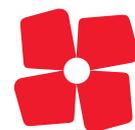




# **Bank Hapoalim**

## **Environmental Policies and Procedures**

April 2015



**SOCIAL RESPONSIBILITY**  
IT'S IN OUR HANDS. BANK HAPOALIM

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# 1. Introduction

## 1.1 Background

Banking products have an inherently low direct environmental impact, as they primarily operate in an office setting and take the form of banking services. Nonetheless, Bank Hapoalim strives to minimize this impact.

## 1.2 Vision

Bank Hapoalim accords high importance to environmental management. Environmental issues derive from the bank's status and role in the financial market and in the Israeli economy. In this context, the bank has defined its vision, which delineates the principles underlying its business operations:

- To be a leading global financial institution, headquartered in Israel, focused on its customers and working towards their financial freedom;
- To create value for our stakeholders while upholding the principles of economic, social, and environmental sustainability;
- To cultivate human capital and encourage excellence and innovation;
- To base our actions on the core values of compassion, integrity, openness, and accountability.

Bank Hapoalim aims to meet the various expectations of its internal and external stakeholders, as derived from its vision, in a manner that maintains and strengthens its environmental management as a leading Israeli bank. This approach is rooted in sources including sustainability principles, which represent and reflect environmentally-conscious business conduct aimed at preserving and enhancing existing resources and achieving economic, social, and environmental balance, for our own sake and for the sake of future generations. The bank believes that the adoption of these principles supports its objectives and increases its value for the long term.

## 1.3 Activities of the Bank

The bank operates in all of the various areas of banking. The bank's activity with most of its customers is conducted through two units: the Corporate Banking Area and the Retail Banking Area.

The Corporate Banking Area serves most of the bank's business clients. In the corporate segment, the area operates through divisions specializing in each sector, located at the head office; in the middle-market segment, the area operates through eight business centers spread throughout Israel.

The Retail Banking Area, through the branch network, serves customers including households, private-banking clients, and small businesses, as well as providing mortgages. The Retail Banking Area operates through 277 branches and business offices, providing the full range of banking services. The bank employs over 10,000 permanent workers and more than 1,000 external employees, who provide technological and logistical services. The bank's operations are conducted at its branches and in its management buildings.

In keeping with a tradition going back many years, the bank maintains a unique work environment characterized by continuous dialogue, cooperation, and transparency between employees and management, creating an arena for personal and professional development and allowing individual growth, development, and empowerment while rigorously ensuring equal opportunities and non-discrimination. As a result of this approach, employees benefit and the bank gains the best people, at the right time and place.



## 1.4 Boundaries and Content

The bank is obligated to comply with regulatory requirements, including local and international binding laws and standards as well as voluntary standards that the bank has chosen to adopt. In addition, the bank is committed to compliance with the internal procedures, principles, and standards that have been established. Additional relevant matters are detailed in the annual sustainability reports released by the bank.

Special attention is devoted to directly related matters:

- Energy consumption and energy efficiency;
- Transportation;
- Consumption of paper resources;
- Green purchasing (office and IT);
- Development of eco-friendly banking services;
- Consumption of water;
- Waste – reuse, recycling, and responsible disposal;
- Raising the environmental awareness of employees, their families, and the general public.

The topics listed above are under the responsibility of various units within Bank Hapoalim. The principles and responsibilities for addressing these matters are specified in the relevant policy documents and procedures. Bank Hapoalim will periodically review its strategy, goals, and policy implementation objectives. In addition, the bank will define and maintain an effective plan with regard to group-level activity, reflecting the high importance accorded to the policy of the bank.

The environmental management policy is designed as a policy for the bank alone; it does not apply to the subsidiaries – in this case, Isracard. The policy contains principles and guidelines that serve as rules for action and binding requirements.

## 1.5 Regulatory Framework

The bank is aware of its legal duties in connection with the protection of the environment and prevention of environmental damage, and acts accordingly. The bank maintains an organized regulatory control system to identify and implement new laws relevant to its operations. The bank's regulation unit receives each law, through the customary distribution channels, and ensures control and implementation at the various units of the Bank.



