuant to the aforesaid law. As a "bank" and "banking corporation", Bank Leumi is regulated and governed by a system of laws, ordinances and regulations, including, inter alia, 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's directives, rules, guidance and position papers. Bank Leumi's articles of incorporation, which were approved by the Bank's shareholders, and which govern the activities of the Bank, are published on the MAGNA website of the Israel Securities Authority (www.magna.isa.gov.il). The Bank's articles of incorporation, as well as the rules and procedures governing the Bank, regulate, among other things, the corporate governance aspects of Leumi's activity, including the Board of Directors' conduct, risk management, capital management and credit granting, fairness of customer service, proper disclosure of information, executives' compensation, etc. It should be noted that the Board of Directors' work procedure, which regulates the activities of the Bank's Board of Directors, reflects these 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

Pursuant to Directive No. 301, which deals with the Bank's Board of Directors, the Board of Directors outlines Leumi's strategy, including the Group's risk appetite, and approves the policies that guide its ongoing operations; the Board of Directors oversees management's actions and ensures that they are in line with the policies it has set; the Board of Directors verifies the existence of clearly defined areas of responsibility and clear reporting; the Board of Directors defines the roles, powers, and duties of the President & CEO and his reporting to the Board of Directors; the President & CEO is responsible for guiding and coordinating the activities of the members of management. In addition, the Board of Directors outlines the organizational culture, which requires the implementation of high standards of professional conduct and integrity, and approves the Bank's Code of Ethics; the Board of Directors ensures that Leumi 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. From time to time, management reports to the Board of Directors and its committees on various issues, including the Bank's customers (as well as service and conduct) and its employees, and discusses those issues. In December 2019, the Board of Directors approved the Code of Ethics and the Bank's vision, and also discussed the Code of Ethics in 2019 according to the directives of the Bank of Israel. In 2019, the Board approved the Bank's donations policy for 2020, which includes the Leumi Group's community outreach budget, revised in 2020.

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 process of electing the Bank's board members complies with the requirements of the Companies Law, the Banking Ordinance, 1941, the Banking (Licensing) Law, 1981, the Banking Supervision Department's directives, and the Bank's articles of incorporation. In a banking corporation without a controlling core, only the following may propose to the General Meeting candidates to be appointed as directors: (1) Board Members Nomination Committee in Banking Corporations, established by the Governor of the Bank of Israel under Section 36A(a) to 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 less than 2.5%, and jointly – 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 board members are elected by the General Meeting for a term of 3 years and may be re-appointed for 2 additional terms of 3 years each. The Board Members Nomination Committee for Appointing Directors is an independent committee that is in charge of electing board members in banks without a controlling core, and its composition is determined by the Banking (Licensing) Law. Pursuant to Section 36A of the Banking (Licensing) Law, the composition of the committee is to include two board members with the status of external directors. For this purpose, the meaning of "external director" is as defined by the Companies Law or Proper Conduct of Banking Business directives regarding the board of directors.

The Bank has no influence over the candidates' identity or selection, and it is not privy to data pertaining to their selection process, including the number of meetings held by the Nomination Committee during the reporting year, and the participation rate of the members of the Nomination Committee.

As of August 2020, Leumi's Board of Directors comprises 9 members: Under the amendment to Directive No. 301, published on July 5 2017, the maximum number of members on the Board of Directors of banking corporations is to be reduced to 10 by July 1 2020.

On November 6 2018, the Bank received guidance from the Banking Supervision Department, whereby in order to comply with the provisions of Directive No. 301 as well as with guidance issued in previous years to reduce the number of directors, in 2019 the number of directors will be reduced to 10 through the directors ending their third and last term. In this context, it should be noted that Mr. David Brodet (former Chairman of the Board) and Yoav Nardi (former member of the Board under the status of "other director") have ended their third and last term with the Bank on July 21 2019. As of July 22 2019, the number of members on Bank Leumi's Board of Directors is down to 10.

At a Board of Directors meeting held on June 30 2019, Dr. Samer Haj Yehia was appointed Chairman of the Bank's Board of Directors in lieu of Mr. David Brodet. Dr. Samer Haj Yehia's appointment came into effect on July 22 2019, the date on which the Banking Supervision Department approved his appointment.

On November 7 2019, Dr. Yitzhak Sharir ended his tenure in the Bank, and as from that date, the number of Board members decreased to nine. For more information, please see the Bank's 2019 Annual Financial Statements.

On August 5 2020, the Bank published a summons for an annual General Meeting to be convened on September 10 2020, the agenda of which was to include the following items: (1) Discussion of annual financial statements; (2) Appointment of independent auditors and authorization to set their fees; (3) Appointment of two external directors in accordance with the status of "Other Director" – a director who is not an external director pursuant to Section 11D(a)(2) to the Banking Ordinance, 1941;

(4) Appointment of an external director in accordance with Directive No. 301.

In accordance with Directive No. 301, the legal quorum required at the Board of Directors' meetings and for voting on its resolutions is a majority of the Board members, provided that at least one third of the Board members are directors meeting the eligibility requirements for external directors pursuant to Directive No. 301 (hereinafter: "External Directors").

Pursuant to Directive No. 301, at least one third of the directors should be external directors. As a result, as of August 2020, the Bank's Board of Directors includes 6 directors who are classified as external directors, including 4 EDs in accordance with 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 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 the financial statements.

In determining the said minimum number, the Board of Directors took into account 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 auditing by the independent auditors. In addition, all Board members comply with the legal qualification requirements for serving as directors.

As of August 2020, and as approved by the Board of Directors based on their education,

experience, skills and knowledge, all members of the Board meet the definition of directors with accounting and financial expertise and professional qualifications in accordance with the Companies (Conditions and Tests for a Director with Accounting and Financial Expertise and Director with Professional Qualifications) Regulations, 2005.

All of the Bank's directors 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 regarding the prohibition of affinity, inter alia, to the Bank), to a corporation under the Bank's control, to an executive in the Bank or a holder of more than 2.5% of the Bank's shares), the majority required for their election, their term of office, and more. A candidate for the Board of Directors is required to comply with a due diligence (fit and proper) process to assess their suitability, and their appointment is subject to approval by the Banking Supervision Department.

In 2019, the Bank held a training program for the members of the Board on topics such as corporate social responsibility, risk management, accounting, technology and IT, as well as regulatory updates.

Under Directive No. 301 - prior to its amendment published in July 2017 - at least one fifth of the Board members are required to have "banking experience". Thus, as of August 2020, the Bank's Board of Directors includes 3 directors classified as having "banking experience" - Tamar Gottlieb, Zipora Samet and Irit Shlomi.

As of August 2020, the Bank's Board of Directors includes one director classified by the Board as having proven knowledge and experience in information technology: Dr. S. Haj Yehia, Chairman of the Board.

Pursuant to the revised Directive No. 301, published on July 5, 2017, changes were made to the eligibility requirements of members of the Board of Directors, which will become effective

July 1 2020, as follows: 1) The mandatory portion of directors with banking experience will increase from one fifth to one third; 2) At least half of the Board members will be required to have “professional qualifications” as defined in the Companies (Conditions and Tests for a Director with Accounting and Financial Expertise) Regulations, 2005; 3) At least one Board member should have adequate knowledge and proven experience in information technology.

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. As outlined above, the Chairman of the Board of Directors is of Arab origin. The directors do not report to the President and Chief Executive Officer.

In accordance with the Bank’s articles of incorporation, the Board of Directors elects one of its members to serve as chairman of the Board of Directors. In accordance with the Companies Law, the Chairman of the Board or his/her 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 2019, Leumi’s Board of Directors held 50 plenum meetings and its committees held 98 meetings.

From January to June 2020, Leumi’s Board of Directors held **28** plenum meetings and its committees held **35** meetings.⁵⁸

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 August 2020, the Bank’s Audit Committee includes 6 board members who are classified as external directors and 4 classified as EDs, one of whom serves as the committee’s chairman. The independence, expertise and service period of the committee members are determined by the provisions of the Companies Law, Banking Ordinance and the Bank of Israel’s Proper Conduct of Banking Business directive and are not under the Bank’s control. In accordance with Directive 301, at least 2 of Audit Committee members shall have accounting and financial expertise. The Bank’s Board of Directors determined that, at any given time, at least 3 directors with accounting and financial expertise will serve on the Board of Directors’ Audit Committee. As of this date, all directors serving on the Audit Committee have accounting and financial expertise. During 2019, the Audit Committee held 42 meetings.⁵⁹

The Board of Directors’ Strategy Committee discusses, among other things, the Bank’s management of the corporate social responsibility and its compliance with the Bank’s overall strategy. The Bank’s Board of Directors discusses and the Corporate Social Responsibility Report and the corporate social responsibility (CSR) objectives of the Bank and the Group for the coming years, as well as their implementation status. In 2018, the Corporate Responsibility Report was presented and approved by the Board of Directors’ plenum and subsequently approved by the Board of Directors’ plenum as well.

