



Harel Group - Corporate Responsibility Report - Summary

Harel Group is one of Israel's largest insurance companies. In the Company's 75 years of operation, its paramount concern has been peace of mind for its policyholders and it is therefore committed to act responsibly, honestly and fairly, on behalf of its stakeholders. The Group's second corporate responsibility report is therefore a direct continuation of this commitment. The report follows the guidelines of GRI - Global Reporting Initiative, which sets out principles for transparency and in-depth dialog with the Company's internal and external stakeholders. The report surveys the Company's activity in the period **2013-2014** and it refers extensively to Harel Group's partnerships in the community at large, the quality of service it provides and the measure it has introduced in this field, the investment in human capital and cultivation of the work environment, assimilation of an appropriate ethical culture, corporate governance and environmental protection. Mission statement - the Company's motto is **Credibility, Customer Service Human Capital, a Warm Home and Leadership**. These values guide the Company's managers and employees in all areas of activity, set the tone for Harel Group's business activity and, as a direct outcome, its investment in corporate social responsibility (CSR) which has long-since been an integral part of Harel's unique DNA.

About Harel Group:

Harel Group provides its customers with comprehensive solutions and is the industry leader in Israel's health insurance sector. According to figures for 2014, Harel Group accounts for **21.3%** of the insurance and financial services market in Israel. Harel is a public company, **50.25%** of its shares are held by the Hamburger family and **49.75%** are held by the public. **The Group posted comprehensive income of NIS 686 million in 2013 and NIS 533 million in 2014. Net profit was NIS 681 million in 2013 and NIS 374 million in 2014.** Harel Group operates in a heavily regulated environment that controls and supervises its business activity. At the end of 2014, the Board of Directors of Harel Investments (the Group's publicly traded company) consisted of 8 directors, 3 of whom are external directors including one woman. The Board of Directors oversees on-going activity through 7 Board of Directors committees that deal with different aspects of the Group's management. The Board members are also involved in and kept up to date with assimilation of the Group's corporate responsibility and also help promote this issue. Harel Group is careful to update its investors and shareholders of events in the Group and provides them with access to reliable information to enhance the decision-making process. **Dividend distribution - in 2013 the Company distributed dividends of NIS 308 million in 2013 and in 2014 it distributed NIS 320 million to its shareholders.**

In 2015, **Maala** - an umbrella organization that assists companies seeking to introduce changes in CSR as a business approach - awarded Harel the **Platinum-Plus Ranking**, the highest possible ranking for its CSR in 2014.

Harel in the community - Harel Group does everything possible to operate fairly and responsibly vis-a-vis the communities it serves and to assist social organizations and charities whose activities correspond with its social investment policy. Harel Group believes that real long-term change in the community at large can be achieved by forging significant strategic partnerships that include monetary donations, the donation of goods (services in kind) and employee volunteering projects. For several years, Harel has had strategic partnerships with United Hatzalah, an organization that provides emergency life-saving services, Leket - Israel's National Food Bank whose goal is to provide food security for Israel's citizens,



and the Company also adopts IDF transportation battalions as part of the “Adopt a Fighter” project. **Harel gave monetary donations of NIS 4.25 million and NIS 2.2 million monetary equivalent in 2013, and NIS 5.1 million in direct donations and NIS 0.5 million in monetary equivalent in 2014.** The monetary equivalent amounts consist of equipment and hours of volunteer work by Company employees. Based on the considerable importance that the Company attributes to the active communal involvement of its employees, it is Harel’s declared goal to constantly increase the number of employees involved in volunteer projects and it therefore invests numerous organizational resources to this end. These efforts have borne fruit evidenced by the fact that the number of volunteers and volunteer hours has grown every year; in 2014 the Company’s employees gave the community 5,023 hours of volunteering, compared with 4,951 hours in 2013. **Likewise, 1,315 (29%) of the Company’s employees are actively involved in one of the volunteering initiatives run by Harel Group.**

In 2014, as part of the strategic partnership with United Hatzalah, a “health tent” was erected at the entrance to Harel House in Ramat Gan for the third time. Harel employees and passersby were invited in for basic check-ups in an effort to increase broad public awareness of their importance. The Harel / United Hatzalah health tent has become a tradition and it attracts an ever-increasing number of people who wish to be examined and look after their health.

