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**ARISE - Alliance to Reinforce Israel's Security and Economy**

ARISE is a U.S. based 501c3 which seeks to strengthen trade relations between Israel and the international community in an effort to advance the economy and security of all of Israel's residents, and to promote peaceful co-existence in the region.

**Submitted by:**

**Maala - Business for Social Responsibility**

MAALA is affiliated with a network of organizations promoting sustainability and CSR around the globe: Global Reporting Initiative (GRI), Business for Social Responsibility (BSR), World Business Council for Sustainable Development (WBCSD), CSR 360 and more.

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SOCIALLY RESPONSIBLE INVESTMENT IN

# ISRAEL

Review of Corporate Social Responsibility (CSR) in a Start-Up Nation



# CSR

## A NOTE FROM BDO ISRAEL



Over the last two decades, the Israeli economy has experienced outstanding macroeconomic growth accompanied by a positive fiscal environment. Israel's average annual growth rate in the last decade stood at 3.5%, a rate that exceeded most other OECD countries. Unemployment rates are low, and the labor market continues to expand and develop. At the same time, the Israeli economy is facing significant challenges such as the reduction of income inequality, poverty, and increasing productivity at a time of ongoing geo-political developments.

The economic success of the Israeli economy coincides with the increasing awareness of the need for effective CSR implementation. There is a growing understanding and acceptance that a strong economy combined with CSR initiatives is necessary to achieve sustainable growth.

Following a regulatory requirement for CSR reporting enacted in 2011, Israel's financial sector was among the first sectors in the economy to widely implement such reporting. This year the Government Companies Authority adopted CSR guidelines as part of a strategy to encourage government owned enterprises to integrate certain CSR aspects into their business strategies.

We at BDO, as the leading consulting group in Israel that supports sustainability & CSR, have witnessed over the past decade a rapid adoption of CSR activities throughout the country. Companies are witnessing increased demands from their shareholders to incorporate CSR activities in their business strategy and note their impact. Furthermore, the growing acceptance of CSR in Israel has led more sectors, as well as corporations in the private, public and government sectors to initiate and report these activities as part of their business strategy. For our part, we have been cooperating with companies to accurately measure the impact of these initiatives on the Israeli economy.

As demonstrated in this ARISE report that was prepared by Ma'ala, companies in Israel have the flexibility and the innovative thinking that enable them to develop and implement meaningful policies, which can be translated into a sustainable strategy and have a significant impact for their shareholders. We at BDO are proud to play a key role in this growing trend.

Chen Herzog  
Chief Economist & Partner  
BDO Israel



## EXECUTIVE SUMMARY

Corporate social responsibility (CSR) is a fast-growing approach to modern business management that emphasizes social accountability and transparency to stakeholders and the broader public interest. CSR is primarily focused on improving environmental, social, and governance conditions within corporations. CSR provides business leaders an avenue for “doing good while doing well.”

In recent years, the Israeli market has emerged as an increasingly important CSR arena, with significant progress in leadership within the business sector, regulation ensuring high standards of transparency, and a growing diversity of assessment tools for socially responsible investing (SRI). This includes an expanding dialogue and partnership with the international CSR community. The Israeli government, through the Ministry of Economy and Industry, has adopted a formal role in facilitating CSR operations within the Israeli market, serving as National Contact Point (NCP) to the OCED Guidelines for Multinational Enterprises.

In parallel, Israel’s unique attributes have contributed to a flourishing local CSR culture. Israeli companies and organizations have pioneered innovative approaches to design, implement, and measure local CSR. For example, the Israeli CSR Index, a locally developed CSR management tool, integrates internationally accepted parameters with local priorities, market conditions, and business culture. Israeli CSR focuses predominantly on mitigating social disparities in support of inclusive economic growth, emphasizing the integration of marginalized populations in the workforce and building capacities within individuals, small businesses, and local communities. Efforts in these areas have contributed to doubling the rate of Arab employees in leading companies, pioneering activities for investment in employee development, extensive cross-sector collaboration, and innovative community projects.

Additionally, a growing sector of Israeli companies are gaining traction in the sustainable innovation fields, often by inventing solutions to address a lack of natural water and energy resources. Israel is well positioned to continue its impressive surge in CSR activity. Israeli CSR efforts tend to be ambitious, as the relatively advanced Israeli regulations have set a preexisting high compliance bar for CSR efforts to surpass.

Exposure to international conventions and networks is amplifying CSR activity in Israel, and global companies operating in Israel are contributing significant CSR resources and know-how. Tailored tools to incentivize and facilitate Israeli CSR activity are enabling participation of Israeli companies that otherwise may not bother to be a part of the CSR movement. Finally, the Israeli market’s adaptation for SRI enables the Tel Aviv Stock exchange (TASE) to offer responsible investment opportunities that represent half of the total market value of all of the companies traded.

There is also an opportunity for Israel to leap forward and ultimately punch well above its weight in the CSR arena. Locally developed Israeli programs, mechanisms, and tools may offer models for other countries currently working to catch up in this field. There is significant potential for innovative Israeli companies in sectors such as food, bio, med tech and sustainable building to gain greater exposure in global CSR communities and a greater internal awareness of the correlation between work and CSR activities. Israeli social and technological innovation, if more robustly connected to the global CSR movement, may make a significant contribution toward pushing the needle on acute global challenges as defined by the UN Sustainable Development Goals (SDGs).

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# 71

**As the modern state of Israel turns 71 this year,**

It seems like a perfect time to assess how Israeli corporations are adopting internationally accepted CSR standards, and how Israel stacks up against its neighbors and the larger global community utilizing the same set of CSR criteria.

This includes areas such as: corporate governance and transparency; environmental sustainability; community reinvestment; workforce diversity; inclusion of minority populations; sustainable innovation and others.

To get the project started we turned to Malaa, a globally recognized CSR & SRI organization, to launch an evidence-based research project which puts the Israeli marketplace “under the microscope.”

Malaa was commissioned to provide a thorough and comprehensive CSR / SRI report to our network of international investment partners and multi-national corporations, representing over 70 nations.

We are glad to share with you Malaa’s findings...

## INTRODUCTION

The purpose of this document is to describe and highlight Israeli Corporate Social Responsibility (CSR) in relation to global standards, noting its unique local character, innovations, and areas of excellence. Here, we outline values, circumstances, and challenges that have influenced the evolution of CSR in Israel, focusing on the trends shaping and growing the field. You will see significant progress in several arenas, making Israel an increasingly attractive target for socially responsible investors (SRI). Also outlined in the following pages is evidence of Israeli’s alignment with global CSR standards and conventions and its flourishing and innovative local CSR activity.

Four key factors, illustrated through case studies and examples, create the conditions for Israel’s emergence as an increasingly attractive Target for Responsible Investment. The four factors include: 1) growing activity/involvement led by businesses; 2) increasing systematic/systemic transparency; 3) growing dialogue/engagement with international CSR communities; and 4) widened availability of accessible investment tools.

New opportunities exist for start-ups focused on sustainable solutions that meet or exceed UN Sustainable Development Goals in areas such as enhancing food, water, and energy security.

This document was commissioned by the International Christian Chamber of Commerce (ICCC) and ARISE – Alliance to Reinforce Israel’s Security and Economy. It was submitted by Maala – Business for Social Responsibility in Israel. Maala is regarded as the CSR standards-setting organization in Israel and is an affiliate of a global network of organizations promoting sustainability and CSR around the globe: Global Reporting Initiative (GRI), Business for Social Responsibility (BSR), World Business Council for Sustainable Development (WBCSD), CSR 360 and more.



## 1. CORPORATE SOCIAL RESPONSIBILITY (CSR) STANDARDS

Corporate social responsibility (CSR) is a fast growing approach to modern business management that emphasizes social accountability and transparency to stakeholders and the broader public interest. CSR also sensitizes companies to external societal and environmental influences affecting their core business conduct and operations, and exposes them to emerging opportunities and potential threats.

Thus, CSR provides business leaders an avenue for “doing well by doing good,” making a profit while exercising better corporate citizenship by positively impacting society and the environment. The increasingly robust CSR field is emerging as a major platform for social and economic development, even generating industries and inspiring entrepreneurs in areas such as nutrition and health, “green” building and urban renewal, and “technology for good.”

From its inception, the global CSR community has aligned with values promoted by international institutions and has worked to coalesce around shared standards and frameworks. At the same time, challenges to wide-scale integration of CSR practices continue to arise, due in part, to difficulties in uniform implementation and measurement and adaptation to local cultural contexts.

### CSR Standards | Environmental, Social, and Governance Spheres

CSR management today often refers to activity in three spheres, collectively coined ESG: Environmental, Social, and Governance.

- Environmental considerations include: Climate change, waste reduction, pollution, nature preservation, bio-diversity, recycling, renewable energy, and clean production.
- Social concerns include: Diversity and gender, human rights, workplace conditions and wages, work-life balance, poverty, professional development, and empowerment. Businesses are encouraged to consider their entire value chains, and ensure the responsibility of their own conduct and that of their suppliers and contractors, thus broadening social impact reach.
- Governance issues include: Business ethics and integrity, transparency, and conduct of the board of directors.

A number of foundational international agreements and conventions delineate principles, policy goals, and priorities for businesses within ESG spheres.

#### The UN Global Compact

The UN Global Compact, the largest corporate responsibility initiative in the world, builds upon these

spheres, summarizing ten universal CSR principles in four fields: human rights, labor, environment and anti-corruption. It provides a clear articulation of CSR issues and serves as a networking and learning platform for approximately 10,000 participating enterprises and organizations, incorporating Compact principles into strategies, policies, and procedures. See [www.unglobalcompact.org](http://www.unglobalcompact.org)

The Global Compact asks companies to embrace, support and enact, within their sphere of influence, a set of core values in the areas of human rights, labor standards, the environment, and anti-corruption. By incorporating the ten principles into strategies, policies and procedures, companies generate a shared value for not only for people and the planet, but also for long term corporate success.

The principles are derived from: The Universal Declaration of Human Rights; The International Labor Organization’s Declaration on Fundamental Principles and Rights at Work; The Rio Declaration on Environment and Development; The United Nations Convention Against Corruption.

### THE TEN PRINCIPLES OF THE UN GLOBAL COMPACT

#### Human Rights

#### 1 Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights.

- Equality in health, civil, social and political rights, as well as the right to freedom of expression, should be applied in each working environment to ensure that people are receiving decent, humane treatment. In addition, legal protection for these rights should be provided.
- Y2Ad considers work as a value, and education, an added value to the company, its clients and to society as a whole.
- Employees should be allowed to continue post education at universities, institutes or any other educational facility.
- Y2Ad supports employees who wish to continue educational endeavors, either through corporate resources or via materials such as books and other references; and companies should allocate the proper time and resources

needed for this.

- With respect to human rights, Y2Ad urges employees to continually develop themselves. Companies should fully support individual success, either through training and coaching or by encouraging attendance at seminars and conferences, either internally and externally.

#### 2 Principle 2: Businesses must not be complicit in human rights abuses.

- People and groups have no right to engage in any activity or perform any act aimed at the destruction of any right or freedom. Businesses must not violate human rights and should act responsibly and ethically with regard to human rights issues.
- Y2Ad commits to social responsibility and does not accept to operate with any party or organization taking part in human rights abuses.
- Y2Ad workers are committed to strong principles. All relationships inside the company are built on mutual respect, tolerance and human dignity, and those ideals are implemented in all corporate work activity and in every single connection and relation with relevant stakeholders, partners and clients.

#### Labor

#### 3 Principle 3: Businesses must uphold the freedom of association and the effective recognition of the right to collective bargaining.

- Y2Ad guarantees the freedom of speech to all employees; this includes company clients, suppliers and partners. People have the right to be a part of an organization, regardless of their orientation or personal opinions.
- Work democracy is an essential part of the company structure. Y2Ad business principles ensure the freedom of collective bargaining with no involvement or intrusion of any kind.

#### 4 Principle 4: Businesses must eliminate of all forms of forced and compulsory labor.

- No human being shall be required to perform any kind of slavery or forced labor. No person shall be subjected to torture or to inhumane/ degrading treatment or unethical punishment in a work environment.
- Y2Ad labor laws secure the rights and responsibilities of all employees. No

employee is forced to perform or practice work services against his/her will.

- Y2Ad strict laws ensure the ideal work place. Working hours and lunch breaks are set to be identical to universal work standards. Any employee has the right to apply for vacations, in addition the right to sick leave, maternity leave or any leaves related to the death of loved ones.

#### 5 Principle 5: Businesses must abolish child labor.

- It is strictly forbidden, since establishment of Y2Ad, to hire or use child labor at any workplace. Employment of a minor (aged 5-14) is illegal both at Y2AD or any of its clients and relevant stakeholders.
- Child laborers under the competent legal age are not allowed to perform any tasks or missions of any kind. Y2Ad has barred child labor involvements and considers it to be abusive to human rights.

#### 6 Principle 6: Businesses must eliminate discrimination with respect to employment and occupation.

- Eliminating discrimination begins with ensuring equality between workers with different races, religions, political opinions and others.
- Y2Ad regulations impose commitment and responsibility toward employees.
- Employee rights are granted regardless of social region, sex, color and religion. Capabilities, education, expertise and self-improvements classify their hierarchy.
- Work promotions, incentives, staff training and education is accessible to all, and are based solely on efficiency and qualifications.
- Work laws are equally implemented to all staff.