The Head of the Human Resources Division is responsible for presenting the annual Corporate Social Responsibility report to the members of the


58. For more information about the Board of Directors and its committees’ please see the Corporate Governance section on the Bank’s website.

59. For more information about the committee’s composition, please see the Board of Directors and its committees’ please see the Corporate Governance section on the Bank’s website.

Strategy Committee. The report reviews the implementation of the corporate social responsibility plan, the organization’s performance, whether it has met its goals and the objectives for the coming years.

It shall be emphasized that each of Leumi’s subsidiaries has its own board of directors. Corporate governance in the subsidiaries is conducted in accordance with relevant laws and regulations, and in the spirit of conduct at Leumi. 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 under law.⁶⁰ During 2019, 4 meetings of the Strategy Committee were held at Bank Leumi.⁶¹



For more information on the participation rate of Board members in Board meetings during the year, please see the 2019 Annual Financial Statements and Corporate Governance Questionnaire

Composition of the Boards of Directors at Leumi Bank⁶²

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	Age 51+	Main committees
9	6	9	4	0	1	8	Audit*, Risk Management, Credit, Information Technology and Technological Innovation, Strategy

*On July 22, 2020, the Bank’s Board of Directors approved the separation of the Remuneration Committee from the Audit Committee. Full details on the members of the Board of Directors can be found in Leumi’s 2019 Financial Statements on the Israel Securities Authority’s website and the Bank’s website.⁶³

The average age of the Board members is 66, with the youngest being 50 and the oldest – 74. There is no procedure limiting the age of a Board member but their maximum term of office is restricted – up to three terms of three years each.

60. Information about the committees of the Board of Directors, their composition and functions can be found on the Leumi website.

61. For more information about the committee’s composition, please see the Board of Directors and its committees’ please see the Corporate Governance section on the Bank’s website.

62. The data in the table are updated as of August 2020.

63. The Magna system: www.magna.isa.gov.il

Activity of the board of directors

During 2019, Leumi's Board of Directors continued to carry out its duties, including - but not limited to - formulating strategy, supervising management's actions and their compliance with the Board's policy, ensuring clear boundaries of responsibility and reporting at the Bank, instilling a corporate culture which requires implementation of high standards of professional conduct and integrity, approving financial statements, approving policies in various areas - including risk management, and more.

Raising Issues for the Board of Directors' Agenda and General Meeting

The agenda for Leumi's Board of Directors is determined by the Chairman of the Board, in coordination with the President and Chief Executive Officer of the Bank, taking into account 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. In general, the President & CEO, with the assistance of the Head of the Human Resources Division, manages all interactions regarding employees, subject to the receipt of appropriate approvals from the Board of Directors, if required. The Audit Committee of the Board of Directors has approved a procedure governing mechanisms for reporting on unusual activity by employees, inter alia, to the Chairman of the Audit Committee, as well as mechanisms to protect the identity of whistleblowers. It also receives periodic reports from the compliance officer regarding various issues, inter alia, on significant compliance and money laundering violations. In 2019, no complaints were made to the Board of Directors on critical material responsibility issues.

Shareholders' Meeting: The agenda of the shareholders' General Meeting is set by the Board of Directors. Certain shareholders may request that the Board of Directors include additional issues on the General Meeting's agenda, provided that the matter may be discussed by the General Meeting. By law, the Bank is obligated to publish a preliminary 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. In 2019, the Bank issued such a preliminary notice. The Bank publishes timely summons to general meetings, according to law. As part of the summons report, the Bank outlines the proposed agenda, the majority required to pass resolutions, as well as an explanation of the shareholders' right to vote in the General Meeting on the various topics, including appointment of directors. In accordance with the law, the preliminary notice, meeting summons, and all General Meeting resolutions are published by way of an immediate report on the MAGNA system. The voting method used by institutional shareholders, interested parties and/or Senior Officers is published as part of the resolutions of the General Meeting in cases 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' perusal at the Bank offices but not published.

Preventing Conflicts of Interest

Leumi operates in accordance with the legal regulatory provisions regarding conflicts of interest, including the provisions of the Companies Law and Directives Nos. 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 for the best interest of the Bank. 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 prescribe mechanisms for avoiding 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 on participating in discussions and decision-making of the Board of Directors and its committees.

At the time of their appointment and twice a year thereafter, all directors are asked to provide regular information about positions held by them or their relatives and/or their holdings, or their relatives' holdings, in corporations, which may be considered as being in conflict with the Bank's 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 a rule, as managers in those companies.

Monitoring Performance and Risk Management

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

- Every six weeks, the Board of Directors receives a monthly report on the Bank's financial position, submitted in writing by Leumi's President and Chief Executive Officer, and discusses it.
- Following the Audit Committee's recommendation, the Board discusses the Bank's annual and quarterly financial statements and approves them.
- Once a year, the Board of Directors shall discuss, decide, approve and sets guidelines, as the case may be, regarding the overall risk management framework set in the ICAAP document and in policy documents describing the internal exposure limits and the manner of risk management for each of the Bank's material risks, including the risks of all the corporations it controls and its offices, having received the Risk Management Committee's recommendation in a joint meeting with the relevant Board of Director committee.
- Each quarter, the Board of Directors discusses a quarterly risk report, which outlines the Bank's and Group's risk profile, following discussion by the Risk Management Committee. The Board of Directors also discusses, decides approves and sets guidelines, as the case may be, regarding each of the Bank's new material products (such as: a new derivative financial instrument which is significantly different from the Bank's existing instruments, creating a new exposure, market making, etc.).
- Every six months, the Board of Directors discusses the implementation of the decisions of the Board's 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 (such as the independent auditor).
- The Board of Directors has defined a list of exceptional events (which is revised from time to time)

about which it wishes to receive reports. In accordance with the work plan approved by the board of directors, the Internal Audit Division carries out audits at a predetermined frequency, inter alia on the implementation of the Board's decisions on the matters being audited and the process of monitoring the Board of Directors' decisions.

- A material deviation, as defined by the Board of Directors, from limits set as part of a policy that approved by it is brought for approval by the Board of Directors.
- The Board of Directors maintains supervision and control mechanisms over the Leumi Group's subsidiaries.
- The Risk Management Committee of the Board of Directors receives regular periodic reports on relevant issues, including from the Chief Risk Officer, and submits its recommendations on these issues to the Board of Directors' plenum. In addition, the Chief Risk Officer reports to the Committee effective immediately, and if necessary - to the Board of Directors as well - on any issue, finding, or deficiency under her 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.
- The Audit Committee holds semi-annual meetings with the following: Chairman of the Board, President & CEO, Chief Internal Auditor, Chief Legal Counsel, independent accountant, Chief Compliance Officer, Chief Accountant, Chief Risk Manager, Head of the Finance Division, and Head of Human Resources.

Assessing the Board of Directors' Performance

Pursuant to Directive No. 301, every two years, the Board conducts a process of self-assessment to examine the effectiveness and efficiency of its work, including the Board's structure, the composition of its committees and compliance with the Bank's strategy and activity characteristics, as well as its work processes, in order to identify any shortcomings in its work. Later on, the Board discusses the findings of the assessment process and implements any necessary changes in its work.

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

Officers and Executives 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 (on December 31 2017, the Board Of Directors decided to merge the Audit Committee and Compensation Committee so that the Audit Committee will also serve as the Compensation Committee), the Board of Directors and general meeting.

The Bank's executive compensation policy is subject to approval by the Bank's general meeting and is brought for approval by the general meeting at least once every 3 years. In a general meeting held on December 23 2019, 876,615,075 out of 1,100,527,536 participating shares voted in favor of the compensation policy, while 223,912,461 shares voted against it.

On December 23 2019, the Bank's General Meeting approved the revised compensation policy for Bank's Officers (hereinafter: the "Compensation Policy") (after approval by the Board of Directors and in accordance with the approval and recommendations of the Audit Committee). The Compensation Policy shall apply from the beginning of 2020 through the end of 2022. The Compensation Policy is based, inter alia, on the provisions of Amendment 20 to the Companies Law regarding terms and conditions of office and employment of bank officers, on Proper Conduct of Banking Business Directive regarding the compensation policy in a banking corporation and on the provisions of the Law of Officer Compensation in Financial Corporations (Special Permit and Non Tax-Deductible Expenses Due to Exceptional Compensation), 2016 (hereinafter: the "Compensation Limitation Law.")

