



Harel Insurance & Finance

Corporate Responsibility Report for 2011-12 (Summary)

ABOUT THE HAREL GROUP

Our solutions

We provide comprehensive insurance and financial solutions to our clients. Such services include health insurance (general health, long-term care, dental care and travel insurance), general insurance (motor, house, liability, mortgage and credit insurance), life insurance, pensions as well as mutual, provident and study funds. We also manage investment portfolios and ETFs.

Our Clients

The companies that form the Harel Group (hereunder: Harel or the Group) have numerous clients that include agents, bank advisors, private clients, public and private companies, local and foreign institutions, government authorities, etc.

Harel in the Industry

We cover around 20% of Israel's insurance and financial services market. After more than 75 years in the field, our capable staff has succeeded in driving this industry forward.

Utilizing internet systems and modern digital technology, our experts possess the knowledge to provide top solutions for our clients. To continue our industry leadership, we encourage professionalism, commitment and responsibility within our company environment.

Our Offices

The Group's main office is at Harel Building on 3 Aba Hillel St., Ramat Gan. Additional offices are located at: Harel Building, Petah Tikva; Crystal Building, Ramat Gan; Northern District in Haifa; Jerusalem District, EMI Offices in Jerusalem; Harel Finance Offices in Ramat Gan; and Dikla Offices in Bene Brak and Nesher.

Corporate Social Responsibility at Harel

Corporate social responsibility is a key focus of the Group's activities. Our commitment to CSR is reflected in the fact that we were the first Israeli insurance group to issue a public CSR report. We plan to continue this culture and keep it a top priority.



SOCIAL RESPONSIBILITY

Harel in the Community

Harel started contributing to the community when the Group was founded in 1935 and has been upholding this value ever since.

Over the years, the Group sponsored and aided NPOs and NGOs which thereafter became an inseparable part of the Harel family. Embedded deeply in our organizational culture, social involvement is our trademark and has been expressed through various aspects: employee volunteering, financial sponsorship and equipment contribution.

In 2011-12, the Company donated funds and valuables to the amount of **NIS 9.25 million**. Furthermore, the Harel Group believes it is highly important for its employees to volunteer and partake in Harel sponsored community projects. In 2011, 101 employees volunteered regularly and logged some 3,000 volunteer hours. In 2012, 134 employees did the same with volunteer hours growing to 3,500.

Throughout the 2011-2012 year, Harel focused on three community projects centered on employee volunteering:

- A flagship project with the Ihud Hatzala Emergency Rescue Organization, in which eight Harel employees became volunteer paramedics in the organization in addition to other shared programs.
- A project in collaboration with the Leket Israel Organization, where Harel employees prepared 120 sandwiches for children in need three times a week for two Bene Brak schools.
- Harel adopted two IDF transportation battalions as part of the Adopt a Warrior Project.

SERVICE QUALITY

"Harel has pledged to provide its clients with the best service-quality experience possible while demonstrating high service norms that are based on the values of reliability, novelty, and professionalism. Harel pledges to relentlessly strive to realize its vision - providing clients with peace of mind" (From the Harel Service Credo).

- In 2011, Harel was rated first in dealing with complaints among large insurance companies by the public appeals unit of the national insurance regulator.
- **Their satisfaction is our challenge** - We polled about 4,000 clients in both 2011 and in 2012. The average client satisfaction was 88.4% in 2011 and 87.5% in 2012.
- **Payments made to clients for insurance claims** - In 2011, we paid NIS 2,686,226,110. In 2012, we paid NIS 2,768,068,811.



EMPLOYEE CENTERED WORK ENVIRONMENT

As a financial company, we care about human capital

Realizing the importance of our people, we aspire to provide a pleasant, caring work environment for our employees. We believe this is the best way to help our employees utilize their skills while simultaneously growing personally and professionally.

- As of December 31, 2012, the group employed **4,025** people compared to **3,840** people in 2011.
- Employee turnover rates in Harel Insurance are very low, about 7% annually (service reps excluded).
- Women make up around 70% of our employees.
- In 2011, Harel Insurance invested 14 training hours in every employee. The average training hours-per-employee dropped to 10 in 2012 due to a new training strategy we introduced that year.
- In 2011, about 87% of the Harel employees were given personal feedback from their immediate supervisors; in 2012, 81% of those employees received similar feedback.

ETHICS

The Harel Group believes that maintaining an appropriate, ethics-based business culture is of paramount importance. The Group's Ethical Code is meant to help our employees translate Group values into their decisions and acts taken while performing their duties.

- In 2011, we **revised our Ethical Code** on issues pertaining to relations with intentions of making it more accessible to staffers and executives.
- In 2011-12, only two complaints of ethical rules violations were filed with our executive in charge of ethics.
- We frequently conduct pro-active reviews to uncover and prevent bribery in third-party contracts.

CORPORATE GOVERNANCE

As a key player in the Israeli insurance, long-term savings and financial market, the Harel Group operates within a highly regulated environment that includes legislation, standards and rules. The Group is committed to following these directives and arranging its activities, management, external and in-house audits and its legal fields of activity to comply with them.

The Harel Board comprises of 10 directors, two of whom are women. The Board is regularly updated on corporate responsibility issues in the company and, based on those updates, instruct and issue guidelines for related activities.