#### Environment

#### 7 Principle 7: Businesses should support a precautionary approach to environmental challenges.

- We believe that with just a few simple changes we can save a lot. Thus, we are taking steps to create a more energy-efficient workplace to protect the environment and preserve natural resources.
- Many eco-friendly actions are being applied in the workplaces of Y2AD, starting with

the use of environmentally-friendly products and minimizing the use of electricity and computers. This effort also includes recycling and saving paper, which has a huge effect on the environment and also, corporate costs.

Listed below are some of the environmental actions that have been undertaken by Y2Ad over the past several years.

- Use natural lighting most hours of the day and turn off official lights.
- Replace current lights with LED lights.
- Unplug cell phones and laptops once they are charged.
- Switch off all unnecessary lights and equipment such as computers, LCD screens and printers.
- Use email for day-to-day correspondence instead of sending memos and faxing documents.
- Increase awareness by assigning email signatures with the phrase "Please consider the environment before printing this email."
- Create special boxes to collect papers for recycling.
- Set air conditioners at 24 degrees, (the Japanese approach to saving energy).
- Collect cans in special boxes for recycling.
- Ensure outdoor lighting is off during daytime hours and turn off all of the office and building lights at the end of the day.
- Print only what is necessary and use the second side of paper.

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**Principle 8: Businesses should undertake initiatives to promote greater environmental responsibility.**

- Corporations must ensure that activities do not harm the environment in any way. They also must help generate environmentally responsible behavior among other firms and relations.
- Y2Ad carries out individual and group initiatives supporting the environment. Any social initiative undertaken to help the environment should start from within the companies and of course, by individuals.
- Y2Ad and stakeholders work together to launch quality environmental campaigns, beginning with internal corporate seminars, to create awareness not only among staff, but also, the public.
- Y2AD promotes brainstorming for environmental approaches, such as encouraging the use of reusable bags.
- To gain full support, it is good practice for private, governmental sectors and NGO's to

implement initiatives such as appreciation letters and incentives in order to encourage participation and contribution.

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**Principle 9: Businesses should encourage the development and diffusion of environmentally-friendly technologies.**

This includes the application of green science to illuminate the negative effect of technology on our lives. This also includes not only using these technologies in the workplace, but spreading the ideas behind these sciences to business relations and stakeholders. Y2Ad supports:

- The use of friendly technology through use of the internet to send files instead of using disks
- Reducing business travel meetings by taking advantage of web conferencing technology
- Credit facility accessibility to staff to encourage the purchase of friendly products.
- The use of eco-friendly products such as; Eco-bubble washing machines and Doctor Virus air conditions (Samsung 2010-2011).

**Anti-Corruption**

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**Principle 10: Businesses should work against corruption in all forms, including extortion and bribery.**

- A clean business is always a good business. In cooperation with stakeholders, Y2Ad advocates for a stronger and more effective anti-corruption environment in order to sustain an exemplary standard of ethics and good practice.
- We believe that corruption is a strategic business risk and fighting corruption is a strategic imperative for all. Corruption destroys the integrity of a corporation and has a negative impact on society as a whole.
- Roles and responsibilities are agreed upon between employees themselves, employees and their clients, employees and supervisors, and between the firm and stakeholders, to ensure that transparency is applied in all manners of relation.

See: [www.unglobalcompact.org/what-is-gc/mission/principles](http://www.unglobalcompact.org/what-is-gc/mission/principles)

**2030 Agenda for Sustainable Development | UN Sustainable Development Goals (SDGs)**

In 2015, all UN member states adopted the 2030 Agenda for Sustainable Development, which was designed to promote global development while prioritizing human and environmental well-being.

The 2030 Agenda for Sustainable Development details 17 Sustainable Development Goals (SDGs), each with detailed targets and indicators. The SDGs were composed via an inclusive international process, involving government, business, and civil society sectors. Presently, the SDGs are widely accepted as the blueprint for businesses seeking to generate a positive impact. See: [sustainabledevelopment.un.org/sdgs](http://sustainabledevelopment.un.org/sdgs); [www.unglobalcompact.org/sdgs/about](http://www.unglobalcompact.org/sdgs/about)

**The Paris Agreement of the UN Framework Convention on Climate Change (UNFCCC)**

The 2015 Paris Climate Agreement builds upon the UN Framework Convention on Climate Change, joining nations for the first time, to undertake ambitious efforts to combat climate change and adapt to its effects. The Paris Agreement requires all parties to report regularly on their emissions and implementation efforts as set forth by nationally determined contributions (NDCs). There is a central role for business in this process, with thousands of companies having committed actions and pledges toward a low-carbon economy. See: [unfccc.int/process-and-meetings/the-paris-agreement/what-is-the-paris-agreement](http://unfccc.int/process-and-meetings/the-paris-agreement/what-is-the-paris-agreement); [caringforclimate.org](http://caringforclimate.org)

**World Economic Forum's Grow Inclusive Project | The Inclusive Development Index (IDI)**

The World Economic Forum's System Initiative on the Future of Economic Progress aims to promote inclusive economic progress and accelerate social impact through corporate action. The initiative introduced the Inclusive Development Index (IDI) to assess the economic performance of 103 countries annually, measuring their performance on indicators of growth and development, inclusion, and inter-generational equity of natural and financial resources.

See: [www.weforum.org/projects/inclusive-growth-and-development](http://www.weforum.org/projects/inclusive-growth-and-development); [www.weforum.org/reports/the-inclusive-development-index-2018](http://www.weforum.org/reports/the-inclusive-development-index-2018)

**CSR Frameworks | Practical Guidelines and Tools for CSR Management**

Internationally, numerous tools, guidelines, standards, and indices assist companies of all sectors and sizes – from multinational corporations to SMEs – in setting, achieving, and measuring their CSR objectives and in communicating their performances to attract investors seeking responsibility criteria in their investments.

**OECD Guidelines for Multinational Enterprises | Responsible Business Conduct**

The OECD Guidelines are comprehensive recommendations for responsible business conduct between governments and multi-national enterprises. They aim to encourage positive business impacts on socially and environmentally sustainable development. The guidelines contend with issues including employment and industrial relations, human rights, the environment, transparency and information disclosure, and combating corruption. The guidelines cover sectors such as minerals, agriculture, finance and others. While the guidelines are voluntary, National Focal Points (NCPs) of OECD member states support their implementations, and facilitate various procedures regarding reported breaches.

See: [mneguidelines.oecd.org](http://mneguidelines.oecd.org)

**UN Guiding Principles on Business and Human Rights**

This United Nations framework addresses responsibilities and duties of transnational corporations and countries to protect human rights. Although not an international obligation, the UN Human Rights Council endorsed guiding principles of this framework in 2011, applicable to all countries and to enterprises of any size, sector, location, and organizational structure. See: [www.ohchr.org/Documents/Publications/GuidingPrinciplesBusinessHR\\_EN.pdf](http://www.ohchr.org/Documents/Publications/GuidingPrinciplesBusinessHR_EN.pdf)

**Global Reporting Initiative (GRI)**

GRI is the most widely adopted CSR reporting framework, adopted by 93 percent of the world's largest 250 corporations. The GRI framework aids in measuring economic, environmental, and social performance and better understanding and communicating impact on critical sustainability issues such as human rights, governance, climate change, and social well-being.

See [www.globalreporting.org](http://www.globalreporting.org)

**The Sustainability Accounting Standards Board (SASB)**

SASB has developed a complete set of 79 provisional standards. In late 2018, SASB plans to codify these standards, providing a complete set of globally applicable industry-specific standards which identify the minimal set of financially material sustainability topics and their associated metrics for the typical company in an industry.

See [www.sasb.org](http://www.sasb.org)



## 2. ISRAEL'S ALIGNMENT WITH GLOBAL CSR GUIDELINES

### Israeli CSR practices are evolving around two parallel, but distinct planes: global and local.

The Israeli alignment with global CSR has gradually intensified over the last two decades. An active Israeli CSR network is aligned to the UN Global Compact and is active in other global associations. The Ministry of Economy and Industry is responsible for ensuring international compliance, and its Responsible Business Conduct Unit (RBC) serves as the National Focal Point (NCP) for the OECD Guidelines for Multinational Enterprises. The Tel Aviv Stock Exchange outperforms other regional exchanges and facilitates, as well as ESG-minded investment opportunities. Additionally, the local presence of global corporations in Israel exposes the Israeli market to CSR standards and enhances Israeli alignment with global CSR.

### More robust Israeli engagement in the global CSR sphere continues to be obstructed by structural factors.

This includes a relative scarcity of companies beyond the start-up stage. These are significant global players. Israel's domestic culture tends towards skepticism of establishments and is particularly averse to bureaucratic procedures. In addition, the socialist origins and traditionally central social welfare role of the government for years has marginalized philanthropy and stymied the emergence of a philanthropic culture.

### Locally grown and focused CSR approaches are flourishing.

A distinct expression and implementation have been shaped both by developments in the international discourse and by unique local contexts. Dominantly focused on project development based on issues pertaining to societal inclusiveness, integrity, and ethics, Israeli companies and organizations have pioneered innovative approaches in designing, implementing, and measuring local CSR.

### The four main factors propelling CSR forward in Israel:

1. Relatively advanced Israeli regulations;
2. A deep connection to international conventions and networks;
3. The influence of a significant number of global companies operating in Israel; and
4. The development of locally tailored tools to incentivize and facilitate Israeli CSR activity.

### Advanced Domestic Regulations Push Toward International Standards

Israel's advanced set of laws and regulations on diverse and wide-ranging aspects of Environmental, Social, and Governance (ESG) set a high bar for CSR. By definition, this includes activities that go beyond a minimum level of compliance and refer to voluntary, self-regulated actions by business entities. This tapestry of local legislation and regulations addressing ESG factors deal with issues involving environmental responsibilities (such as reporting on environmental issues by public companies), managing electronic waste and registering the emissions of pollutants.<sup>i</sup> There is also a strong emphasis on employee rights, including equal opportunity, equal pay for men and women, freedom of association, payment during illness, compensation at termination of employment and pension insurance, and allocation of time for prayer at work.

### Committing to International Standards; Connecting to Global Networks

Increasing engagement of Israeli corporations with global CSR standards is reflected in a commitment to internationally established guidelines, participation in multi-national networks, and ESG indices traded in capital markets.

- The UN Global Compact (UNGC) has an Israeli network with an established point of contact. However, few Israeli companies are direct members of the UNGC, as most of the companies prefer to be members in local CSR organizations.
- Alongside the Global Compact, several global CSR organizations have MoUs with Israeli CSR networks. Two major affiliations are particularly worth mentioning. One is with CSR360 Global Partner Network,<sup>ii</sup> which connects not-for-profit organizations with businesses to amplify their societal impact. Another global alliance to note is the World Business Council for Sustainable Development (WBCSD).<sup>iii</sup> This CEO-led global advocacy association of approximately 200 international companies represents all business sectors and major economies focused on sustainable development.
- In their construction of CSR reports, Israeli companies usually rely on the Global Reporting Initiative (GRI) framework reviewed in chapter 1.

- The Israeli Ministry of Economy and Industry facilitates CSR operations within the Israeli market, with the Responsible Business Conduct Unit (RBC) serving as National Focal Point (NCP) to the OCED Guidelines for Multinational Enterprises and supporting implementation in local businesses.
- The Tel Aviv Stock exchange (TASE) offers several responsible investment opportunities as detailed in Chapter 4. Annual corporate fiscal reports include a rigorous and comprehensive section on issues of corporate governance and transparency. Israel requires reporting of both monetary and in-kind contributions made by companies. Through partnerships, TASE offers companies CSR training.

Comparatively, extensive research published in 2016 by the UN Sustainable Stock Exchanges Initiative (SSE)<sup>iv</sup> indicates that out of the world's leading, largest 82 stock exchanges, 38 offer ESG and/or sustainability indices and investment options. The study further notes that 18 stock exchanges offer CSR training and guidance to traded companies. Only 12 exchanges have CSR performance reporting requirements of their traded companies.

Compared regionally, Israeli's responsible investing opportunities stand out. Nine Middle Eastern countries were reviewed by the SSE study. Of them, only Israel, Egypt, and Turkey offer ESG investment opportunities. Israel is the only Middle Eastern country to have a reporting requirement (albeit partial) of different CSR aspects. The Turkish and Israeli exchanges are the only two to facilitate CSR training and guidance.

### American and International Players in the Israeli Market

Building upon this regulatory foundation, the Israeli market, albeit small on an international scale, is intensely linked with global markets. Israel has a well-earned reputation of creativity, innovation, and entrepreneurship, attracting multi-national companies. American enterprises, in particular, are opening centers of operations and innovation hubs locally. More than 300 global companies have opened R&D sites in Israel,<sup>v</sup> including corporate giants such as Google, Apple, Microsoft, Intel, Ford, GM, Cisco, eBay, Applied Materials, and Texas Instruments. The activities of these corporations showcase international CSR standards and codes of conduct that have developed in more mature and well-established markets, and this has contributed to the development of CSR practices in Israeli companies.