The Compensation Policy prescribed the framework for compensation of the Bank's officers, and refers, among other things, to the fixed compensation component, which is the main compensation paid to officers; the fixed compensation includes a fixed salary, social benefits and related benefits, retirement and termination-of-employment terms, and to variable bonus components that include any compensation which is not fixed, including: an annual performance-based measurable bonus, which is composed of a bonus component based on the Bank's weighted return on equity, a bonus component based on the difference between the return on Bank's share compared and the return of the TA-Banks index, and a bonus component based on the Bank's weighted efficiency ratio, a personal qualitative bonus based on meeting personal targets and qualitative criteria in accordance with the relevant officer's areas of responsibility, as well as a special bonus in respect of exceptional events. It should be noted that members of the Board of Directors, including the Chairman of the Board of Directors, are not entitled to a variable annual bonus. The Bank's President & CEO is not entitled to a variable annual bonus, unless decided otherwise by the Bank's competent organs.

Total amount payable in variable bonuses to an officer is limited to 8 monthly salaries per year; for exceptional events, the Audit Committee and the Board of Directors may approve a further special bonus of no more than one monthly salary to any officer. Furthermore, the Bank's Board of Directors will have the power to reduce the annual measurable bonus at its discretion, after approval of such reduction by the Audit Committee. 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 puts in place arrangements for deferral of variable bonus payments to officers, whose payment is subject to the Bank's meeting the capital adequacy ratios shortly before each of the vesting dates as required under the Banking Supervision Department's directives.

The compensation policy sets various mechanisms and arrangements designed to allow the Audit Committee and the Bank's Board of Directors the approval of changes in the compensation policy or the compensation components, the terms of service of officers to whom the compensation policy applies, during the period of the compensation policy, without being required to obtain again the approval of the General Meeting on the date of such approval. Such revisions to the policy shall be applied whenever the circumstances as of the revision date will justify, in the opinion of the Bank's Audit Committee and Board of Directors, the implementation of such revisions.

Thus, for example, according to the compensation policy the Audit Committee and Board of Directors may link the Bank's lowest compensation for purposes of Section 2(B) of the Compensation Limitation Law to the compensation ceiling of the Bank's officers, such that total compensation components to officers (excluding a compensation the expense in respect of which is not projected in accordance with generally accepted accounting principles), will increase at the same rate as that of the Bank's lowest compensation

at that time. The compensation policy further prescribes that the compensation of any of the Bank's officers reporting the President & CEO of the Bank (in addition to the Chairman of the Board and the President & CEO) may exceed, in accordance with the resolution of the Audit Committee and the Board of Directors, the threshold set in Section 2(A) of the Compensation Limitation Law, in which case a portion of those officers' salary will not be recognized as an expense deductible for tax purposes, as set out in Section 32(17) of the Income Tax Ordinance.

It should be noted that on July 22 2020, the Bank's Board of Directors approved the split 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 executives of the Bank. Pursuant to the provisions of the Companies Law and Directive No. 301, the Committee comprises External Directors and EDs. If necessary, the Compensation Committee is assisted, inter alia, by external independent consultants.

More information on the compensation policy can be found in Appendix A of the Bank's immediate report dated November 10 2019, regarding the convening of a special general meeting which approved the Compensation Policy.^{64 65}

The Bank's Independent Auditors

In a General Meeting held on July 18 2019, it was resolved to reappoint accounting firms Somekh Chaikin (KPMG) and Kost Forer Gabbay & Kasierer (EY) as the Bank's joint independent auditors, for the period starting on the date of the said annual General Meeting until the approval date of the Bank's annual financial statements for 2019 (hereinafter: the "End Date") and authorize the Board of Directors to set their fees. It was also resolved to appoint Somekh Chaikin (KPMG) and Brightman Almagor Zohar & Co. (Deloitte) as joint independent auditors of the Bank for a period that will commence after the End Date and until the next annual general meeting of the Bank and to authorize the Bank's Board of Directors to set the fees.

On August 5 2020, the Bank published a summons for an annual general meeting to be held on September 10 2020, the agenda of which is expected to include the reappointment of the independent auditors and authorization to set their fees.



For more information regarding officer compensation, please see the MAYA website and the 2019 Financial Statements

64. Ref. No.: 2016-01-066408.

65. For more information regarding the Bank's executive compensation policy, please visit <https://english.leumi.co.il/Articles/37696/>

Internal Auditing

The Internal Audit Division is responsible for auditing the entire Leumi Group and its units in Israel and overseas, in accordance with the multiyear work plan that assists the Group in achieving its targets. The Audit Division sees its mission as assisting tool for proper and effective operations of the Group, a management tool for supporting the Bank's managerial backbone, and aiding the Board of Directors and management in fulfilling their responsibilities.

Pursuant to Proper Conduct of Banking Business Directive No. 307, the Audit Division performs an independent evaluation of the effectiveness of the Bank's internal control framework, in order to maximize value and improve the activities of the Bank and the Group. The functions of the Audit Division include:

- Verifying that the Bank's actions comply with the law, regulations, and Bank's policy and procedures
- Verifying that decisions and directives of the Board of Directors and its committees are implemented
- Examining and assessing the Bank's internal audit systems and their effectiveness
- Reviewing the Bank's implementation and effectiveness of its risk assessment and management procedures and methodologies
- Reviewing the steps taken to preserve the Group's assets, with emphasis on cost effectiveness
- Conducting special inspections and handling employee complaints about unusual activity and concerns for compromise of proper conduct or integrity

Rotation of internal auditors

The internal auditors at Bank Leumi and its subsidiaries are appointed to their positions, which means that the Board of Directors carries out the appointment process and terminates their work, in accordance with suggestions made by the Audit Committee.⁶⁶ Internal and external rotation of the internal audit staff is nevertheless practiced. This facilitates revitalization of perspectives and innovation in auditing, and supports maintaining and following career paths.

The auditors or Audit Division initiate the rotation, after a minimum period of time, in line with procedures and maintaining a six-month cooling off period when transitioning from a business unit to the Audit Division. The Audit Division aims to pursue internal rotation every five years.

66. According to Section 53(a) of Proper Conduct of Banking Business No. 307.

ESG (Environment, Social, Governance) Performance

In addition to the information presented throughout the report, Leumi measures other aspects of its performance in various areas over time. In an effort to maintain its reporting transparent and continuous, this section presents additional data which reflect the Group’s activity and performance in 2019 and over the years.

Contributing to the Economy and Society in Israel

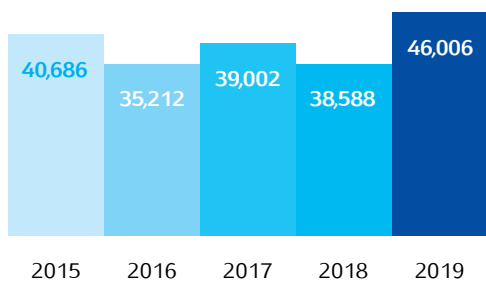
Community Outreach

Investment in the Community by Country, in NIS million

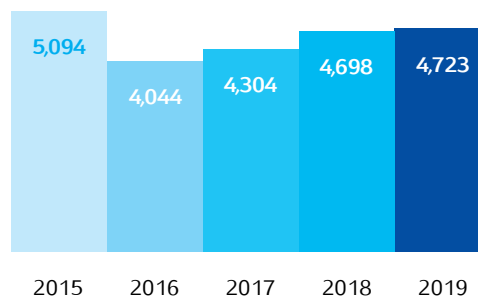
Country	2019	2018	2017
Israel	46.55	40.3	36.9
Foreign subsidiaries	1.45	1.1	0.2
Total	48	41.4	37.2