ENVIRONMENTAL RESPONSIBILITY

Harel's Environmental Vision

Working in the field of long-term savings, health and financial security, the Harel Group understands that climate change poses strategic threats to the basic interests of our stakeholders - mainly, our clients. This phenomenon has increasingly been turning into one of the greatest environmental challenges of our time. Attempting to deal with this issue, the Harel Group has taken steps to make environmental responsibility a significant factor in its daily conduct. Below are the main principles of the Group's environmental responsibility.

- **Measuring environmental impact** by monitoring the Group's carbon footprint.
- **Reducing negative environmental impact** by reducing greenhouse gas emissions.
- **Developing environmentally valuable insurance services and products.**
- **Encouraging Group employees involvement in environmental moves** by taking steps to instill resources and knowledge on environmental issues.
- **Filing reports on the Group's environmental activities** with all of the Group's stakeholders.

Climate Change: Monitoring Our Carbon Footprint

Harel does its share of dealing with climate change by **monitoring** and **reporting** on greenhouse gases emitted during, and as a result, of its regular business and logistical activities. This process is the foundation on which the Group manages this issue.

| Year | CO ₂ emission |
|------|--------------------------|
| 2011 | 13,177 metric tons |
| 2012 | 14,665 metric tons |

While monitoring our emissions in 2011 and 2012, we realized that **electricity consumption in office buildings and fuel consumption by Group vehicles** are the main causes of emissions. These two types of emissions increased in 2012 because the Group's office space expanded (from 41,000 square meters in 2011 to just over 46,000 square meters in 2012) and due to fleet expansion resulting from increased business activity. Nevertheless, these increases only totaled a slight rise in Harel's carbon footprint.



Partnering with the Greenhouse Emission Registration and Reporting System of the Ministry of Environmental Protection (MEP)

In 2010, the Harel Group joined a select group of Israeli companies that voluntarily report on their carbon footprint to the MEP Greenhouse Emission Registration and Reporting System. So far, Harel is the only insurance company to have done so. As a result of signing up, the Group received a Stage 1 reporting shield from the MEP, thus becoming a partner in shaping the State of Israel's national policies regarding climate change.

Changing Consumption Habits: Reducing Electric Power Usage

The Harel Group is attempting to reduce electricity consumption by monitoring the typical consumption of Group assets, identifying opportunities to use electricity more efficiently and increase employee awareness of the economic and environmental importance of electricity conservation.

To reduce electricity consumption we...

- Installed capacity controllers.
- Installed energy efficient lighting systems.
- Encourage employees to switch off idle air-conditioners, computers and screens.
- Installed traffic controllers.

Table 2: Power Consumption 2011-2012

| Year | 2011 | 2012 |
|-------------------------|-----------|------------|
| Power consumption (kWh) | 9,454,688 | 10,953,172 |

We have the energy to save gas

As part of its efforts to save on gas consumption, the Group is trying to reduce usage of company cars by offering a deal for employees entitled to those cars. This deal means employees will waive their privilege to a company car in exchange for financial benefits. **By the end of 2012, some 8% of those employees opted for this move, which saves an estimated 80,000 liters of gasoline annually.**

In 2012, the group encouraged employees to use non-motorized vehicles to and from work by installing two bicycle sheds outside the Crystal Building and another at the entrance to the Harel Building in Ramat Gan.

| Fuel Consumption (liters) | |
|---------------------------|-----------|
| 2011 | 2012 |
| 1,716,078 | 1,793,642 |



ENVIRONMENTAL RESPONSIBILITY AS A BUSINESS OPPORTUNITY

The Harel Group believes environmental responsibility is a crucial value in its business operations. As part of this concept, Harel aspires to incorporate environmental considerations in its investments policy. When making decisions on equitable investments for public companies on the Tel Aviv 100 Index, Harel considers these companies levels of exposure to environmental risks and adoption of environmental policies.

Insurance policies that are customarily used in Israel are based largely on terms and conditions formulated in the 1980's and 1990's and do not explicitly address environmental issues. In recent years, insurance companies in Israel and worldwide have been updating their policies to clearly address disasters and other insurance liabilities that might be caused by climate change, while also encouraging the marketing of environment-friendly insurance products. As part of this trend, **Harel is presently offering several insurance products that encourage green lifestyles, including:**

- **Amazing Green** is a unique and exclusive Harel initiative related to alternative energy. This Green insurance policy expands home insurance to include domestic solar energy systems, covering them from any damage or risk.
- **Green Discount** is another Harel initiative that encourages clients to actively engage in environmental protection, offering a steady discount for clients that insure hybrid vehicles.
- **Upgrade 10,000** is a motor insurance policy based on the principle of "drive less, pay less" in which we grant another 20% discount on comprehensive motor insurance for cars that drive less than 10,000 km per year.
- **Bicyclist+** is a comprehensive insurance policy that encourages the use of bicycles rather than fuel-based vehicles.

RATINGS AND AWARDS

- **Harel has been rated Platinum on the Maala Rating**, a non-profit membership organisation that ranks Israeli companies based on their CSR. The Harel Group first joined Maala in 2006 and has been continually improving its ratings ever since.

| Year | (%) Rating | Category |
|------|------------|----------|
| 2008 | 57.5 | Silver |
| 2009 | 68.5 | Gold |
| 2010 | 66.8 | Gold |
| 2011 | 76 | Gold |
| 2012 | 79.3 | Platinum |

Maala rating of Harel between 2008 and 2012, including general rating.



The full CSR report (in Hebrew) can be found on the Harel site (under Group Overview):

www.harel-group.co.il.

The Report was written according to the GRI G3.1 instructions at Report Level B.

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