### Spotlight: Intel Israel | Applying Global CSR Practices Domestically<sup>vi</sup>

Sector: Electronic components  
 Founded: 1974  
 Employees: 10,194  
 Turnover (\$M) 2016: 3,351.0  
 Website: www.intel.com

Intel has been operating locally via Intel Israel, its first development center outside the U.S., for 44 years. In a recent study regarding contributions of big corporations to the Israeli national economy, The Samuel Neaman Institute for National Policy Research found that Intel Israel's contribution to the local economy reaches far beyond fiscal calculations. Also impressive are the massive monetary investments (\$15.9 billion) in Intel sites across Israel, the employment of over 10,000 people and procurement from local suppliers of over \$1.5 billion annually for ongoing operations.

The company "has invested hundreds of millions of dollars to support local research institutions, promote early-stage business ventures, advance math and science education in Israeli high schools, and a range of activities and investments that reflect Intel's commitment and strong engagement with Israeli society." These "soft, non-quantified contribution to the economy" support the company's core activities, which greatly impact Israeli society.

Additional research<sup>vii</sup> indicates that Intel, alongside other leading global companies operating in Israel, has gradually increased its local involvement. Company executives are significantly amplifying their presence within the global CSR community and discourse, perceiving this engagement as an opportunity to network within the corporate world on the basis of shared values, and feeding their exposure back into the local discourse.

**Figure 1:** Israel currently leads the middle east in CSR development and is the only country in the region which simultaneously provides sustainability-oriented indices, requires environmental, social and governance (ESG) reporting as a listing requirement and offers ESG related training.

Country	Number of Listed Companies	Market Cap in USD	Provides Sustainability Related Indices	Requires ESG Reporting as a Listing	Offers ESG Related Training
Israel	459	214,191	+	+	+
Bahrain	46	19,679	-	-	-
Egypt	253	50,900	+	-	-
Oman	117	38,369	-	-	-
Jordan	225	23,711	-	-	-
Qatar	44	151,789	-	-	-
Saudi Arabia	171	434,531	-	-	-
Turkey	416	190,150	+	-	+

## Movement Toward Rating and Certification

In areas where adapting and incentivizing adherence to global CSR frameworks has been a greater challenge, local mechanisms have served to contextualize global CSR principles and increase accessibility. While labor- and cost-intensive reporting duties pose a major disincentive to businesses for developing CSR approaches, a local mechanism – the Maala<sup>i</sup> Israeli CSR Index – offers companies a tool to develop, internalize, and engage with CSR practices that follow global standards in the context of Israeli laws and norms. Participating companies are annually rated and certified.

Index criteria, which are subject to a continual process of development and evaluation (including being open to the public for suggestions), are reviewed by a public committee and updated biannually. This process, which focuses on identifying gaps in existing practices and developing new local best practices to close them, considers advances in the international discourse, as well as local and global regulations. At the conclusion of each update cycle, new criteria are introduced to the Index and set as standards for CSR management.

Over the years, a distinct upward trend is evident in the scores across all reviewed chapters of the Index. This indicates constant improvements in the CSR performance of rated companies. It's an upward spiraling process, where companies strive to better

their CSR actions and attain higher index scores, resulting in new benchmarks being set for satisfactory responsible business conducts. This pushes the bar higher, and introduces new issues for assessment and reporting as part of the rating process.

A key indicator to the scope of company participation in CSR ratings and certification mechanisms in the Israeli market is in the fact that companies representing half of the total market value of all of the companies traded on the Tel Aviv Stock Exchange (TASE)<sup>viii</sup> and participated in the Israeli CSR Index. In 2019, the Index rated 161 leading companies that employ approximately 350,000 people and boast an aggregated turnover of \$137 billion.

“Over the years, a distinct

**UPWARD  
TREND**

is evident in the scores across all reviewed chapters of the index. This indicates constant improvements in the CSR performance of rated companies. It's an upward spiraling process...”

## 3. UNIQUE ATTRIBUTES OF ISRAELI CSR

### Core Issues and Practices

Complexities inherent to its society have focused Israeli CSR on a number of issues that are also central to upholding global CSR standards. Contending with related challenges – which prominently include absorption of massive waves of immigration and navigating a multi-ethnic, cultural, and religious society fraught with deeper geo-political tensions – has spurred considerable innovation in Israeli CSR practices in these fields.

Recent years have seen the introduction of locally grown CSR models, and several leading corporations are actively seeking to address pressing societal challenges both through their internal practices and by utilizing their expertise and funds in impactful community development projects. These companies are actively fostering the practice of CSR further into their value chains, and in the process, empowering and building capacities in smaller businesses.

Across the board, genuine attempts to mitigate social disparities in support of inclusive economic growth<sup>2</sup> are evident in the Israeli corporate sphere. This is especially evident in areas such as workforce diversification, wage equality, professional and personal development of employees from marginalized communities, community development, and capacity building down value chains. Progress and growth in CSR approaches are reflected in: 1) Aggregate data of the Israeli market as reflected by the Israeli CSR Index (see Section 2) and additional sources providing statistical representations and an indication of widespread practices; and 2) Case studies of Israeli companies' CSR practices and key projects that are outperforming global standards. These examples reflect the aspirations of market leaders, set new bars, and chart a path for other companies to follow.

### 1. Israel as an Inclusive Workplace

#### Evolving Practices to Promote Multiculturalism

A diverse workforce that represents many facets of the broader population is an asset to business organizations, enriching recruitment pools, unleashing innovation and creativity, and enhancing potential to engage in diverse marketplaces. While Israel is a young, immigration-based country featuring a very diverse population, it has experienced challenges manifesting this richness in its workforce. Specifically, Arab and Jewish ultra-Orthodox (Haredi) Israeli minority communities are major population groups with distinct cultural features that are under-represented in the workforce, in addition to people with disabilities and Israelis of Ethiopian origin. While

18.7% of Israeli citizens are Arab, they represent only 12.6% of the general Israeli workforce, and Israel's 6.7% Haredi citizens comprise 5.2% of the work force (2015-2016 data).<sup>ix</sup>

Israeli CSR efforts – with a high bar set by regulatory and other government-led efforts and surpassed in a wealth of corporate-led initiatives – are working to move the needle in this area. They are making considerable headway in responding to the challenge of representing Israel's diversity in its workforce. As an indicator of this progress, 2020 inclusion targets set by a governmental committee for the Israeli market, have already been reached.<sup>x</sup>

#### Regulatory and Other Government-Led Efforts

The State of Israel recognizes a need to tackle barriers preventing more extensive participation in the workforce and to increase the rates of employment among underrepresented population groups. Israel has asserted its role in setting targets for the inclusion of marginalized groups and in developing a means of gathering information about employment diversity in Israel.

Government targets set for 2020, for the inclusion of marginalized groups such as Haredi women and Arab men, were successfully met ahead of schedule in early 2018. These targets, defined in 2009 by the Committee for Examination of Employment Policy appointed by the Ministry of Industry, Trade, and Employment, are supplemented by the 2030 Employment Committee's mandate of constructing a vision for governmental action on employment, including workforce participation targets for various populations by the year 2030.<sup>xi</sup>

Recognizing a need to systematically monitor workplace diversity, Israel's Ministry of Economy and Industry's Equal Employment Opportunity Commission (EEOC) co-developed a unique research tool, referred to as the Diversity Index, in collaboration with the Central Bureau of Statistics and the Department for Sociology and Anthropology at Tel Aviv University. The tool methodically maps representation in employment and wage gaps of defined populations, and differences as a function of age, education and gender.

The Diversity Index has been published twice, in 2016 and 2017,<sup>xii</sup> each time effectively highlighting glaring inclusion gaps requiring extensive and comprehensive action by all stakeholders. The information resonated significantly in the market, spurring an ongoing conversation between the EEOC and employers and driving initiatives for diversity projects which were supported by the Commission's vision of generating



opportunities in the employment market through partnerships.

**Business Initiatives**

Israel's business sector led significant achievements in advancing diversity. Among Israeli CSR Index-rated companies, the rate of Arab employees between 2006 and 2019 have doubled, from 2.4% to 5%; SMEs have achieved a 10% employment rate of Arab workers. At the same time, Index-rated companies dramatically increased the rate of employees with disabilities to meet the regulatory required 3%.

In 2019, 63% of rated companies reported having made at least a 10% improvement in their performance, compared to the previous year. This includes hiring new employees from at least one of the excluded population groups. An increasing number of companies report that they have made cultural adaptations and adjustments to their hiring processes (66% in 2019, compared to 42% in 2014). Leading sectors to have set workforce diversification targets are infrastructure (63%), services (100%), food (75%), and finance (67%); followed by pharmaceuticals (50%), hi-tech (42%), and industry (33%).

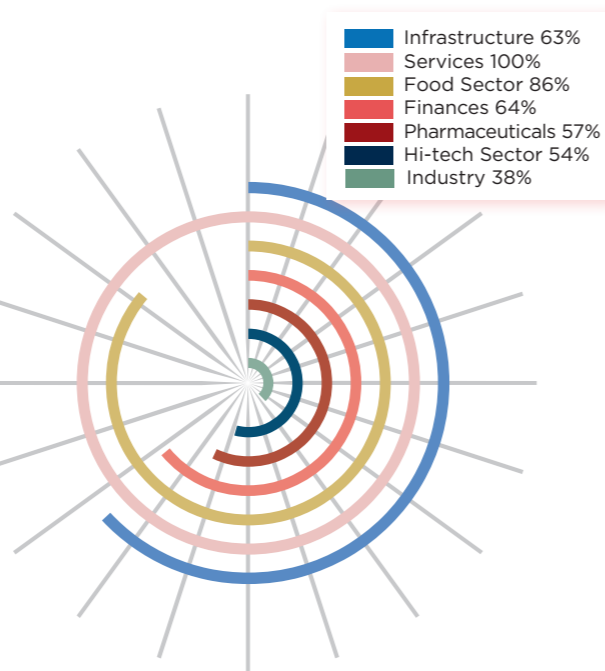
Beyond hiring practices, Israel's business sector is upgrading its professionalism in cultivating approaches to promote workplace diversity. In 2019, 73% of rated companies, compared with only 51% in 2014, attested that they have defined diversity policies and developed guidelines for the creation of a multicultural working environment. In addition, 75% appointed a diversity officer, compared with only 38% in 2014; and 86% work in cooperation with external support organizations to promote diversity.

The Israeli CSR Index, which is updated annually in a

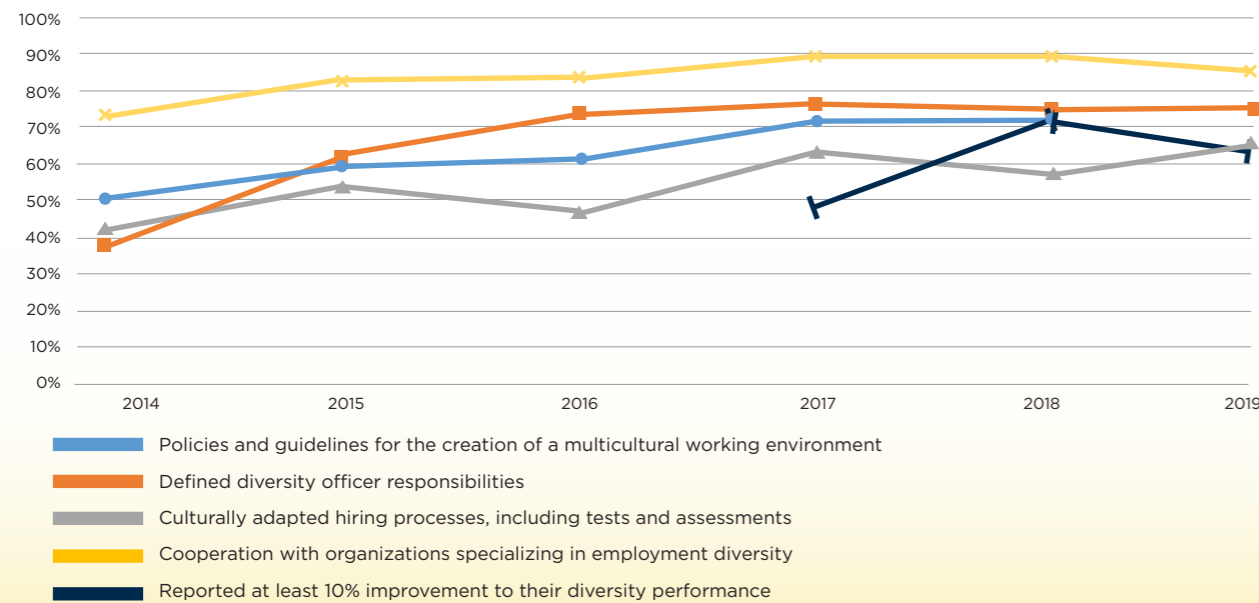
collaborative process designed to reflect emerging trends and dynamics, reflects the increasing weight of diversity advancement as a CSR priority. In 2006 only a few questions were devoted to the issue of diversity but the subject now occupies its own chapter, rating company policies and implementation, and factoring them as 10% of a company's total evaluation score. Diversity rating scores are continuously rising, with representation figures doubling over the past dozen years. This further indicates the progress being made by both individual companies, and the industry as a whole.