Employee Volunteering

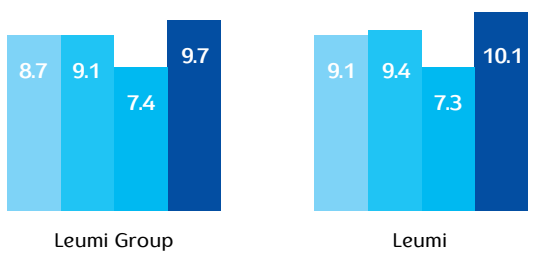
No. of Volunteer Hours



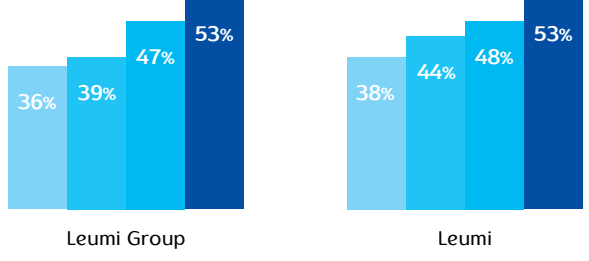
No. of Volunteers



Average No. of Hours per Volunteer over Time



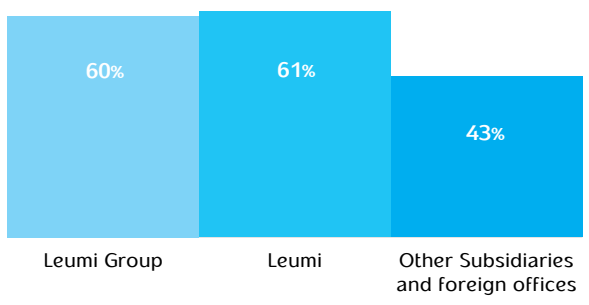
Percentage of Volunteers out of the Total No. of Employees over Time



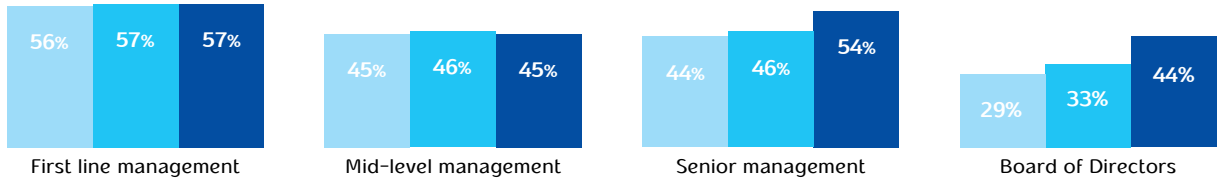
■ 2019 ■ 2018 ■ 2017 ■ 2016

Human Capital Gender Equality at Leumi

Percentage of Women at the Leumi Group in 2019



percentage of women at the Leumi Group, by managerial staff



■ 2019 ■ 2018 ■ 2017

Percentage of Employees by Age, Rank and Gender – Leumi Group⁶⁷

Rank	Age	Women	Men	% of women
No. of senior executives	Up to age 30	0	0	0%
	Aged 31-50	46	25	65%
	Aged 51+	30	41	42%
	Total	76	66	54%
No. of employees at senior management ranks	Up to age 30	0	2	0%
	Aged 31-50	213	229	48%
	Aged 51+	157	220	42%
	Total	370	451	45%
No. of mid-management employees	Up to age 30	0	0	0%
	Aged 31-50	272	197	58%
	Aged 51+	102	88	54%
	Total	374	285	57%
No. of first-line managers	Up to age 30	10	17	37%
	Aged 31-50	709	480	60%
	Aged 51+	112	116	49%
	Total	831	613	58%
No. of employees under professional contracts	Up to age 30	0	0	0%
	Aged 31-50	21	40	34%
	Aged 51+	7	15	32%
	Total	28	55	34%
No. of bankers	Up to age 30	974	370	72%
	Aged 31-50	1,857	1,258	60%
	Aged 51+	846	452	65%
	Total	3,677	2,080	64%
Group total	Up to age 30	984	389	72%
	Aged 31-50	3,118	2,229	58%
	Aged 51+	1,254	932	57%
	Total	5,356	3,550	60%

Average age of Leumi's employees - **42.9**

67. Employee data for Leumi UK are included in the 32-50 age category.

Employee absenteeism

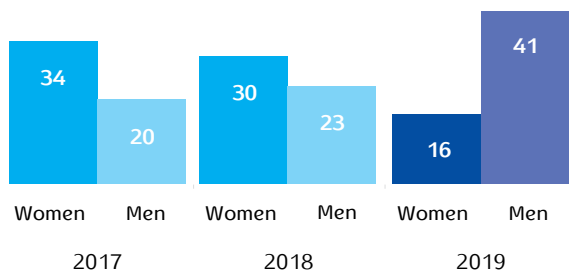
Rate of Absenteeism due to the Employees' Illness or Work-Related Accidents in the Leumi Group⁶⁸

Company	Category	2015	2016	2017	2018	2019
Leumi	Employee illness - excl. work-related accidents	3%	3%	3%	3%	3.5%
	Work-related accidents (including car accidents)	0.1%	0.05%	0.1%	0.05%	0.05%
Other subsidiaries and foreign offices ⁶⁹	Employee illness - excl. work-related accidents	0.0%	0.1%	1.9%	1.5%	0.63%
	Work-related accidents (including car accidents)	0.0%	0.0%	0.0%	0.0%	0.0%
Total	Employee illness - excl. work-related accidents	3%	3%	3%	3%	3.3%
	Work-related accidents (including car accidents)	0.06%	0.06%	0.21%	0.06%	0.05%

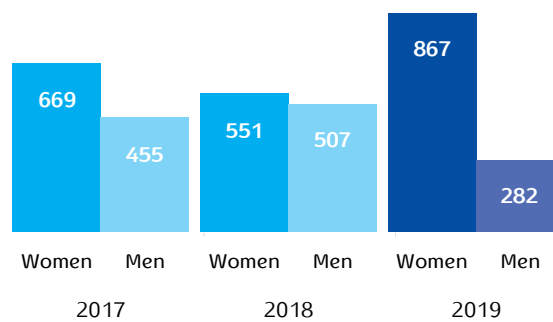
13.5 working days per 100 employees were lost

8 accidents of contract workers in 2019

No. of Work-Related Accidents and Road Accidents^{70 71}



No. of Absence Days as a result of Work-Related Accidents and Road Accidents^{72 73}



68. No. of absence days due to illness or accidents out of total no. of annual working days. The data include information on existing employees as at December 31, 2019

69. The subsidiaries' data do not include Leumi Partners; the absenteeism at the foreign subsidiaries are calculated relative to the number of working days in Israel.

70. There were no fatalities from work-related accidents of Leumi employees, including contract workers.

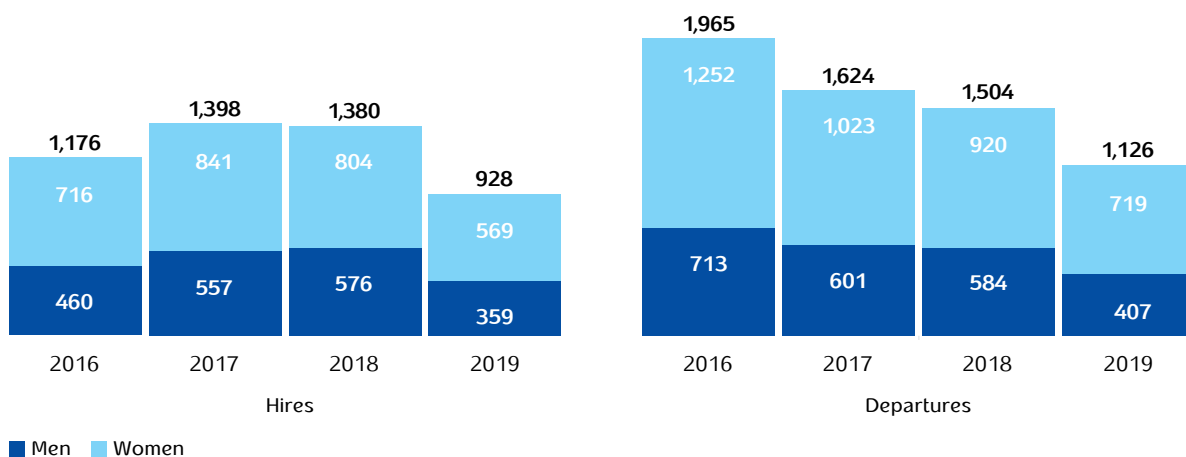
71. The data do not include Leumi Partners, Leumi Romania and Bank Leumi UK.