## 2. Environmental Policy at Bank Hapoalim

In recognition of the bank's social responsibility and the importance of sustainable environmental policies, Bank Hapoalim has formulated a comprehensive, formalized policy in this area. The policy was delineated by professional functions and constitutes an integral part of the strategy of the bank.

- The bank views the protection of the environment as a social value, managed as an inseparable component of its corporate social responsibility.
- The bank recognizes that natural resources are an asset of the public, the community, and future generations, and implements the principle of sustainable development in its operations.
- The bank seeks to achieve the proper balance between economic development and protection of the environment in its business decisions.
- The bank complies with environmental regulations and laws, and adheres to the directives of the organizations charged with protecting the environment.
- The bank diligently endeavors to prevent environmental damage.
- The bank is committed to managing its environmental impact in a manner that ensures continual improvement, by setting measurable targets and monitoring the achievement of its objectives.
- The bank will continually measure its impact on the environment in all significant respects, and will strive to understand ecological consequences and make decisions accordingly.
- The bank will collaborate with other companies and public entities to promote environmental causes.
- The bank will work to instill environmental education among its employees, and will initiate and participate in community projects.

The bank recognizes the added value associated with the implementation of this environmental policy, on two main levels:

- The integration of environmental values with the economic values of efficient use of logistical resources generates shared value for the profit line of the bank's financial statements and for the environment protection.
- A policy of environmental responsibility makes it possible to improve the work environment at the bank, contributing to better quality of life for employees at work and higher workplace satisfaction.



## 3. Responsibility and Supervision

The board of management of the bank supervises the bank's environmental management. The board of directors is responsible for approving policy. A discussion concerning evaluation of policy implementation is held as part of the discussion of the annual report on sustainability and social, environmental, and economic responsibility, conducted annually by the board of management and board of directors.

The board of management of the bank, through the head of corporate social responsibility and the head of the logistics division, is responsible for environmental management at the bank.

The head of corporate social responsibility, in cooperation with the relevant units of the bank, is responsible for developing policies, examining metrics for the various units, and reporting to the board of management and board of directors. The policy will be examined at least once every two years, and changes will be made as necessary.

Green IT issues at the bank are managed by the information technology area.

Each employee of the bank is responsible for protecting the environment within his or her immediate work space.

### 3.1 Relevant Involved Parties – Internal Aspects

The main bank units relevant to environmental management are presented below.

- Construction department –
  - Electricity system;
  - Air conditioning;
  - Construction and renovation of properties;
  - Maintenance of properties;
- Corporate procurement center;
- Property department;
- Corporate social responsibility;
- Retail banking area (regional administrations);
- Poalim the Right Way / LEAN Banking (corporate strategy area);
- Current account products department;
- Regulation unit;
- Retail banking area – e-banking.

In addition, significant external parties are relevant to the implementation of the policy, in their roles as the final link in the chain:

- Maintenance companies (including cleaning);
- Construction contractors.

The units relevant to environmental management are responsible for the following activities:

- Defining metrics for environmental management;
- Identifying and raising relevant issues;
- Evaluating the relevance of various issues and subjects in the context of the policy;
- Reporting relevant findings to the head of CSR, at least once annually.



## 4. Environmental Management

### 4.1 Method

The bank views consumable materials as resources to be managed from an environmental and business perspective, rather than as an inevitable but undesirable component of its current expenses. Consequently, key environmental resources consumed by the bank are managed according to the following parameters:

- Creation of a measurement infrastructure allowing monitoring of trends and identification of areas needing improvement.
- Establishment of a multi-year comprehensive work plan.
- Validation of forecasts from the planning stage and analyses of variance in performance for learning purposes.
- Implementation of initiatives aimed at increasing efficiency.
- Partnership with employees, professional bodies within the bank, and external stakeholders in the implementation of localized initiatives and formal work plans.
- Examination of environmental effects throughout the life cycle of the resource, taking all types of impact into consideration (pollution, global warming, resource scarcity, etc.).