**Figure 2:**

Percentage of companies to have set diversification targets by sector, the Israeli CSR Index 2018



**Figure 3:** Diversity performance ratings in the Israeli CSR Index, 2014-2019. Sixty-three reported a 10 percent increase in performance.



**Civil Society Initiatives**

In recent years, a field of Israel's civil society organizations, focusing on societal and environmental business impacts, has emerged. Prominent organizations include:

- The Israeli Forum for Diversity, which is a national multi-sector coalition promoting workplace diversity
- Collective Impact, which utilizes an influential framework for tackling social problems to focus on impacting the rate of and quality of employment of the Arab population

- Kav Mashve, which promotes equal employment opportunities for Arab university graduates within the Israeli business sector

The Israeli Forum for Employment Diversity and Maala in 2014 initiated the annual Dov Lautman Diversity Awards to identify and celebrate exceptional diversity, promoting businesses practices. The nominated projects and practices are presented to serve and inspire the community on the Forum's informative website.<sup>xiii</sup> More broadly, civil society organizations in Israel are playing an important role as catalysts for voluntary action by business.

**Diversity and Inclusion Best Practices | Case Studies**

**Spotlight: Osem Group | (Nestle Israel)**

Sector: Food  
 Founded: 1964  
 Employees: 4980  
 Turnover (\$M) 2016: Privately held company  
 Website: [www.osem.co.il/en/](http://www.osem.co.il/en/);  
[www.osem.co.il/en/corporate\\_resp/creating-shared-value](http://www.osem.co.il/en/corporate_resp/creating-shared-value)

Osem developed a comprehensive strategic approach to increasing multiculturalism in the company in close collaboration with a social venture, Collective Impact. Focusing on facilitating the inclusion, integration, and advancement of Arab employees, Osem prioritized internal mobilization and promotion of Arab employees to key senior positions within the company, as well as the encouragement of diversity in the hiring process. Along with establishing ambitious internal targets for factory and sales unit managers, the company developed training programs to provide its executives with tools for management in a multicultural environment. A peer forum of Arab managers within Osem contribute ideas and initiatives on diversity issues and the company works with diversity organizations in areas like recruiting candidates from diverse backgrounds. Intra-organizational communications raise awareness and routinely address diversity issues.

**Spotlight: Israel Electric Corporation (IEC)**

Sector: Infrastructure  
 Founded: 1923  
 Employees: 11,908  
 Turnover (\$M) 2016: 5,907.9  
 Website: [www.iec.co.il/en](http://www.iec.co.il/en)

The IEC has pioneered internal systems for achieving employment diversity and has excelled in integrating employees with disabilities into its workforce. Aiming for 5% of the IEC workforce to consist of employees with disabilities by 2020, and focusing on people with severe disabilities including army veterans and Paralympic athletes, the company set a target of hiring 50 employees with disabilities annually, as part of a 5-year plan (2015-2020).

IEC also targets students of Ethiopian origin, members of the Bedouin minority, and the Haredi community in its hiring practices, offering scholarships and post-graduation employment opportunities within these populations. Notably, IEC has adapted working environments to enable the inclusion of ultra-Orthodox female employees.

The company is establishing Energy Tech, a technological high school to be located at the IEC training site. Students from low socio-economic backgrounds in the periphery will be able to study and matriculate with a technological diploma and professional certifications.





**Spotlight:**  
**SodaStream Industries**  
(Recently purchased by  
PepsiCo)

Sector: Food & beverages  
Founded: 1990  
Employees: 2,194  
Turnover (\$M) 2016: 476.1  
Website: sodastream.com

For SodaStream, diversity is a core value as well as a way of doing business. Tolerance and diversity awareness are key organizational priorities under the direct responsibility of managers and executives across the board. A focus of the company's practices is promoting diverse employees and recruiting diverse candidates to managerial roles.

SodaStream employs residents of more than 140 localities, many of them in Israel's periphery, of all ages, sectors, and communities. This includes Palestinians, Bedouins, Israelis of Ethiopian origin, immigrants from the former USSR and many other countries, employees with disabilities, and Eritrean asylum seekers. All internal communications within the organization are conducted in numerous languages (at least three) and holidays significant to all employees are celebrated. Internal training works to develop a discourse of multiculturalism.

SodaStream leverages its presence in Israel's periphery to engage in community activities, sponsoring sporting activities in several periphery towns, including a soccer team in the Bedouin Rahat and a table tennis team in Dimona. More broadly, the opening of SodaStream's Rahat factory in 2014 dramatically transformed employment among the Negev's Bedouin community.



**Spotlight:**  
**Twitoplast**

Sector: HAVC (Heat/Air Ventilation/Cooling)  
Founded: 1989  
Employees: 120  
Turnover (\$M) 2016: Privately held company  
Website: twitoplast.co.il/en

Twitoplast is an innovative manufacturer of modular components used in air-conditioning systems, with a subsidiary that produces electronic products for smart-house systems, exporting millions of dollars worth of products. It employs 120 people at the Barkan Industrial Zone of the Samaria/Shomron Regional Council, where approximately half of all employees – 7,000 people in 160 factories – are Palestinians. In total, 20,000 Palestinians and 40,000 Israelis are employed in 14 industrial zones located in Judea and Samaria.

The company's core values of equality and fairness are expressed in merit-based hiring and promotion processes. Palestinians are employed in managerial and professional roles, earning wages equal to their Israeli counterparts. Entry-level employees are paid \$2,000 monthly plus social benefits; higher than the Israeli minimum wage and dramatically exceeding the average Palestinian income. Positive impacts on the Palestinian economy include employees' use of these available funds in the domestic market or for entrepreneurial initiatives.

The company offers on-the-job Hebrew lessons and sponsors higher education for its employees. Several employees, for example, have returned to better positions within the company following their air conditioning engineering studies at the An-Najah National University in Nablus. Additional education endeavors by the company include support of local schools.



**Spotlight:**  
**Lipski**

Sector: Plastics  
Founded: 1965  
Employees: 100  
Turnover (\$M) 2016:  
Privately held company  
Website: lipski.co.il/en

Lipski, which employs approximately 60 Palestinian and 40 Israeli employees at the Barkan Industrial Zone, was established as a small workshop. It was intentionally constructed to provide employment to veteran Keter Plastic workers, as the latter was growing into an Israeli industry giant. The aim was to sustain the vitality of these employees through continued employment, even beyond retirement age. The company, which is no longer a part of the Keter corporation, maintains its market and offers innovation in its sector.

Despite these changes, the Lipski maintains its core values of care and consideration for its employees, and it upholds an emphasis on personal connections and relationships. Some of the veteran employees from the company's early days still work there. Lipski also facilitates a merit-based working environment, with complete equality between Palestinian Arab and Jewish Israeli employees.

## 2. Investing in Human Capital to Promote Inclusive Growth

### Investments for A Better Workforce, A Better Society

From the 1950s and rooted in Israel's Labor Party's socialist agenda, Israel has a long tradition of mandatory employment legislation protecting employee rights, which includes comprehensive pension insurance and compensation at termination of employment. Employers and officers of companies are subject to criminal and administrative responsibility for breach of employment rights. Freedom of association is guaranteed as a basic right and worker unionization is a proven way of enforcing employee rights and improving working conditions. Several general employee trade unions have seen a substantial growth in the number of unionizing employees in recent years: within the Israeli CSR Index, and the percentage of companies with worker unions rose from 47% in 2014 to 68% in 2019.

In a more recent trend, Israeli companies are increasingly shifting focus from predominantly cultivating talents and senior executives, to promoting and empowering entry level and low-wage employees. This shifts critical resources to addressing acute societal challenges around the "working poor." It also contributes to improved conditions within the company, bolstering employee esteem and loyalty and saving resources on employee turnover. At the same time, Israeli companies are bolstering their human relations operations across the board, emphasizing working relations, employee health, and work-life balance issues.

### Human Resource Management in Israel Gaining Strength and Professionalism

Israeli companies are increasingly aware of their responsibility for the well-being of their employees as part of a greater commitment to playing a positive role in society. A review of companies' performance spanning more than a decade indicates continuous improvement on these issues. For example, in 2006, only 45% of companies reported that they had conducted an employee satisfaction survey during the preceding two years; the figure increased substantially to 85% by 2019. Employee health is encouraged by facilitating checkups (82%), promoting healthy nutrition (75%), and helping employees quit smoking (31%). Sixty-nine percent of rated companies have either a gym on-site or arrangements with external facilities for employees' benefit; and 81% of companies support employee sporting teams and sports days.

Many companies address work-life balance by enabling flexible working hours (75% of rated companies) and partial recognition of working from home (56%), sponsoring or facilitating day camps for children of employees during the school summer



vacation (56%), and enabling either paid or unpaid leave during school holidays and/or university exams (87%).

### Addressing Inequality

Over the past decade, there has been a sharp increase in families with two incomes and also those that live in poverty. This rise is propelled by new population groups entering the employment market, and usually working for companies/sectors with very low productivity, low wages, and generally no employment advancement opportunities.

These entry level and/or unskilled employees are often employed in a revolving door process. Workers often leave due to tiresome or unpleasant work, or due to a lack of professional development opportunities, and therefore, new workers must be hired. This process is tedious and costly for the organization, and is part of a cycle with broader negative societal repercussions.

In response to the societal challenge of the working poor, Israeli companies have started to construct processes to bolster human capital by supporting, developing, and advancing low-wage employees. They have created practices, strategies, and inspiring programs to generate economic support for these employees. They have also introduced opportunities for career development, provided tools to adapt to the changing world of employment, and contributed to a culture of meaning and values in the workplace.

More companies are aware of the need to enhance human resources support for low-wage employees, and apply varied tools to do so. These include: preferable terms on loans (71% of companies in 2018), consulting employees on the construction of their pension and savings plans (62%), guidance for domestic economic



management (51%), covering partial health insurance fees (74%), and facilitating the services of a social worker (60%). In terms of fiscal support, some companies pay increased wages that are higher than the legally required minimum (38%), offer scholarships

for employees and their family members (63%), provide benefits such as discounts on products (59%), maintain a crisis relief fund (53%), or provide low-wage employees with programs for empowerment and personal development (31%).

## Employee Empowerment Best Practices | Case Studies



### Spotlight: A Bettering Company | Society - Life-long Learning for The Most Vulnerable Sectors

Sector: Non-profit  
Website: <http://employment.jdc.org.il/en>

JDC-Tevet, the leading developer of multi-dimensional employment services in Israel, joined forces with Maala in an initiative to harness the business sector and construct support, development, and promotion processes for low-wage employees. The initiative, titled "A Bettering Company/Society" (in Hebrew they are the same word), engages companies by developing standards as well as practical guidelines to facilitate life-long learning opportunities for employees, addressing three main issues:

1. Economic support for low wage employees;
2. Career professional development tracks;
3. Personal development opportunities.

The initiative is premised in an assumption that companies will benefit from providing tools and assistance for the employees to adapt to a changing and post-industrial society. Those same employees will be able to add value back, both within and outside of the organization, while also promoting active citizenship and social mobility.



### Spotlight: Strauss Group

Sector: Food & beverages  
Founded: 1933  
Employees: 14,830  
Turnover (\$M) 2016: 1,375.3  
Website: [www.strauss-group.com](http://www.strauss-group.com)

Following widespread social protest events in Israel during the summer of 2011, the Strauss Group reevaluated its human resources strategy, broadening it to incorporate a response to social disparities.

Strauss defined the monthly minimum wage it pays employees to be \$80 higher than the amount required by law. The company provides daycare subsidies to any employee with children under three years old.

The company identified education and professional training as its focus in ameliorating poverty. In addition to offering its employees an advanced study fund, Strauss developed several initiatives focused on building professional, personal, and inter-personal skills. The Springboard Project, for example, provides unskilled employees opportunities for promotion and career advancement by training them for professions in demand within the company, such as welders and electricians. This supports and empowers junior employees, while adding value to the company, which gains skilled workers for these technical roles.

Strauss launched a Women's Forum open to the participation of female employees throughout the company to empower and advance women through a process of professional and personal development. Women are introduced to diverse aspects of the organization and receive training in areas including marketing, team management, and conflict resolution.



### Spotlight: Electra Consumer Products

Sector: Commerce (Household Electrical Appliances)  
Founded: 1970  
Employees: 2,415  
Turnover (\$M) 2016: 767.9  
Website: [www.electra-consumer.co.il](http://www.electra-consumer.co.il)

Electra employs large numbers of air-conditioning technicians, including junior technicians, who trade physical labor for low pay, seasonal work, and a lack of advancement tracks. All of this results in high turnover rates. Consequently, the company is constantly engaged in resource-consuming hiring processes and suffers from a shortage of employees.

Electra's Career Paths program responds to this challenge by generating employee mobility. The program seeks to provide continuity between entry-level jobs and advanced roles, creating a process for mapping potential advancement tracks and professional training opportunities for suitable employees. It also provides transparent and accessible information on wages, prospect promotion, and training opportunities.

Primary tools used by businesses to facilitate well-being relate to:

- Health services - such as medical insurance, periodic checkups, and flu shots.
- Nutrition - catering a healthy menu in workplace canteens and providing nutritional information for a healthy lifestyle.
- Physical fitness - offering gym facilities, providing exercise classes and training, incentivizing commutes by cycling, sponsoring sports groups, and holding sports days.