72. The data do not include absence days of employees who left the Company during the year.

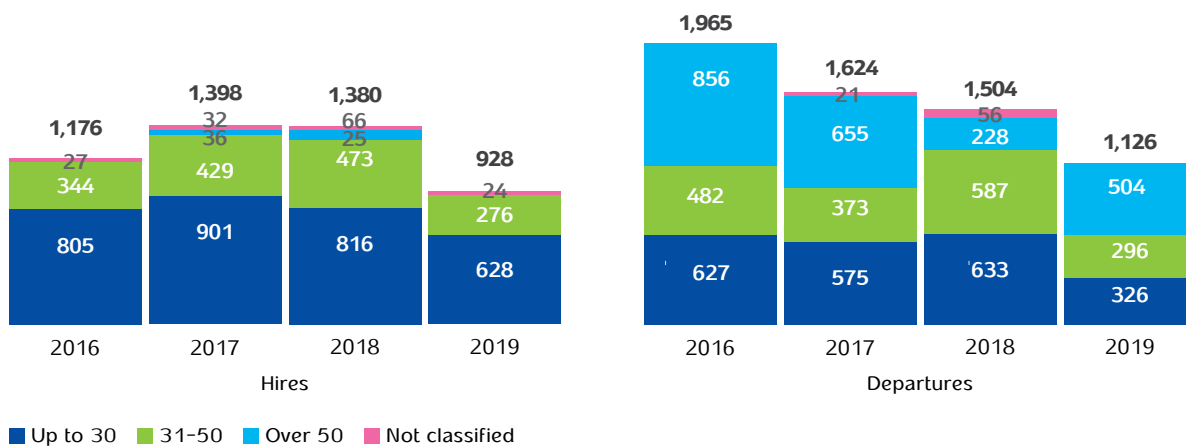
73. The data do not include Leumi Partners, Leumi Romania and Bank Leumi UK.

Employee Turnover

Employee Turnover by Gender⁷⁴



Employee Turnover by Age^{75 76}



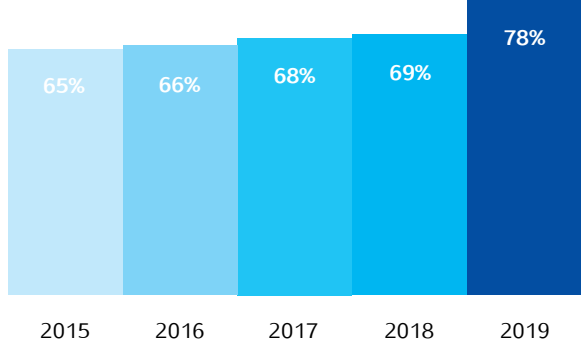
74. As of 2017, hiring data also include the hiring of contract workers as Bank Leumi employees.

75. The employee turnover data for Leumi Capital Market Services, Leumi Partners and Bank Leumi UK are not segmented by age

76. 102-48

Academics at the Leumi Group

Percentage of Employees with Academic Education over Time



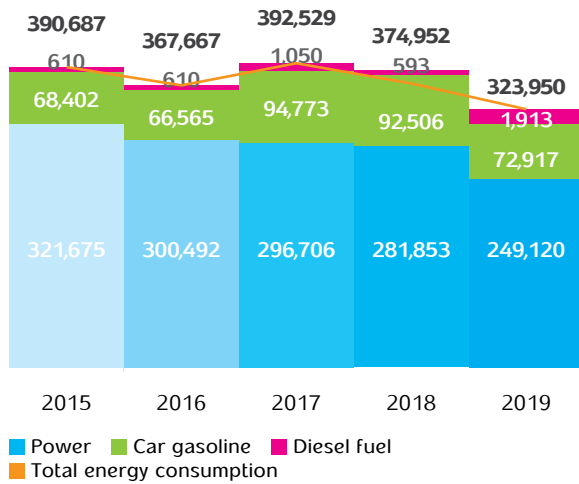
Bank Leumi Employees with Academic Degrees, by Gender and Rank in 2019⁷⁷

% of employees with academic degrees out of all employees	% of bankers	% of managerial staff	% of women	% of men
77.8%	68.1%	97.2%	76.1%	80.4%

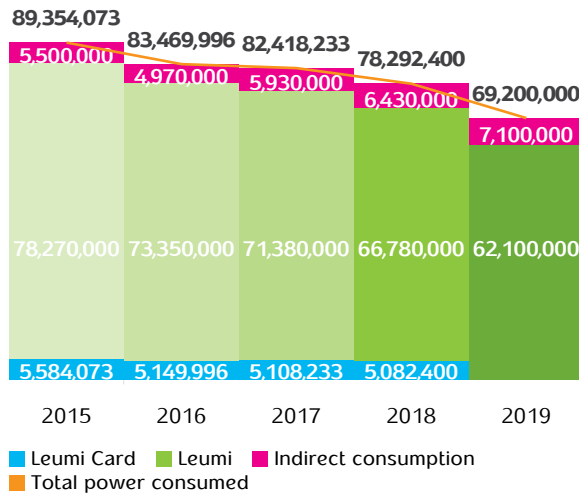
77. The data were taken from the 2019 annual financial statements

Environmental⁷⁸ Energy Consumption

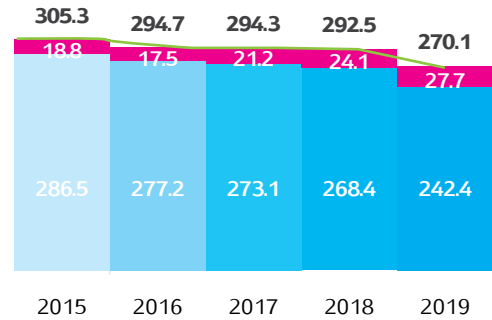
Breakdown of Energy Consumption by Source (GJ)



Power Consumption by Year (kWh)



Energy Intensity (kWh/m²)



- Power consumption intensity excluding properties with indirect power consumption
- Power consumption intensity in properties with indirect power consumption (aggregate)

The Leumi Group measures its energy intensity to test the effectiveness of measures taken to reduce power consumption. Intensity is measured by power consumption relative to the area in which it was consumed (m²).⁷⁹ Following efficiency measures taken by the Leumi Group between 2015 and 2019, there was a consistent decrease in energy intensity relative to total area.

The Leumi Group provides banking services and is not a manufacturer. Thus, the Group does not calculate energy intensity per production unit.

78. All the data in the chapter refer to the environmental performance of Leumi only, which employs approx. 91% of all employees in the Group and over 91% of its profits. To maintain the completeness of the reporting, data for previous years include Leumi Card. When assessing the rate of change compared with last year, only Bank Leumi's data were taken into account.

79. A total of 256,225 m² in 2019.

Carbon Footprint

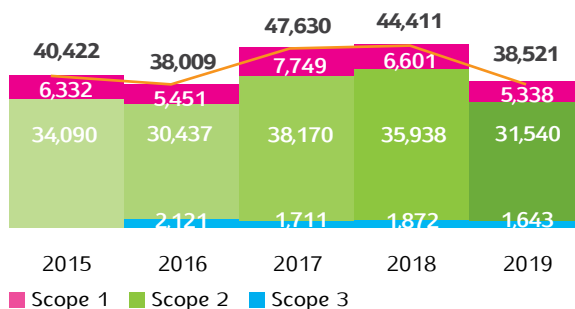
As part of its environmental policy, and in addition to monitoring and measuring its resource consumption, the Group regularly calculates greenhouse gas emissions resulting from its activities (energy consumption, fuel combustion, etc.). The Leumi Group performs the measurement using the Ministry of Environmental Protection’s calculation tools of the emission coefficients of Defra (the UK Government’s Department for Environment, Food & Rural Affairs). Each year, the Leumi Group report its carbon footprint through international reporting initiative Carbon Disclosure Project (CDP), the Israel Ministry of Environmental Protection’s voluntary Greenhouse Gas Emissions Registry in Israel, the annual Corporate Social Responsibility Report and Maala Rating.

The systematic management of this issue involves three main areas:

- **Direct emissions:** The Leumi Group’s direct impact (Scope 1) of greenhouse gases stem mainly from the combustion of gasoline by the organization’s vehicle fleet, from the combustion of fuel by emergency generators, and from emissions of fire extinguishing gases.^{80 81}
- **Indirect emissions** These emissions (Scope 2) stem from power consumption and depend on the composition of fuels and the technologies used to generate power.
- **Other indirect emissions:** These emissions (Scope 3) are related to the organization’s activity, but do not result from it and include, inter alia, consumption of various products and services from suppliers or by customers.

The Leumi Group invests considerable efforts in identifying measures that would result in greater efficiency and energy savings and would have direct impact on the Group’s carbon footprint and on climate change. These efforts are mainly reflected in steps such as transitioning to using power generated by natural gas.