### 4.2 Affinity of Bank Functions to Content Areas

A wide range of functions within the bank are engaged in environmental management. As part of their activity, members of the bank's staff work with both internal functions at the bank and with external parties. The following table lists the functions involved in each environmental content area, by subject. A separate appendix is attached at the end of this document, for each content area, detailing the required collection activities and schedules with each function listed in this table, in accordance with the reporting and control procedure in Section 5 above.



Appendix	Subject	Involved functions	Volume and summary
A	Electricity management	Construction supervisors, supervisor of electricity (construction), head of CSR.	Energy efficiency – installing devices to achieve savings in power consumption.
B	Water management	Property department, consumption information control company, head of CSR.	Monitoring and reduction of water consumption.
C	Air-conditioning systems	Construction department, head of CSR.	Gradual transition to efficient air-conditioning systems; monitoring consumption of gases.
D	Construction	Construction department, corporate purchasing center, suppliers who participate in construction processes, head of CSR.	Environmental construction considerations in building processes.
E	Green building	Construction department, corporate procurement center, suppliers who participate in construction processes, head of CSR.	Construction in compliance with green building standard; documentation.
F	Transportation	Deputy head of property department – transportation supervisor, procurement center, head of CSR.	Gradual inclusion of vehicles with low pollution ratings and hybrid vehicles in the vehicle fleet, and retiring of vehicles with high pollution ratings.
G	Management of paper resources	Poalim the Right Way (LEAN Banking), current account products department (in collaboration with functions within the bank's headquarters), head of CSR.	Maximization of potential for cutting back paper use in administrative processes.
H	Collection of paper	Construction department, maintenance and cleaning companies, KMM (paper collection company), head of CSR.	Collection and removal for recycling of % 100 of the paper discarded at the bank.
I	Collection of cardboard	Construction department, cleaning companies, KMM.	Separation, compression, and removal for recycling of waste cardboard.
L	Collection of fluorescent bulbs.	Construction department, maintenance companies, building managers, the Environmental Services Company (ESC), head of CSR.	Methodical, orderly collection of bulbs after use; controlled transfer for orderly dismantling and burial.
M	Collection of batteries	Construction department, building managers, the bank's warehouse in Holon, ESC, head of CSR.	Installation of boxes for the collection of used batteries; centralized orderly removal for responsible burial.
N	Collection of medications	Construction department, building managers, head of CSR, Clalit Health Services.	Installation of boxes for the collection of medications; centralized orderly removal for responsible burial.



O	Collection of clothes	Building managers, a non-profit that collects the clothes, head-office employees, head of CSR.	Orderly collection of used clothes and delivery to people in need for reuse.
P	Collection of electronic waste of the bank	IT purchasing center, waste removal supplier, head of CSR.	Collection and orderly removal of electronic waste at the bank, through an external supplier.
Q	Collection of electronic waste of the bank's employees	IT purchasing center, waste removal supplier, head of CSR.	Installation of receptacles for use by employees; removal by an external supplier.
R	Maintenance of electrical panels	Construction supervisors, electricity supervisor (construction).	Maintenance and testing of proper functioning of electrical panels at the bank's branches and buildings.



## 5. Reporting and Control

- A Each responsible function should collect information to report, during the year, in accordance with the established format, by the dates noted in the relevant appendix.
- B Towards the end of the reporting year, a detailed request for information will be sent to the responsible function, from the head of CSR, via the BDO Ziv Haft Sustainability and CSR Group (hereinafter: BDO).
- C Following the completion of the data, as described above, the responsible functions will submit the files for approval by the supervising function, by the deadline for completion and transfer of the data.
- D After processing by BDO, the output will be submitted to the relevant functions for verification. Confirmation of verification and the reporting file will be submitted to the CSR division at the end of each quarter and at the end of each year.
- E Following confirmation of the content, the reporting files are kept in a folder designated for that purpose by the head of CSR and at BDO.