### 3. Community Development and Multi-Sector Approaches to Strengthening the Backbone of Israeli Society

Traditionally, the resilience of the Israeli society has been rooted in its strong communities. Originating in the pre-state Jewish *Yishuv*, and extending to the early decades of statehood, a network of interlinked community-based institutions has provided a critical backbone and safety net. While the role of the Israeli

### Spotlight: Promoting Employee Health and Well-Being

Employee physical and mental health and well-being are highly influenced by working environments and impact work processes, productivity, and the broader society. This creates an opportunity for businesses, and especially companies employing large numbers of workers, to foster and promote well-being and a healthy lifestyle through activities at the workplace. Doing so improves employee engagement, enhances productivity, and impacts employees, their families, and even wider community circles. Companies often brand and market these programs to their employees, proactively encouraging them to partake in the suggested activities, and taking advantage of the opportunities available as part of this framework.

Many leading companies, including the Israeli facilities of multinational corporations, Unilever, SanDisk (today part of Western Digital Corporation), and Roche, have developed comprehensive employee well-being programs. Such programs are often initiated in collaboration with the Ministry of Health, which prioritizes partnerships with the business sector for the success of its national health and well-being policy agenda.


government in social welfare, including maintaining this network, has declined in recent years, this communal DNA is an asset in the effort to advance community-based societal impact approaches. Today, Israeli businesses are increasingly steering CSR activities in this direction.

Israel's business sector is increasing monetary contributions to communities and business-related community projects carried out by corporate employees. Israeli CSR activities focus predominantly on social issues and closely reflect priorities expressed by broader publics. Projects align with community development approaches emphasizing capacity building with the objective of, metaphorically, teaching people the art of fishing rather than simply handing out fish. Significantly, some of the most innovative projects are a product of the collaboration between businesses, civil society organizations, and governmental institutions.

Community development projects that harness employees serve as a platform for involving and connecting the workforce to communities and to the company's organizational culture and values.



## Community Investment Best Practices | Case Studies



Spotlight:  
**5X2 Initiative: A**  
collaboration of 100  
governmental, social, and  
business organizations  
for scientific education  
excellence

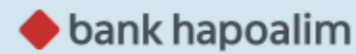
Sector: Technology  
Founded: Collaborative initiative launched in 2013  
Website: [www.5p2.org.il/english/](http://www.5p2.org.il/english/)

Israeli industry is characterized by a high level of technological sophistication and a steady increase in the demand for science-savvy employees. At the same time, levels of math studies in Israeli high schools have declined, and a shortage of qualified science teachers persists.

To address this gap, leading tech companies joined forces with the government and civil society organizations to devise a comprehensive strategy for positioning Israel among the world's top 15 countries in scientific education in an effort to sustain the market's technological advantages. Led by Israel's Ministry of Education, and participating companies (such as Intel, Microsoft, Amdocs, Qualcomm, and Teva) necessary funds were raised and employee expertise was provided in a process facilitated by Sheatufim, a civil society organization.

The result was the 5X2 initiative, which set forth a target of doubling the number of high school students completing advanced math studies (five matriculation credits) within five years. In acknowledgment of gender-diversity challenges in technological professions, female students are encouraged to advance their scientific educational endeavors. Thousands of participating companies' employees volunteer both time and professional know-how to achieve the goal. For example, many corporate volunteers accompany teachers in classrooms and tutor students.

The number of participating schools is rising and project achievements are already indicated by a 44% increase in the number of students taking the advanced math high school matriculation exam.



Spotlight:  
**Bank Hapoalim**

Sector: Commercial banks  
Founded: 1921  
Employees: 11,628  
Turnover (\$M) 2016: 3,833.0  
Website: [www.bankhapoalim.com](http://www.bankhapoalim.com);  
[csr.poalim-site.co.il](http://csr.poalim-site.co.il) (Hebrew)

Israel's largest bank has expanded its activities designed to empower customers making financial decisions. In 2017, Bank Hapoalim launched its Center for Financial Growth,<sup>xiv</sup> a hub for information, training and guidance, and financial tools for individuals, families, and businesses. It offers courses and study programs adapted to different stages in life. Offerings include tutorials on pension savings, financial education for children, and an introduction to capital markets. Activities are conducted both online via a dedicated website, and by frontal instructional sessions held throughout the country, free of charge.

The bank customizes projects and workshops to adapt to the distinct needs and features of different communities. For example, sectors may include groups within the Arab community or organized employee groups, like local government workers or teachers. A recent collaboration with the nonprofit organization, Economic Empowerment for Women, provides training courses for Arab women interested in establishing their own businesses, transforming their talents into income, or upgrading a preexisting business. Six-month courses are held within Arab population centers, and participating women are awarded a small grant with a participation diploma.

In the Haredi sector, the bank collaborates with a leading newspaper catering to the ultra-Orthodox community on the "Living in Wisdom Project." Selected families meet with their bank manager, an economic consultant, and newspaper reporters on a weekly basis to follow up on their economic progress. The paper publishes articles regarding recommended economic conduct, highlighting participating families at different stages of their process.



Spotlight:  
**Israel Chemicals**

Sector: Industry (chemicals)  
Founded: 1968  
Employees: 13,414  
Turnover (\$M) 2016: 5,362.7  
Website: [www.icl-group.com](http://www.icl-group.com)

Israel Chemicals is facing a complex challenge in its attempt to generate dialogue with stakeholder communities, given its significant environmental footprint.

The company has faced this challenge by developing an adapted strategy for environmental, social, and economic development in the Negev region, where it mines most of its natural resources and where most of the company's employees live. Israel Chemicals adopted a focus of integrating sustainability values and practices into the community. It partnered with other industries, companies, and local authorities in the Negev region to generate a new agenda, creating new partnerships and an institution for sustainability that links together society, environment, community, art, and the economy.<sup>xv</sup> The public was invited to actively participate and more than 30 suggested plans were accepted following a large community hackathon produced by the project.



Spotlight:  
**Partner Communications Company**

Sector: Communications  
Founded: 1997  
Employees: 2,686  
Turnover (\$M) 2016: 922.8  
Website: [www.partner.co.il/en](http://www.partner.co.il/en)

Rapid technological developments in daily communications tools pose a challenge to older populations. Noting these hardships, Partner Communications joined forces in 2016 with nonprofit organizations to develop a unique introduction to basic smartphone use and internet skills, focusing on platforms for maintaining contact with family and friends. Detailed lesson plans are available, such as teaching senior citizens how to use email, Google, social networks, and useful apps.

The partnership was extended to additional social organizations working with the elderly, including the National Service Movement and the Israel Association of Community Centers, in an effort to broaden the reach of the project. After training teachers, pilot tutorial groups were launched throughout the country, each comprised of 12 participants over the age of 65. Volunteers from the company join each session to assist the tutor. In 2017, the program was extended in order to open new teaching groups and include additional partner organizations, therefore extending the initiative's benefits within the Arab sector and reaching home-bound elder populations.<sup>xvi</sup>

## 4. Sustainable Innovation<sup>xvii</sup>

### Start-up Nation Solutions

Israel has earned a notable global reputation for innovation, mostly for achievement in the fields of information and communications technology (ICT), defense, and cyberspace. Its technological products, from the USB flash drive to Waze and Mobileye, are regularly used to ease their daily lives of many millions around the world.

In parallel, a surge of Israeli innovation centered around tackling global challenges is moving the needle on UN Sustainable Development Goals (SDGs). The local spirit of innovation arose from a need created by Israel's challenging geographic

and geo-political conditions. Israel pioneered drip irrigation which has expanded considerably into broader water technologies and renewable energy. Other emerging sectors provide solutions for smarter sustainable cities, food tech to improve people's nourishment, and medical tech innovation to deliver health solutions less invasively and remotely.

Israeli innovation in these areas has been disruptive; its features are apparent even in sectors known to be conservative, such as building and construction. Israeli companies regularly chart new territories with regard to business impacts on society and the development of products and services certainly resonate with the SDGs.



Platforms for innovation communities and networks in Israel, a small and dense country, support each other and are attractive to investors and global consultants seeking solutions for both developed and developing countries. TechForGood,<sup>xvii</sup> for example, offers social and environmental technology start-ups with professional support, training, and mentorship, along with access to capital. Another example is

the Israeli innovation hub launched by the Italian power and gas corporation, Enel, in collaboration with Israeli infrastructure and real estate company, Shikun and Binui. The hub's scale-up support program selects 20 promising startups with "cutting-edge products and services that can have business and social impact" annually.

## Sustainable Innovation Best Practices | Case Studies



### Spotlight: Mekorot Water Company

Sector: Infrastructure  
 Founded: 1937  
 Employees: 2,218  
 Turnover (\$M) 2016: 1,148.3  
 Website: [www.mekorot.co.il/Eng](http://www.mekorot.co.il/Eng)

Mekorot provides a steady flow of clean water to Israel's rapidly growing population, despite the region's limited freshwater resources. It operates several desalination plants, facilitating the availability of portable water throughout Israel. The process uses unique technologies such as ultra-filtration and reverse osmosis to convert sea water to drinking water. Throughout the country, Mekorot treats and cleans waste water to be recovered for agricultural use; and rehabilitates groundwater and wetland resources.

Mekorot works with companies in different countries with similar climates – such as Cyprus, Southern California, India, and Uganda – to help them with effective water recycling practices and desalination technologies.



### Spotlight: Hadera Paper

Sector: Communications  
 Sector: Paper and cardboard  
 Founded: 1951  
 Employees: 1,521  
 Turnover (\$M) 2016: 427.8  
 Website: [en.hadera-paper.co.il](http://en.hadera-paper.co.il); [repaper.co.il](http://repaper.co.il)

Hadera paper produces "the world's most environmentally recycled paper," an innovative, 100% recycled product. It addresses the challenges of paper production while dramatically reducing the substantial environmental footprint of paper recycling by eliminating some of its wasteful and harmful process, such as de-inking and bleaching. The use of inputs and resources, such as energy and water, and the discharge of outputs, such as waste and GHG emissions, are drastically minimized.



### Spotlight: Shikun and Binui

Sector: Infrastructure  
 Founded: 1923  
 Employees: 11,908  
 Turnover (\$M) 2016: 5,907.9  
 Website: [www.shikunbinui.com](http://www.shikunbinui.com); [www.shikunbinui.com/en-US/innovation](http://www.shikunbinui.com/en-US/innovation)

Shikun and Binui is on the cutting edge of Israeli sustainability innovations, connecting sustainability and innovation in the construction and infrastructure sectors and facilitating an innovation community. Its "BuildUp innovation" initiative invites entrepreneurs, planners, engineers, and inventors to plan and build infrastructure for the future city. Since its launch in 2016, hundreds of new ideas have been examined, addressing a range of issues, from structures and infrastructure to renewable energies and environmental solutions.

Additionally, NIS 1 million (~\$278,500) in funding will benefit companies reaching the proof of concept stage at InfraLab, an open-innovation lab created by Shikun and Binui, and Enel. Participating Israeli start-ups in the fields of construction, energy, and transportation will have access to an advanced technological infrastructure and a professional network to provide them with ongoing support.



### Spotlight: Netafim

Sector: Water filtering and irrigation technologies  
 Founded: 1965  
 Employees: 4,300  
 Turnover (\$M) 2016: 855  
 Website: [www.netafim.co.il](http://www.netafim.co.il)

Netafim is a pioneer of drip and micro-irrigation, which revolutionized the practice of sustainable agriculture. It continues to develop and offer advanced products and practices for agricultural irrigation and crop management, greenhouse solutions, and landscape water management. Starting as an innovative solution provider for domestic needs to enable agricultural activity in a land with limited water supply, Netafim has become a global market leader for its inventive products used in both developed and developing countries.

Considering the fact that water is the world's most rapidly depleting resource, exploiting it sparingly is imperative to sustain the growing population and the planet. Beyond the social responsibility inherent to its core activities, a recent Netafim social initiative applied the company's expertise towards community development contributions. In collaboration with the local municipality and JDC Israel, a nonprofit organization, Netafim committed to educating children in the Arab-Israeli town of Baqa al-Gharbiyye about healthy eating habits, by crafting vegetable gardens in each of the town's 35 kindergartens.

Eighty of the company's employees supported the garden project, which found ways to involve the children, parents, and teachers all the way from the design stages to the final installation of the 35 drip irrigation systems donated by the company. Each garden was planned according to specific schoolyard conditions and local needs. This project was a major factor in awarding Netafim the Industry Award for Social and Environmental Leadership by the Manufacturers Association of Israel in 2015.



### Spotlight: Strauss Group

Sector: Food and beverages  
 Founded: 1933  
 Employees: 14,830  
 Turnover (\$M) 2016: 1,375.3  
 Website: [www.strauss-group.com](http://www.strauss-group.com); [www.thekitchenhub.com](http://www.thekitchenhub.com)

Israel's major food producer, in collaboration with Israel's Chief Scientist, established "The Kitchen," a FoodTech Hub. It functions as an incubator addressing investments in early-stage, pioneering technological initiatives pertinent for the food industry. Its proclaimed goal is to support ventures that can make food more productive, affordable, sustainable, and healthy.