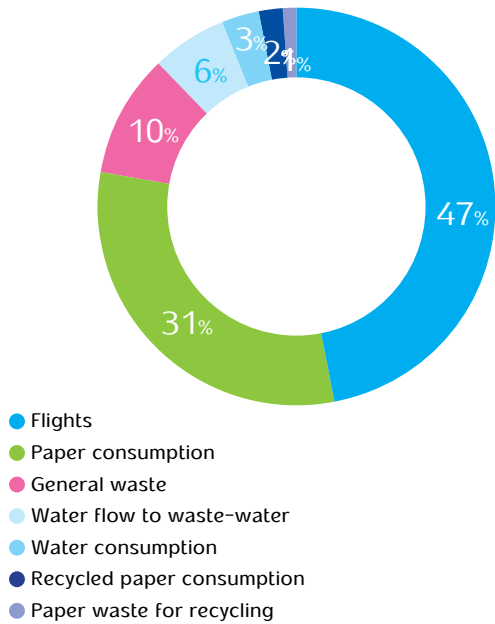
Breakdown of Carbon Footprint, by Scope (Tons CO2e)



80. Please see the GHG Protocol for quantifying and managing emissions: <http://www.ghgprotocol.org/about-ghgp>.

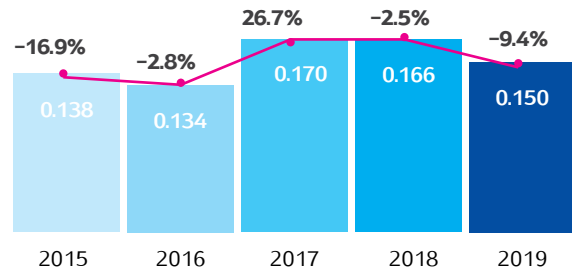
81. Greenhouse gas emissions – such as methane, N2O and HFC – generated by Leumi’s activity, are included in the Scope 1 data as part of the Company’s carbon footprint reporting.

Breakdown of Indirect Emissions – Scope 3



Carbon Footprint Reduction

Carbon footprint intensity (Tons CO2e per m²)



Corporate Governance

Composition of the Boards of Directors, Bank Leumi⁸²

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	Age 51+	Main committees
9	6	9	4	0	1	8	Audit*, Risk Management, Credit, Information Technology and Technological Innovation, Strategy

*On July 22, 2020, the Bank’s Board of Directors approved the separation of Remuneration Committee from the Audit Committee.

Full details on the members of the Board of Directors can be found in Leumi’s 2019 Financial Statements on the Israel Securities Authority’s website and the Bank’s website.⁸³

82. The data in the table are updated as of August 2020.

83. The Magna system: www.magna.isa.gov.il

Objectives

Objectives for 2019

Subject matter	2019 Objective	Status	Details
The environment	Reduce carbon footprint	Done	Reduce year-on-year consumption by 2% through efficiency measures
The environment	Reduce the number of gasoline-powered vehicles	Done	Continue to reduce the number of gasoline-powered vehicles used by the Bank's employees
The environment	Reduce fuel costs	Done	Continue to reduce distance travelled
The environment	Reduce paper consumption	Done	Reduce year-on-year paper consumption by 4% by boosting related training for all employees and identifying weaknesses
The environment	Establish a work plan, including metrics and targets	Done	Define and manage the work plan, which will be used as guidelines.
Transport safety	Map safety of company vehicles, including leased vehicles (accidents, fines, near-misses)	Done	Monthly monitoring of maintenance status of vehicles handled by body shops due to accidents, dents, malfunctions, etc. and sampling their work.
Transport safety	Conduct theoretical and/or hands-on training every two years	Done	<ul style="list-style-type: none"> a. Distribute transport safety information to all employees, on topics such as winter driving, driving with lights turned on, etc. b. "How is my driving" - monitor and review c. Provide mandatory tutorial for all employees. d. Continue to update transportation newsletter, including information on various topics and uploading training presentations to the transportation website.

Objectives for 2020

Subject matter	2019 Objective	Details
Environment	Reduce overall power consumption	Reduce year-on-year consumption by 2%



External Assurance and Index

GRI | UNGC | SDGs



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Independent Limited Assurance Report to the users/readers of Bank Leumi le-Israel B.M. 2019 Corporate Responsibility 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 2019 Corporate Responsibility Report for the year ended 31.12.2019 (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 115-125 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 corporate responsibility 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.

- Visits to The Bank site in Tel-Aviv, The Bank's Headquarters as well as meeting with relevant personnel in various Bank sites selected on the basis of a risk analysis including the consideration of both quantitative and qualitative criteria regarding the report.
- 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 corporate responsibility 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 corporate responsibility 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. 2019 Corporate Responsibility 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

20 October, 2020

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

Topic	Sub - Topic
Initiatives and Ratings	Involvement in corporate social responsibility initiatives and ratings in 2019
Economic	Total credit invested to advance social causes in 2019
	Total credit invested to advance environmental causes in 2019
	Percentage of Leumi's local procurement in 2019
	Total "green" procurement of Leumi in 2019
	Total procurement amount from companies that promote the hiring of people from underemployed populations
	Total procurement of products and services from NGOs and social businesses
Social	Leumi's rank among the 2019 "100 Best Companies to Work For in Israel" by BDI and TheMarker.
	Percentage of employees hired by the Leumi Group, who are from under-employed populations in 2019
	Percentage of women out of all employees, senior management and branch managers in Leumi in 2019
	Percentage of women of the top decile of highest-paid employees at Leumi in 2019
	Percentage of total employees which included in collective bargaining agreements in 2019
	Percentage of employees who participated in employee performance feedback processes in Leumi Group in 2019
	Total investment in the community in 2019
	Percentage of Leumi's branches that are physically accessible for people with disabilities
	The scope of mid-sized suppliers to join Maala's rating by Leumi between 2015-2019
Environment	Percentage of year-on-year decrease in Leumi's energy consumption in 2019, compared to 2018
	Percentage of year-on-year decrease in Leumi's carbon footprint in 2019, compared to 2018
	Percentage of power consumption from private power producers in 2019
	Construction and maintenance suppliers of Leumi declaration regarding compliance with environmental criteria in 2019
	Percentage of paper and electronic waste recycled by Leumi in 2019
Corporate Governance	Percentage of women on Leumi's Board of directors in 2019
	Managerial activities regarding Corporate Social Responsibility in Leumi in 2019
	Percentage of Leumi's employees participated in Anti Bribery and Corruption training in 2019

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

GRI Content Index

This Report successfully supplements the GRI Materiality Disclosure Service's assurance process.⁸⁴



In recent years, Leumi is reporting its compliance with GRI standards as well as UN Global Compact principles, to which it has committed for the 11th consecutive year. This year, as part of Leumi's commitment to the UN Sustainable Development Goals (SDGs), and after having mapped out its activity for the purpose of realizing the SDGs, we compared the sustainability goals promoted by Leumi as part of its activities to the GRI reporting standard based on the SDG Compass initiative, as outlined below.⁸⁵

GRI 102: General Disclosures 2016

Disclosure serial no.	Disclosure	Page	UNGC	SDGs
Organizational Profile				
102-1	Name of the organization	10		-
102-2	Activities, brands, products, and services	11		
102-3	Location of headquarters	11		-
102-4	Location of Operations	11		-
102-5	Ownership and legal form	11, 90		-
102-6	Markets served	11		-
102-7	Scale of the organization	4, 10		-
102-8	Information on employees and other workers	68, 103	6	
102-9	Supply chain	53		-
102-10	Significant changes to the organization and its supply chain	11		-
102-11	Precautionary Principles or approach	34, 84	7	
102-12	External Initiatives	6	1-10	
102-13	Membership of associations	12	1-10	

84. 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.

85. For more information on the initiatives and Leumi's commitment to them, please see p. 6.

GRI 102: General Disclosures 2016

Disclosure serial no.	Disclosure	Page	UNGC	SDGs
Strategy				
102-14	Statement from senior decision-maker	8		
102-15	Key impacts, risks, and opportunities	8, 34, 37, 43		
Ethics and Integrity				
102-16	Values, principles, standards, and norms of behavior	18	10	16
102-17	Mechanisms for advice and concerns about ethics	20	10	16
Governance				
102-18	Governance structure	90		-
102-19	Delegating authority	90		-
102-20	Executive-level responsibility for economic, environmental and social topics	13, 93		-
102-21	Consulting stakeholders on economic, environmental, and social topics	90		-
102-22	Composition of the highest governance body and its committees	94		16
102-23	Chair of the highest governance body	96		16
102-24	Nominating and selecting the highest governance body	91		16
102-25	Conflicts of interest	96		16
102-26	Role of the highest governance body in setting purpose, values, and strategy	90		-
102-27	Collective knowledge of highest governance body	92		4
102-28	Evaluating the highest governance body's performance	97		-
102-29	Identifying and managing economic, environmental, and social impacts	96		16
102-30	Effectiveness of risk management processes	96		-
102-31	Review of economic, environmental, and social topics	13, 96		-
102-32	Highest governance body's role in sustainability reporting	93		-
102-33	Communicating critical concerns	93		-
102-34	Nature and total number of critical concerns	95		-
102-35	Remuneration policies	97		-
102-36	Process for determining remuneration	97		-
102-37	Stakeholders' involvement in remuneration	97		16
102-38	Annual total compensation ratio	73		-
102-39	Percentage increase in annual total compensation ratio	73		-