Quality of service - Harel Group aims to provide its customers with the best possible service experience by demonstrating advanced service standards based on reliability and professionalism. The Company runs a pleasant, state-of-the art customer call center located in Petach Tikva which is manned by skilled personnel. Customers often expect to encounter a bureaucratic maze, unintelligible jargon and long waiting times when dealing with insurance matters, but instead they benefit from rapid, professional and courteous service that is highly praised. In view of the fact that service is one of Harel’s key values, service quality is closely monitored by means of customer satisfaction surveys carried out by an external service provider, with the purpose of maintaining objectivity and credibility. These surveys show that the average level of satisfaction from Harel’s service experience is high and constantly rising. **In 2013 average satisfaction was 85 and in 2014 the level had risen to 90.8.** Furthermore, the Association of Insurance Brokers & Agents in Israel conducted a number of surveys in 2013 and 2014 with the purpose of rating the agents’ satisfaction with the insurance companies. According to a survey conducted in November 2014, Harel is the industry leader with respect to agents’ satisfaction, particularly in the context of professional approach and availability of Company managers and employees for the agents.

As part of the effort to provide its customers with peace of mind, Harel runs a search and rescue system which has long since become the insurance certificate of Israelis traveling abroad. In 2014, Harel 669 carried out complex search and rescue operations for travelers following a rafting accident in Peru and the natural disaster in Nepal’s Annapurna mountain range.

Human capital - Harel Group views its employees as partners who are the basis for its success and it works to create a pleasant, caring, inclusive work environment with opportunities for advancement. **At the end of 2014, the Group had 4,643 employees, compared with 4,350 in 2013.** The Company’s investment in health insurance has not overlooked its employees, who are encouraged to lead a healthy lifestyle and it therefore subsidizes activities and workshops aimed at increasing awareness and promoting this subject. The Company also believes in the importance of maintaining a proper balance between the demands of home and work, and it offers parents and mothers returning to work after



maternity leave a balanced, comfortable work environment. The numbers speak for themselves: **women account for 70% of all employees at Harel Insurance and the average age of Company's employees is 38.6**. Harel also invests considerably in in-house training and professional development for its employees, alongside the development of general life skills, as well as investing in employee wellbeing, leisure and team-building activities. In 2013, the Company launched a recycling program (*Maavirim Hal'ah*) in which it offers employees working equipment that the Company wishes to take out of commission. Employees can order this equipment for their personal use and collect it from the Company's offices. The considerable investment in cultivating and developing human capital has proved itself and the **turnover rate among employees is extremely low - just 7%** (not including call-center reps).

Harel's organizational culture is based on transparency, mutual respect and open lines of communication, and it conducts an on-going dialog with employees through various media, including an intra-organization portal, open-door policy, feedback meetings and periodic satisfaction surveys. Harel promotes occupational diversity and it makes an effort to take on employees who had previously been unable to find employment, with the emphasis on handicapped employees (about 2% of the Company's employees are handicapped). Harel Group views this as an opportunity to contribute to the community at large at the same time creating social and economic value.

Ethics - Harel applies a fair business culture based on ethical standards and fair, uncompromising conduct vis-a-vis its stakeholders. The Company has an ethical code which is the organization's **value-oriented I.D. card**. This ethical code is regularly revised and refreshed with the purpose of remaining relevant to and consistent with the dynamic reality of the business world. All the Company's managers and employees are committed to the ethical code and must alert the Director of Ethics to any suspicion of unethical conduct, using the anonymous hotline available to all employees. The Company routinely carries out activity and training to ensure that all employees and managers are familiar with the ethical code, and in the reporting years it even launched an interactive program to enhance assimilation of the ethical code.

Supply chain - Harel Group has agreements with a variety of suppliers for varying time periods and it views its suppliers as full partners in the Company's success. The Company is careful to act fairly towards its suppliers, to maintain open channels of communication and to fully respect the agreements signed with them, including paying them on time and complying fully with contract conditions. In 2014, surveys were carried out to improve the dialog with suppliers, in particular with respect to the ethical aspects and environmental conduct of the work of the suppliers as well as to examine Harel Group's conduct from the suppliers' perspective. The Company's workforce also includes about 60 contract workers (employed through manpower companies) and Harel acts to ensure that these workers receive all the rights and social benefits to which they are entitled by law. **Every year, about 25% of the contract workers are taken on as regular Harel employees.**

Harel and the environment - Harel Group constantly measures and monitors its impact on the environment, invests resources and makes considerable effort to reduce these wherever possible. **As part of these efforts, the Company reports, for the fourth year, to the voluntary Greenhouse Gas (GHG) registry run by the Ministry of Environmental Protection.** Furthermore, for the first time, environmental perspectives were included in the Group's procurement department as part of the RFIs directed to suppliers and environmental considerations were included in the Company's investment policy. As a company operating in the insurance and financial services sector that makes extensive use of



paper for sending reports to customers, steps are constantly being taken to reduce paper consumption and move over to electronic reporting wherever possible.

Like the first report that was published in 2013 and reviewed the period 2011-2012, the Company will use this document too to improve corporate responsibility and the quality and depth of reporting.

The full report is available to the public on the Group's website: <https://www.harel-group.co.il/wps/portal>

We invite concerned parties to reply by sending us suggestions for improvement to be implemented in future reports.