The incubator provides a home for entrepreneurs and a habitat for new technologies addressing all aspects of the value chain in the industry. For example, incubated products for food safety include BactuSense's chip-based device for rapid pathogenic bacteria detection, Inspecto's portable nanoscale detector for contaminants in food, and Detergio's antimicrobial coatings and paints, which destroy micro-organisms upon contact. Nutrition alternatives, including non-dairy, probiotic foods and drinks, have been developed, including yogurts by Yofix; insect-based food products as alternative protein sources for human consumption by SpArk; clean, healthy, and ethical bovine cultured meat by Aleph Farms; and computational protein design and biotechnology production of healthy, stable, and cheap proteins with optimal taste profiles by Amai Proteins. Incubated innovations to support dietary restrictions and preferences include the transformation of sugar molecules in natural fruit juices into dietary fibers by Better Juice and the customization of online recipes to conform to dietary goals by Myfavoreats. Furthermore, Deep Learning Robotics has developed robotic solutions for food factories.





### Spotlight: Teva Pharmaceutical Industries

Sector: Pharmaceuticals  
Founded: 1901  
Employees: 56,960  
Turnover (\$M) 2016: 21,903  
Website: www.tevapharm.com

In 2013, Teva established the National Network of Excellence in Neuroscience (NNE), fostering collaboration between leading universities and teaching hospitals in Israel. These institutions, considered global leaders in neuroscience research, benefitted from \$15 million over five years to support research on new therapeutic approaches for diseases of the brain and mind. In addition to augmenting medical knowledge for the benefit of the healthcare community, NNE advances outstanding science that can lead to new treatments. This has already resulted in numerous scientific publications.

## 5. Supporting Local Economic Development

### Large Businesses Facilitating Capacity Building in SMEs

For growth to truly affect and generate opportunities across communities and layers of society, particularly within marginalized population groups, all sectors of the economy must contribute to it and also benefit. A company's responsibility to attend to CSR practices throughout its supply chain has always been an issue high on the global CSR agenda. Large corporations usually spearhead CSR leadership, in Israel and globally. They are under constant public scrutiny and are sensitive to the global discourse, keeping them alert, immediately responsive, and creatively proactive. However, in order for CSR to truly generate inclusive growth, its practices must pervade different layers of the economy, particularly in small and medium enterprises (SMEs). In Israel, SMEs with up to 100 employees represent 99.5% of businesses, employing approximately 60% of workers in the national economy.<sup>xix</sup>

In Israel, several companies active in the CSR community have taken exemplary steps to encourage and support their suppliers and contractors in the

implementation of CSR practices. Increasingly, bigger companies are utilizing their procurement processes to disseminate CSR practices down their value chains, building relevant capacities among SME suppliers. Some of the practices applied in procurement processes include scoring for CSR-related issues in tenders, capacity-building seminars for suppliers, and public expressions of appreciation by large corporations to their suppliers. When procurement managers engage with CSR practices, the awareness of opportunities for responsible growth and capacity building grows, while relationships with customers and their communities is strengthened.

### Basic Rating Tool

The Israeli CSR Index facilitates CSR management for SMEs via its second-tier tool: CSR Basic Index. This platform represents a unique approach among CSR tools are available globally and are especially geared and adapted for SMEs. Launched in 2015, CSR Basic addresses all key CSR issues motivating work processes within smaller companies, such as ethics, employee rights, and diversity in employment. Unlike large corporations that participate in the advanced Israeli CSR Index, participating SMEs are not rated publicly. They receive internal scores privately. The performance analysis for each participating company provides an effective mapping tool of CSR achievement and status. Assistance is provided to SMEs to help define operational targets and construct a work plan for material CSR issues.

By 2019, 84 SMEs had participated in the CSR Basic Index. SMEs with passing CSR performance are given a seal of approval and are included in an online database of responsible companies. They further gain public recognition and appreciation at the annual presentation of the Israeli CSR Index ratings, an event attended by market leaders, the CSR community, government representatives, and civil society organizations. Additional events and initiatives convened by large corporate market leaders also celebrate the CSR achievements of SME suppliers.

"Bigger companies are using their procurement processes to disseminate

**CSR PRACTICES**

down their value chains, building relevant capacities among SME suppliers."

## CSR Down the Value Chain | Case Studies



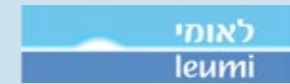
### Spotlight: Israel Electric Corporation (IEC)

Sector: Infrastructure  
Founded: 1923  
Employees: 11,908  
Turnover (\$M) 2016: 5,907.9  
Website: www.iec.co.il/en

The IEC manages an extensive network of about 7,000 suppliers, and annually files 30,000 procurement orders totaling close to \$1 billion. The company has defined a procurement policy emphasizing fairness, transparency, and focus on SMEs; aiming for shorter, simpler, and more efficient procurement tenders.

To improve its supply-chain management and generate discourse with its suppliers, IEC held several supplier conferences and sessions introducing its practices, listening to suppliers' needs, and addressing barriers faced in the procurement process. During such conferences, also held in peripheral locations, dozens of small businesses registered as potential IEC suppliers, and many of them were contracted for procurement within a short time. Dialogue with suppliers is maintained through site visits. In addition, in consideration of the limited bandwidth of SMEs for these processes, tender procedures have been simplified.

These processes have resulted in increased procurement from small and micro suppliers. In 2013, small businesses comprised 60% of all IEC suppliers and were responsible for 30% of all procurement; by 2017, these figures increased to 77% and 45% respectively.<sup>xx</sup>



### Spotlight: Bank Leumi

Sector: Commercial banks  
Founded: 1902  
Employees: 11,636  
Turnover (\$M) 2016: 3,367.7  
Website: english.leumi.co.il

This major bank procures roughly 7,000 commissions totaling approximately \$420 million annually, and 67% of its 1,000 suppliers are SMEs. In its procurement procedures, the bank considers the organizational values of its suppliers, such as ethics, employment conditions, and criteria for green and sustainable production. It gives special consideration to suppliers from the periphery, representing or employing diverse populations, as well as start-ups, non-profits, or social organizations.

Bank Leumi hosted a convention for suppliers, which addressed issues such as transparency, accessibility, confidentiality, discretion, professionalism, and the environment. The bank welcomed supplier feedback and improved interactions by implementing an online supplier portal. It opened a business management school for smaller suppliers, providing more than 2,000 participants with professional tools for growth.

The bank has urged its suppliers to join the CSR Basic Index and to review their CSR activities. In the future, it intends to award bonus scores for tenders to suppliers who provide a declaration of their CSR management. In the 2017 International Maala CSR Conference, the bank held a dedicated session of recognition and appreciation for its responsible suppliers.<sup>xxi</sup>



### Spotlight: Al Arz Tahini<sup>xxii</sup>

Sector: Food  
Founded: 1992  
Turnover (\$M) 2016: Privately held company  
Website: www.alarz.co.il/en

Al Arz exemplifies a successful peripheral small business, owned and managed by a woman from the Israeli Arab community in Nazareth. Originally founded by Assad Zaher in 1992, Al Arz integrates traditional and modern production methods with advanced technology and machinery. Julia Zaher stepped in to manage the company after her husband passed away in 2003, transitioning from an educator to an industrialist, an outstanding phenomenon for a woman in a conservative society. She actively encourages the participation of women in the workforce, with 45% of the factory's employees, both Jews and Arabs, women.

Under her leadership, the company continued to grow in sales and size while developing its market positioning as a strong premium brand. Within three years, Al Arz Tahini reached global markets, exporting to Europe, the U.S. and globally, while remaining a favorite among restaurants and specialty stores throughout Israel.



## 6. Corporate Philanthropy in Israel | Giving in Numbers

Internationally, donating money to causes and organizations is one of the most visible ways for companies to address social and environmental issues beyond the immediate scope of their own activities. Donations and community contributions were the first, and are the most quantifiable, representation of CSR.

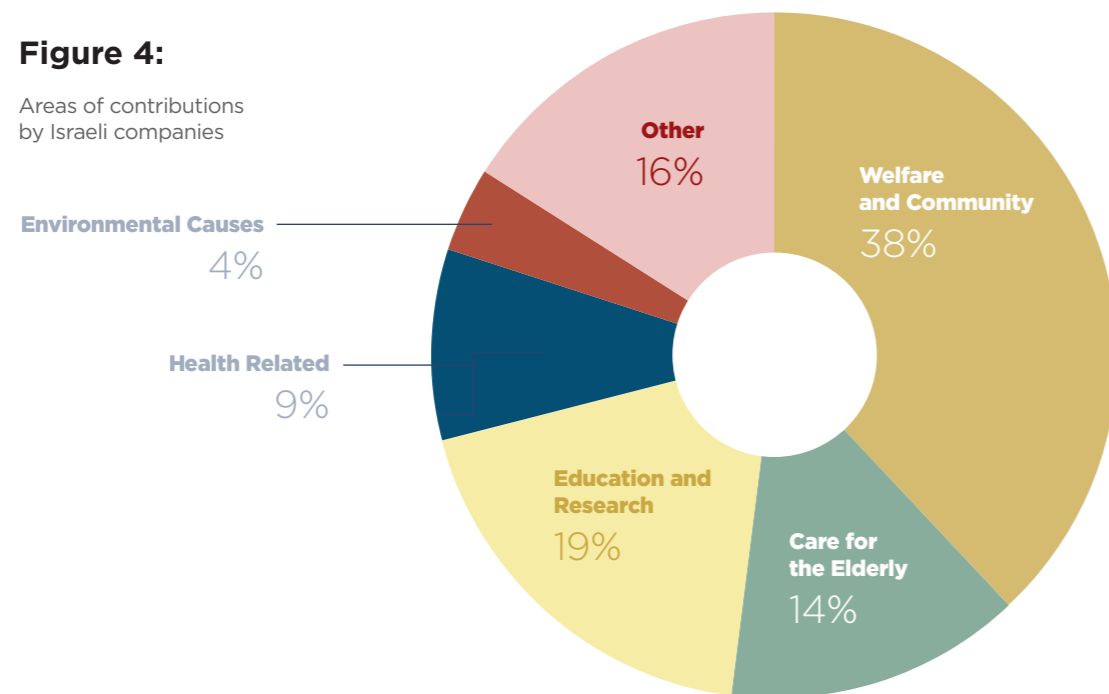
The Israeli CSR emphasis, in contrast, tends to be in areas such as community involvement and volunteering. Internationally, an average of approximately 1% of pre-tax revenues in corporate donations serves as a benchmark. The median contribution of the Israeli CSR Index rated public companies in 2017 was 0.83% (in 2016 – 1%), and the median contribution of all Israeli public companies stood at only 0.4%.

According to a database of business donations compiled by a joint project of the Institute for Law and Philanthropy (ILP) at Tel Aviv University and Maala,<sup>xxiii</sup> of the 417 public companies traded at the Tel Aviv Stock Exchange (TASE), 206 companies reported corporate donations in 2017 (53 of the 450 are dual-listed companies and not obligated to report). The total reported contribution was \$123.4 million, with nine companies donating upward of \$2.77 million (NIS 10 million), 18 companies donating between \$0.55-2.77 million each, and 40 companies giving at least \$0.277 million (NIS 1 million). The median contribution was \$57,000.

The primary beneficiaries of contributions by Israeli companies include welfare and community causes (36%), education and research (24%), health related (15%), volunteering (11%), culture entertainment and sports (8%), civil society organizations (3%), and religion (2%).

**Figure 4:**

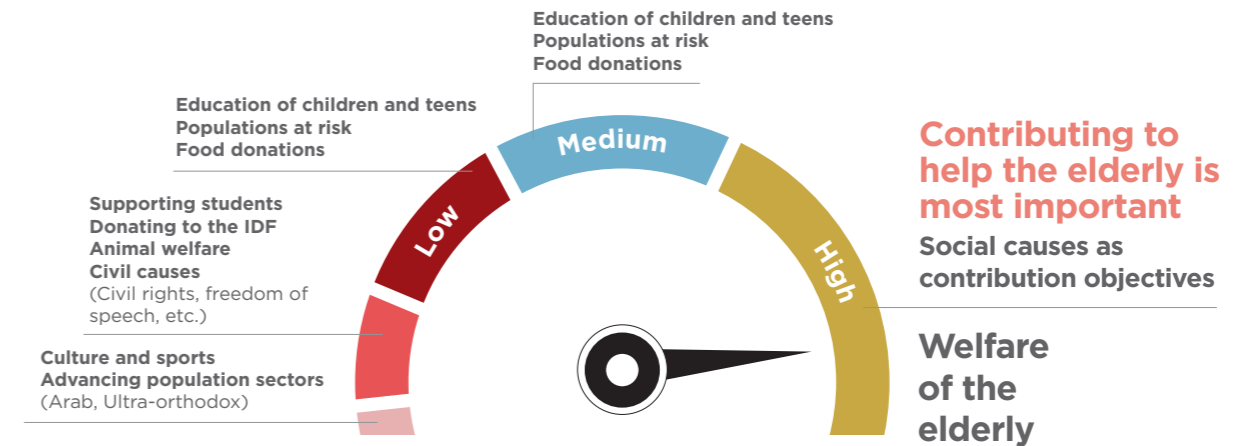
Areas of contributions by Israeli companies



The allocation of donation funds to domestic societal objectives reflects the priorities of the Israeli public. Maala-GlobeScan Radar is the Israeli segment of a global public opinion survey, analyzing societal attitudes, expectations, and trust in businesses.<sup>xxiv</sup> In 2019, it indicated that the Israeli

public considers the welfare of the elderly to be the highest priority for contributions supporting social issues, followed by education, food donations, and attending to vulnerable populations. Environmental protection, civil causes, culture, and sports placed lower on the public agenda.