GRI 102: General Disclosures 2016

Disclosure serial no.	Disclosure	Page	UNGC	SDGs
Stakeholder Engagement				
102-40	List of stakeholder groups	15		-
102-41	Collective bargaining agreements	70		8
102-42	Identifying and selecting stakeholders	15		-
102-43	Approach to stakeholder engagement	15		-
102-44	Key topics and concerns raised	15		-
Reporting Practice				
102-45	Entities included in the consolidated financial statements	10		-
102-46	Defining report content and topic Boundaries	14		-
102-47	List of the material topics	16		-
102-48	Restatements of information	14		-
102-49	Changes in reporting	14		-
102-50	Reporting period	14		-
102-51	Date of most recent report	14		-
102-52	Reporting cycle	14		-
102-53	Contact point for questions regarding the report	14		-
102-54	Claims of reporting in accordance with the GRI Standards	14		-
102-55	GRI Content Index	115		-
102-56	External assurance	112		-

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

Disclosure serial no.	Disclosure	Page	UNGC	SDGs
103-1	Explanation of the material topics and their boundaries	34	-	
103-2	The management approach and its components	34	-	
103-3	Evaluation of the management approach	34	-	
GRI 201: Economic Performance 2016				
201-1	Direct economic value generated and distributed	34	7	8, 9
201-2	Financial implications and other risks and opportunities due to climate change	36, 84		
201-3	Defined benefit plan obligations and other retirement plans	79	-	
201-4	Financial assistance received from government	11	-	

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

Disclosure serial no.	Disclosure	Page	UNGC	SDGs
103-1	Explanation of the material topics and their boundaries	34	-	
103-2	The management approach and its components	34	-	
103-3	Evaluation of the management approach	34	-	
GRI 202: Market Presence 2016				
202-1	Range of standard entry level wage by gender compared to local minimum wage	73	6	8
202-2	Proportion of senior management hired from the local communities	69	6	8, 5

Indirect Economic Impacts**GRI 103: Management Approach Disclosures 2016**

Disclosure serial no.	Disclosure	Page	UNGC	SDGs
103-1	Explanation of the material topics and their boundaries	34	-	
103-2	The management approach and its components	34	-	
103-3	Evaluation of the management approach	34	-	
GRI 203: Indirect Economic Impacts 2016				
203-1	Infrastructure investments and services supported	34	-	9, 5
203-2	Significant indirect economic impacts	34	-	10, 8

Procurement Practices**GRI 103: Management Approach Disclosures 2016**

Disclosure serial no.	Disclosure	Page	UNGC	SDGs
103-1	Explanation of the material topics and their boundaries	53	-	
103-2	The management approach and its components	53	-	
103-3	Evaluation of the management approach	53		
GRI 204: Procurement Practices 2016				
204-1	Proportion of spending on local suppliers	54	-	8, 5

Anti-Corruption**GRI 103: Management Approach Disclosures 2016**

Disclosure serial no.	Disclosure	Page	UNGC	SDGs
103-1	Explanation of the material topics and their boundaries	20	-	
103-2	The management approach and its components	20	-	
103-3	Evaluation of the management approach	20		
GRI 205: Anti-corruption 2016				
205-1	Operations assessed for risks related to corruption	20	10	16
205-2	Communication and training about anti-corruption policies and procedures	20	10	16
205-3	Confirmed incidents of corruption and actions taken	22	10	16

Anti-Competitive Behavior**GRI 103: Management Approach Disclosures 2016**

Disclosure serial no.	Disclosure	Page	UNGC	SDGs
103-1	Explanation of the material topics and their boundaries	20	-	
103-2	The management approach and its components	20	-	
103-3	Evaluation of the management approach	20		
GRI 206: Anti-Competitive Behavior 2016				
206-1	Operations assessed for risks related to corruption	22	-	16

Energy**GRI 103: Management Approach Disclosures 2016**

Disclosure serial no.	Disclosure	Page	UNGC	SDGs
103-1	Explanation of the material topics and their boundaries	84	7, 8, 9	
103-2	The management approach and its components	84	-	
103-3	Evaluation of the management approach	84		
GRI 302: Energy 2016				
302-1	Energy consumption within the organization	86	7, 8	
302-2	Energy consumption outside of the organization	Not measured	8	
302-3	Energy intensity	107	8	
302-4	Reduction of energy consumption	86	8, 9	
302-5	Reductions in energy requirements of products and services	34	8, 9	

Emissions**GRI 103: Management Approach Disclosures 2016**

Disclosure serial no.	Disclosure	Page	UNGC	SDGs
103-1	Explanation of the material topics and their boundaries	84	7, 8, 9	
103-2	The management approach and its components	84	-	
103-3	Evaluation of the management approach	84		
GRI 305: Emissions 2016				
305-1	Direct (Scope 1) GHG emissions	108	7, 8	
305-2	Energy indirect (Scope 2) GHG emissions	108	7, 8	
305-3	Other indirect (Scope 3) GHG emissions	108	7, 8	
305-4	GHG emissions intensity	109	8	
305-5	Reduction of GHG emissions	108	8, 9	
305-6	Emissions of ozone-depleting substances (ODS)	108	7, 8	
305-7	Nitrogen oxides (NOX), sulfur oxides (SOX), and other air emissions by weight and type	Not measured - negligible	7, 8	

Supplier Environmental Assessment**GRI 103: Management Approach Disclosures 2016**

Disclosure serial no.	Disclosure	Page	UNGC	SDGs
103-1	Explanation of the material topics and their boundaries	53	8	
103-2	The management approach and its components	53	-	
103-3	Evaluation of the management approach	53	-	
GRI 308: Supplier Environmental Assessment 2016				
308-1	New suppliers that were screened using environmental criteria	53	8	
308-2	Negative environmental impacts in the supply chain and actions taken	53	8	

Employment**GRI 103: Management Approach Disclosures 2016**

Disclosure serial no.	Disclosure	Page	UNGC	SDGs
103-1	Explanation of the material topics and their boundaries	68	-	
103-2	The management approach and its components	68	-	
103-3	Evaluation of the management approach	68		
GRI 401: Employment 2016				
401-1	New employee hires and employee turnover	79, 105	-	8, 10, 4, 5
401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	69	-	8, 5
401-3	Parental leave	78		8, 5

Labor - Management Relations**GRI 103: Management Approach Disclosures 2016**

Disclosure serial no.	Disclosure	Page	UNGC	SDGs
103-1	Explanation of the material topics and their boundaries	70	-	
103-2	The management approach and its components	70	-	
103-3	Evaluation of the management approach	70		
GRI 402: Labor - Management Relations 2016				
402-1	Minimum notice periods regarding operational changes	69		

Occupational Health and Safety**GRI 103: Management Approach Disclosures 2016**

Disclosure serial no.	Disclosure	Page	UNGC	SDGs
103-1	Explanation of the material topics and their boundaries	68	-	
103-2	The management approach and its components	68	-	
103-3	Evaluation of the management approach	68		

Occupational Health and Safety

GRI 403: Occupational Health and Safety 2016

403-1	Workers representation in formal joint management-worker health and safety committees	72	-	
403-2	Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities	104	-	
403-3	Workers with high incidence or high risk of diseases related to their occupation	68		
403-4	Health and safety topics covered in formal agreements with trade unions	72		

Training and Education

GRI 103: Management Approach Disclosures 2016

Disclosure serial no.	Disclosure	Page	UNGC	SDGs
103-1	Explanation of the material topics and their boundaries	74	6	
103-2	The management approach and its components	74	-	
103-3	Evaluation of the management approach	74	6	
GRI 404: Training and Education 2016				
404-1	Average hours of training per year per employee	76	6	5, 4
404-2	Programs for upgrading employee skills and transition assistance programs	74	-	8, 4
404-3	Percentage of employees receiving regular performance and career development reviews	77	6	10, 5

Diversity and Equal Opportunity

GRI 103: Management Approach Disclosures 2016

Disclosure serial no.	Disclosure	Page	UNGC	SDGs
103-1	Explanation of the material topics and their boundaries	73	6	
103-2	The management approach and its components	73	-	
103-3	Evaluation of the management approach	73		
GRI 405: Diversity and Equal Opportunity 2016				
405-1	Diversity of governance bodies and employees	94	6	5
405-2	Ratio of basic salary and remuneration of women to men	73	6	8, 10, 5