**Figure 5:** Social causes as prioritized by the Israeli public, Maala-GlobeScan Radar 2018



A comparable review of contribution by American companies, as surveyed by Giving USA,<sup>xxv</sup> features a slightly different distribution with altered definitions of program areas. Issues pertaining to welfare and community in Israel might be found under two program areas in the American review of contributions, which include: health and social services (25%) and community and economic development (15%). Additional issues addressed include contributions made to education-related programs (27%), disaster relief (6%) and environmental causes (3%).

Convention (2015)<sup>xxvi</sup> notes the active encouragement of companies to adopt anti-corruption compliance programs.

In September 2018, a Transparency International (TI) report<sup>xxvii</sup> assessing the enforcement of the OECD Convention in 44 signatory countries found that, in contrast to most countries found to be failing in enforcement of anti-bribery measures, Israel has shown the most impressive improvement. Its rating soared from “little or no enforcement” in 2015, to the highest category of “Active Enforcement” in 2018, along with only six other countries noted in the report.

## 7. Integrity in Business

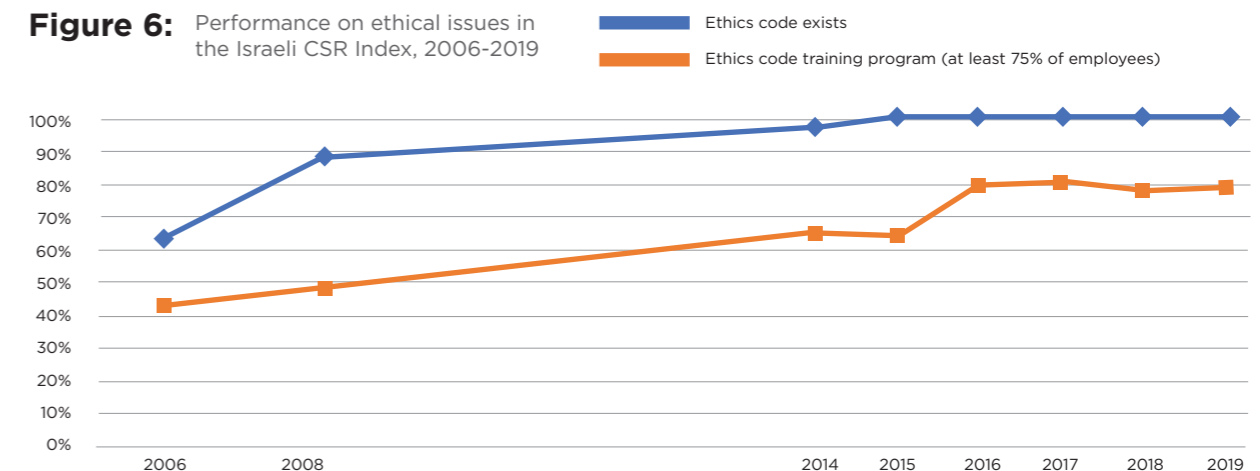
### Ethical Business Conduct and Corporate Governance in Israel

International review of business integrity by Israeli enterprises indicate significant improvements in recent years. Beyond appropriate conduct on ethical issues and adequate levels of transparency, Israel has leaped forward in a number of areas.

Anti-corruption programs are developing via governmental and privately led efforts (and sometimes, a cooperation between both). A report on Israel’s implementation of the OECD Anti-Bribery

Progress is also evident in the integration of ethics in company operations. In 2006, the first year of the Israeli CSR Index, results indicated that 64% of Israeli companies already possessed a written code of ethics.<sup>xxviii</sup> By 2008, the percentage increased to 88%, and spiked up to 97% in 2014. Compliance now holds steady at 100% since 2015 and has now become a basic expectation of ethical business conduct. In terms of introducing the code to employees in order to ensure its implementation, training programs were in place at only 44% of companies in 2006, but have risen gradually to approximately 80% in recent years (79%, 80%, and 78% reported from 2016 to 2019 respectively).

**Figure 6:** Performance on ethical issues in the Israeli CSR Index, 2006-2019





In addition to the CSR Index, Transparency International (TI) Israel launched a transparency index of Israeli corporate websites in 2016. According to Dun & Bradstreet Israel's Dun's Premium 100, Israel's leading companies were reviewed.<sup>six</sup> After only two years of operation, the transparency index indicates a positive trend of corporate willingness to cooperate, improve, learn, implement, and meet high standards of transparency and public visibility.

The Israeli CSR Index is pioneering practices on challenges such as designing ethics codes through dynamic internal conversations and an evolving learning process addressing business values within organizations. The Index focuses on gathering regular checkups and surveys among stakeholders – customers, employees, managers, suppliers – based their interactions with a company. Results measure ethical behaviors and whether or not they are comparable to organizational intentions.

According to

**DUN & BRADSTREET**

after only two years, the

**TRANSPARENCY  
INDEX**

which was launched in 2016, indicates an upward trend in corporate willingness to

cooperate,  
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implement,

and meet high standards of transparency and public visibility..”

## 4. IS ISRAEL A SOCIALLY RESPONSIBLE INVESTMENT TARGET FOR FOREIGN INVESTORS?

Sustainable and Responsible Investing (SRI) is an investment approach that considers social-environmental benefits and ethical values in addition to financial returns. In other words, it evaluates Environmental, Social and Governance (ESG) criteria to assess the performance of the businesses in which investments are made. Markets suited for SRI are characterized by: 1) vigorous activity, with investment opportunities in a significant proportion of top-performing and emerging companies, 2) transparency, to assure the highest levels of compliance with ESG criteria, 3) openness and engagement with the global SRI community and 4) the availability of accessible investment vehicles to facilitate SRI.

The UN-supported Principles for Responsible Investment (PRI) is the world's largest investor initiative. Since its launch in 2006, the number of signatories has grown from 100 to over 1,800. It currently represents some \$80 trillion in assets under management. The six Principles for Responsible Investment are a voluntary and aspirational set of investment principles providing a menu of possible actions in an effort to incorporate ESG issues into investment practice ([www.unpri.org](http://www.unpri.org)).

In these parameters, Israel is an emerging opportunity for responsible investors and was among the first countries to offer financial tools and investment vehicles

for SRI-conscience investors. This was reflected in the decision of the Tel Aviv Stock Exchange (TASE) to establish the TA-Maala SRI equity index alongside the launch of the Israeli CSR index. The TA-Maala SRI index has outperformed other major benchmark indices in the past ten years, indicating that investment in responsible Israeli companies brings social value as well as above-average financial return. Recently, Israeli financial regulators have institutionalized the importance of responsible investment. For example, through recent regulation, all

pension funds and other institutional investors are required to disclose whether they use ESG criteria as

part of their investment-decision making.

As this report has shown, Israel is home to a rising number of companies aligning with the growing global CSR movement. These include large, established corporations adopting and integrating CSR and ESG standards, as well as start-up companies providing sustainable solutions needed around the world. Over the past 13 years (from 2006 to 2019) the number of companies on the Israeli CSR index has tripled. New financial instruments and investment opportunities for Socially Responsible Investors are currently being developed and introduced into the market.

These tools, along with regulation propelling widespread adoption by businesses to integrate CSR values, burgeoning dialogue between Israel with the global CSR community, and the growing availability of diverse investment vehicles to facilitate SRI, are positioning Israel as an increasingly attractive target for Socially Responsible Investors around the world.

The following section will lay out the approach of the state of Israel, the data indicating market growth, the extensive dialogue between global and Israeli ESG communities, and a number of the existing financial tools for sustainable and responsible investment in Israel.

### 1. Israeli Regulators Encourage Responsible Investment

Significant regulatory steps are creating an Israeli investment environment that reflects corporate and investor commitment to global ESG standards.

Israeli regulators have been actively encouraging responsible investment over the past 15 years. In 2001, a new regulatory initiative required all listed companies to report on community reinvestment

The growing availability of diverse investment vehicles to facilitate SRI, are positioning Israel as an increasingly attractive target for Socially Responsible Investors around the world.

Over the past 12 years, from 2006 to 2019, the number of companies on the Israeli CSR index has tripled.

**3x**



activity. At the time, community investment was the most visible indicator of a company's commitment to CSR, and sharing that data with investors was one of the most solid measures available to encouraging responsible investment.

As CSR standards expanded within Israel and globally, the importance of environmental considerations rose considerably. In 2011, the Ministry of Environmental Protection, in cooperation with the Israeli Securities Authority, introduced an extended disclosure regulation on environmental management. This initiative helps responsible investors assess the level of risk in regard to the environmental performance of a given company within the Israeli marketplace. The regulation requires companies to disclose (as part of their annual financial reports): 1) the corporation's environmental risk assessment in accordance with its environmental impact, 2) any legal proceedings that have been filed and other environmental issues and claims, 3) anticipated environmental investments, and 4) major environmental incidents.

Critically, in 2017, Israeli regulators moved to expand the market of responsible investments, requiring all pension funds and other institutional investors to disclose whether they use ESG criteria in investment decision-making. The regulation requires that an institutional investor state, as part of its declared policy, whether it addresses aspects of responsible investment in determining its investment policy and a detailed assessment of such aspects. It defines "responsible investment" as investments considering social welfare in addition to considerations of profit, environmental protection,

social justice, and preservation of human rights. Examples of consideration include: incorporation of environmental, social and corporate governance issues in investment analyses and in decision making processes; transparency regarding exposure to environment; societal and corporate governance; reporting activities pertaining to the implementation of the principles; and integration of investments intended to generate measurable beneficial social and environmental benefits in addition to competitive financial returns.

Further encouraging the transparency critical for responsible investors, the Israeli Securities Authority, in early 2018, created a voluntary questionnaire regarding ESG indicators, to be filed with listed companies' annual financial reports. This bold message will encourage further disclosure of comprehensive data on CSR performance and will have a positive impact on the market.

As a whole, response to new regulations has been positive and the market is integrating these parameters and is adapting. Many institutional investors are looking for ways to engage more in responsible investment and Israeli companies are welcoming the standardization of reporting on parameters critical to socially responsible investors.

## 2. Indicators for the Growth of Responsible Investments in Israel

With the growth of the SRI in Israel, indicators are beginning to clearly reflect a flourishing and growing field. A key indicator is the number of Israeli companies participating in the Israeli CSR Index,

Figure 7: Number of Rated Companies, 2006-2019

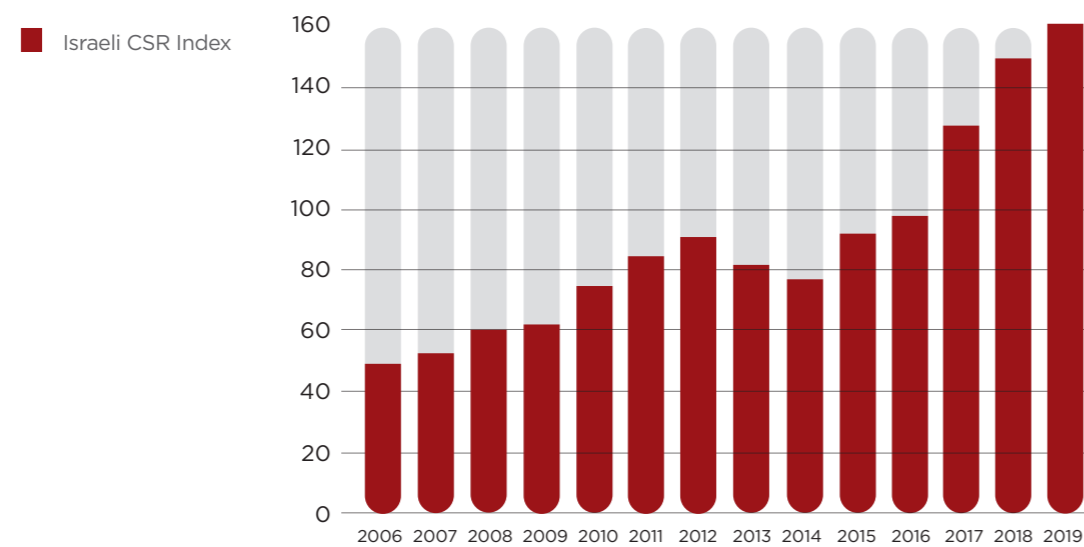
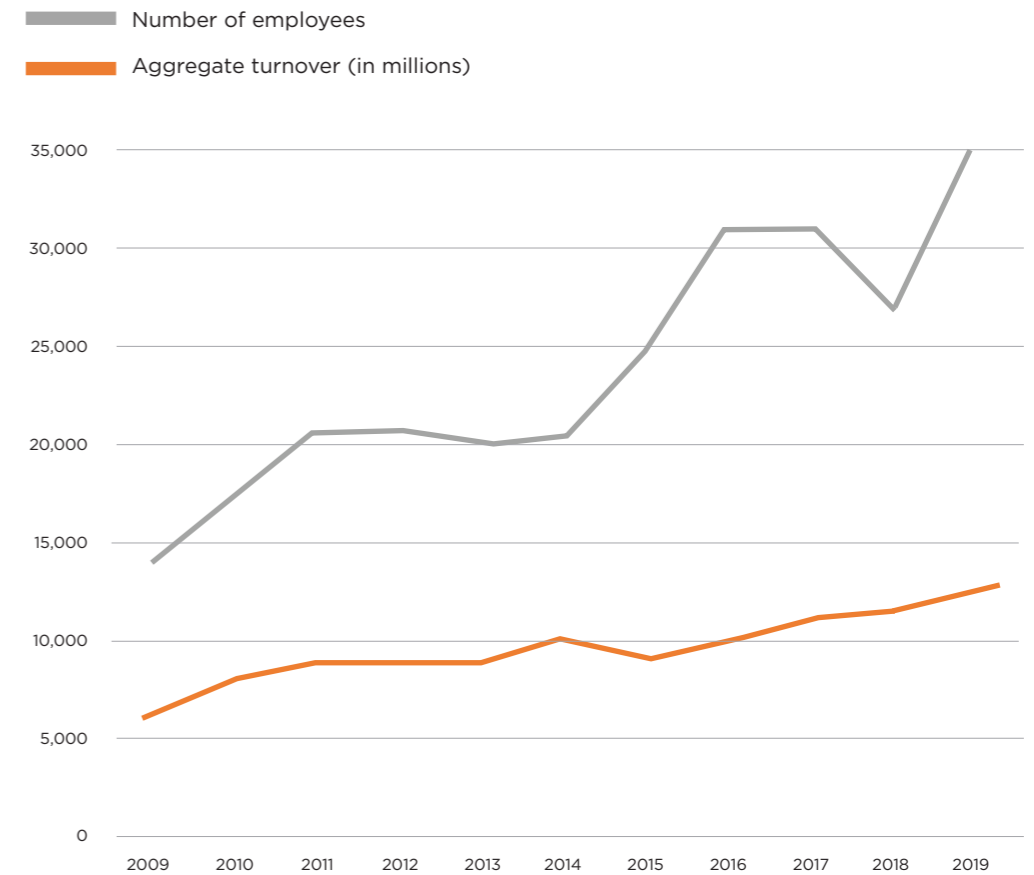