Non-Discrimination

GRI 103: Management Approach Disclosures 2016

Disclosure serial no.	Disclosure	Page	UNGC	SDGs
103-1	Explanation of the material topics and their boundaries	73	6	
103-2	The management approach and its components	73	-	
103-3	Evaluation of the management approach	73		
GRI 406: Non-Discrimination 2016				
406-1	Incidents of discrimination and corrective actions taken	22	6	8, 5, 16

Human Rights Assessment

GRI 103: Management Approach Disclosures 2016

Disclosure serial no.	Disclosure	Page	UNGC	SDGs
103-1	Explanation of the material topics and their boundaries	53	1, 2	
103-2	The management approach and its components	53	-	
103-3	Evaluation of the management approach	53		
GRI 412: Human Rights Assessment 2016				
412-1	Operations that have been subject to human rights reviews or impact assessments	53	-	16
412-2	Employee training on human rights policies or procedures	19	1, 2	16
412-3	Significant investment agreements and contracts that include human rights clauses or that underwent human rights screening	53	1, 2	

Local Communities

GRI 103: Management Approach Disclosures 2016

Disclosure serial no.	Disclosure	Page	UNGC	SDGs
103-1	Explanation of the material topics and their boundaries	55	1	
103-2	The management approach and its components	55	-	
103-3	Evaluation of the management approach	55		
GRI 413: Local Communities 2016				
413-1	Operations with local community engagement, impact, assessment, and development programs	53	1	4
413-2	Operations with significant actual and potential negative impacts on local communities	22	1	
FS13	Access points in low-populated or economically disadvantaged areas by type	37		8
FS14	Initiatives to improve access to financial services for disadvantaged people	27		4

Supplier Social Assessment

GRI 103: Management Approach Disclosures 2016

Disclosure serial no.	Disclosure	Page	UNGC	SDGs
103-1	Explanation of the material topics and their boundaries	53	-	
103-2	The management approach and its components	53	-	
103-3	Evaluation of the management approach	53		

GRI 414: Supplier Social Assessment 2016				
414-1	New suppliers that were screened using social criteria	53	-	8, 5
414-2	Negative social impacts in the supply chain and actions taken	53,22	-	8, 5

Public Policy

GRI 103: Management Approach Disclosures 2016

Disclosure serial no.	Disclosure	Page	UNGC	SDGs
103-1	Explanation of the material topics and their boundaries	20	-	
103-2	The management approach and its components	20	-	
103-3	Evaluation of the management approach	20		

GRI 415: Public Policy 2016

415-1	Total political contributions	55	-	16
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Marketing and Labeling

GRI 103: Management Approach Disclosures 2016

Disclosure serial no.	Disclosure	Page	UNGC	SDGs
103-1	Explanation of the material topics and their boundaries	19	-	
103-2	The management approach and its components	19	-	
103-3	Evaluation of the management approach	19		

GRI 417: Marketing and Labeling 2016

417-1	Requirements for product and service information and labeling	19	-	
417-2	Incidents of non-compliance concerning product and service information and labeling	22	-	16
417-3	Incidents of non-compliance concerning marketing communications	22		

Customer Privacy

GRI 103: Management Approach Disclosures 2016

Disclosure serial no.	Disclosure	Page	UNGC	SDGs
103-1	Explanation of the material topics and their boundaries	30	-	
103-2	The management approach and its components	30	-	10
103-3	Evaluation of the management approach	30		

GRI 418: Customer Privacy 2016

418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	22	-	16
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Socioeconomic Compliance**GRI 103: Management Approach Disclosures 2016**

Disclosure serial no.	Disclosure	Page	UNGC	SDGs
103-1	Explanation of the material topics and their boundaries	18	-	
103-2	The management approach and its components	18	-	
103-3	Evaluation of the management approach	18		
GRI 419: Socioeconomic Compliance 2016				
419-1	Non-compliance with laws and regulations in the social and economic area	23	-	16

Product Profile (Sector Supplement)**GRI 103: Management Approach Disclosures 2016**

Disclosure serial no.	Disclosure	Page	UNGC	SDGs
103-1	Explanation of the material topics and their boundaries	34	8	
103-2	The management approach and its components	34	-	
103-3	Evaluation of the management approach	34		
Product Profile (Sector Supplement) 2016				
FS6	Percentage of the portfolio for business lines by specific region, size and by sector	34	-	9, 10
FS7	Monetary value of products and services designed to deliver a specific social benefit for each business line broken down by purpose	36, 42	-	9
FS8	Monetary value of products and services designed to deliver a specific environmental benefit for each business line broken down by purpose	36, 42	8	9

Audit (Sector Supplement)**GRI 103: Management Approach Disclosures 2016**

Disclosure serial no.	Disclosure	Page	UNGC	SDGs
103-1	Explanation of the material topics and their boundaries	13	8	
103-2	The management approach and its components	13	-	
103-3	Evaluation of the management approach	13		
Audit (Sector Supplement) 2016				
FS9	Coverage and frequency of audits to assess implementation of environmental and social policies and risk assessment procedures	93	-	

Compliance with GRI Standards⁸⁶

Topics that were found to be material to GRI Standart		
1	Business Ethics and Anti-Corruption	205: Anti-Corruption
		415: Public Policy
		206: Anti-Competitive Behavior
2	Fairness towards Customers	406: Non-Discrimination
		417: Marketing and Labeling
3	Improve Access of Services to Disadvantaged Populations	FS13: Access Points in Low-Populated or Economically Disadvantaged Areas by Type
		FS14: Initiatives to Improve Access to Financial Services for Disadvantaged People
4	Customer Privacy and Information Security	418: Customer Privacy
5	Maintaining Fair Employment Conditions for Employees	401: Employment
		402: Labor/Management Relations
		407: Freedom of Association and Collective Bargaining
6	Health, Training and Welfare of Employees	403: Occupational Health and Safety
		404: Training and Education
7	Diversity and Equal Opportunity in Employment	406: Non-Discrimination
		405: Diversity and Equal Opportunity

86. The following topics have been removed since they are immaterial to Leumi's activity: 301: Materials; 304: Biodiversity; 416: Customer Health & Safety).

Reported Topics that Were Not Found To Be Material		
8	Integrating environmental and social considerations in credit and investment decisions	FS6: Percentage of the Portfolio for Business Lines by Specific Region, Size (e.g. Micro/ Small/ Large) and by Sector
		FS7: Monetary value of products and services designed to deliver a specific social benefit for each business line broken by purpose
		FS8: Monetary Value of Products and Services Designed to Deliver a Specific Environmental Benefit for Each Business Line Broken Down by Purpose
		412: Human Rights Assessment
9	Protection of Human Rights within the Framework of the Organization's Activities	408: Child Labor
		409: Forced or Compulsory Labor
		410: Security Practices
		411: Rights of Indigenous People
10	Making Financial Knowledge Accessible	N/A
11	Management of natural resources	301: Materials
		303: Water
		306: Effluents and Waste
12	Energy saving and prevention of air pollution	302: Energy
		305: Emissions
13	Community Involvement	413: Local Communities
Topics Reported without a Materiality Process		
14	Integrating Environmental and Social Considerations in non-financial investments	204: Procurement Practices
		308: Supplier Environmental Assessment
		414: Supplier Social Assessment



15	Compliance with the Law and Regulations	419: Socioeconomic Compliance
		307: Environmental Compliance
16	Economic Impacts on Society	201: Economic Performance
		202: Market Presence
		203: Indirect Economic Impact

Leumi and UN Initiatives

Promoting the UN Sustainable Development Goals (SDGs)

In 2015, the UN 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 program, known as the 2030 Agenda, includes 17 goals and 169 targets with actual performance measures. The targets encompass numerous topics, including Decent Work Economic Growth, Reduced Inequalities, Gender Equality, Quality Education, and Climate Action.

As a leading Israeli financial institution that operates worldwide, the Leumi Group has a material effect on the social and economic fabric in its areas of business, especially in Israel. As one of Israel's leading banks, the Leumi Group attaches great importance to joining the effort to achieve the SDGs. The analysis for 2016 identified 6 key objectives where Bank Leumi's activity has a material impact and which the Bank strives to promote. The Leumi Group has identified the six objectives below as the most material for its business operations:



Supporting the UN Global Compact Principles

Bank Leumi supports the UN Global Compact principles for the eleventh year, and is promoting these principles as part of its activity.

Human Rights

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

Employment Standards

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

Environment

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

Anti-Corruption

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



Leumi.
Social.
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