Figure 8: Total Revenue and Number of Employees, 2009-2019



Additional indicators drawn from the Israeli CSR index include the annual revenue and the total number of employees of all companies rated on the index. The total revenue of these companies nearly doubled, from \$61 billion in 2009 to \$137 billion in 2019. In correlation with the increase in revenue, the number of employees nearly doubled in the same period, from 139,000 to 350,000.

As the Israeli CSR Index is also traded on the TASE (though, significantly, only part of the companies rated on the Israeli CSR index are also traded on the TA-Maala SRI Index) these indicators exemplify the growth of opportunities for (ESG) minded investors in Israel. Investors can either invest in the ETF issued on the index, or hand pick stocks that are included in the index. In fact, companies included in the TA-Maala SRI Index represent half of the total market value of all of the companies traded on the Tel Aviv Stock Exchange (TASE).xxx

## 3. Global and Israeli ESG Communities Engage in Dialogue

Responsible investment is a field in which tensions inevitably surface and continuous adaptation is required. Successful SRI arenas are ones in which

the diverse stakeholders are continuously engaged in dialogue. Over the past three years, we have seen a deepening engagement between the Israeli market and the global ESG community, resulting in ongoing dialogue between raters, investors, research agencies and Israeli companies as well as investors. These processes reflect both an Israeli market increasingly engaged with leading global players in the field, as well as the mutual interest and investment of Israeli companies and the international SRI community.

Significantly, an annual international CSR conference in Israel, facilitated by Maala and supported by a number of leading Israeli companies as well as partners from the government and civil society, brings Israeli and international investors and analysts together to discuss, among other issues, living up to ESG expectations and how Israeli market leaders can attract sustainable investors. Participants have included research and rating agencies such as MSCI, Sustainalytics, Bloomberg, GES, Vigeo Eiris, ISS-Ethix, and OEKOM, as well as investors such as SEB, Hermes Investment Management, Nordea Bank, Garanti Bank and Opic Development Bank. Joining the dialogue in 2018 are Danske Bank, Blackrock and more.



#### 4. Tools for Responsible Investment

Socially Responsible Investing (SRI) is an investment strategy that considers social-environmental benefits in addition to financial returns. In other words, it considers the CSR performance of the entities in which investments are made.

The UN-supported Principles for Responsible Investment (PRI) is the world's largest investor initiative. Since its launch in 2006, the number of signatories has grown from 100 to over 1,800, representing a current level of \$80tn assets under management. The Six Principles for Responsible Investment are a voluntary and aspirational set of investment principles that offer a menu of possible actions for incorporating ESG issues into investment practice. [www.unpri.org](http://www.unpri.org)

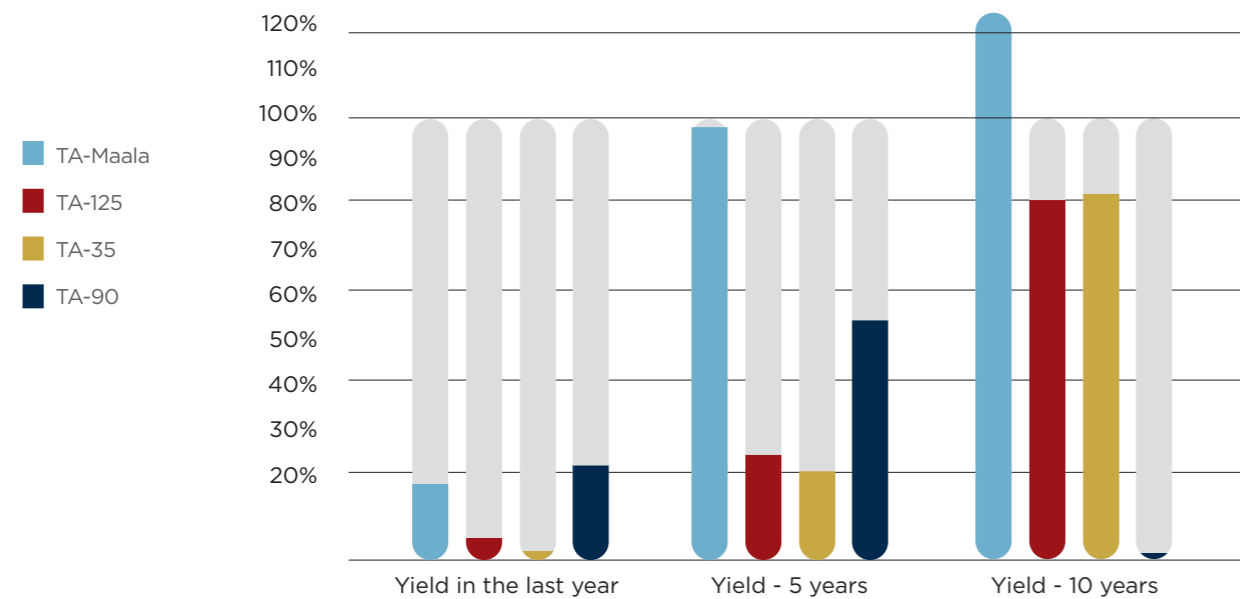
Many international investors who have signed up to the PRI, use CSR standards and frameworks such as the UN Global Compact, the OECD Guidelines

for Multinational Enterprises, or the UN Guiding Principles for Business and Human Rights, as a guideline to assess and evaluate the CSR standard of the companies in which they invest.

In Israel, the TA-Maala SRI equity index has been facilitating informed SRI investment at the Tel Aviv Stock Exchange (TASE) since 2005.<sup>xxx</sup> It has consistently outperformed mainstream market indexes since. TASE was among global pioneers when it launched TA-Maala SRI Index, which comprises shares of companies ranked by the Israeli CSR Index. Its composition is updated annually with the publication of a new CSR Index (in total, approximately 25% of Israel's largest 350 companies are included in the Index). Participation in the Maala Index is voluntary, free of charge and fully independent from—but absolutely not conditioned by—membership in the CSR Network facilitated by the Maala organization.

Several new tools developing in the market include two new TASE bond indices and other tools made available by investment houses.

**Figure 9:** TA-Maala Index yield versus other main indices, TASE.



In October 2017, TASE launched the two new complementing Tel-Bond indices, to form a family of SRI indices constituting a new platform for international investors to invest in the Israeli market. The new indices, Tel Bond-CPI Linked Maala Index and Tel Bond-Shekel Maala Index, are composed of a bond series of issuers rated by Maala. TASE defined this launch as “strengthening the important link between the capital market and the community”.

*“The new bond indices are aimed at the fixed-interest component of investment portfolios and are characterized by low risk, which is derived from the high rating of the bonds included therein,*

*and they will offer added value in the same way as companies with a high CSR score. Moreover, the new indices expand the variety of products that TASE can offer investors and they are expected to attract interest also from international investors, especially in markets where there is a high awareness of the SRI investments sector, such as in Scandinavia where the “conscientious investments” portfolio is substantial. With the launch of these indices, TASE for the first time joins the relatively small and select club of Index Providers that calculates SRI bond indices, such as S&P, MSCI and Barclays.”*

#### Principal data relating to the Tel Bond SRI indices (CPI-linked and shekel)

	Tel Bond-CPI Linked Maala	Tel Bond-Shekel Maala
Market value	NIS 71 billion	NIS 26 billion
Number of series	52	34
Number of issuers	22	23
Weight of largest issuer (Poalim)	15%	12.4%
Weighted gross internal rate of return	1.14%, CPI-linked	1.56%
Weighted duration	3.9 years	4.05 years

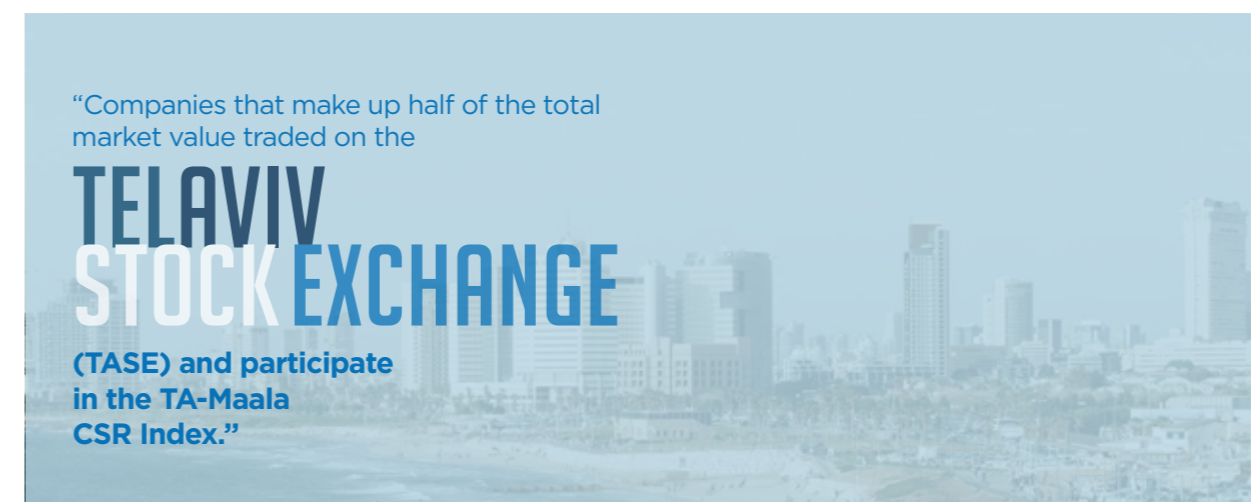
Several other SRI investment vehicles are available in the Israeli market. These include IBI Investment House's IBI Impact, a portfolio of responsible investments focused on sustainability that have undergone a two-stage analysis and screening process, evaluating the business and financial performance of businesses, as well as their responsible conduct. The portfolio is a collaboration between IBI and Greeneye, enabling integration between local and global capabilities on a variety of fields of expertise and markets.<sup>xxxii</sup>

Meitav Dash, one of Israel's largest investment houses, manages a mutual fund titled “Investment in Conscious Companies.” The fund defines an exposure of at least 75% of its net profit to securities issued by companies, traded either in Israel or abroad, working to balance between the needs of various stakeholders. The fund's manager analyzes potential securities using a designated model, which sets sector-specific criteria based on a company's level of attentiveness to stakeholders, including ESG aspects.<sup>xxxiii</sup>

Another option is provided by New Era Capital Partners, an early-growth venture fund. Inspired by the values and vision of Shimon Peres, Israel's

ninth president, “who believed in the potential of innovation, leadership and entrepreneurship to create positive change around the world, and in the power of cutting-edge technology to dramatically improve the quality of human life,” it invests in early-growth stage companies that generate groundbreaking technologies in sectors that positively impact human advancement. These sectors mainly include Information Technology, Smart Services, Agritech and Water, Clean Energy and Healthcare.<sup>xxxiv</sup>

**IN CONCLUSION,** taken together, these opportunities reflect the vast and widespread efforts by Israeli businesses presented in this report. They represent a snapshot of the growing responsible investment scene in Israel, in which investors can check the standing of the companies rated by the Israeli CSR Index and look at the sustainable contribution of products and services of smaller, emerging companies. These, along with the clear message from the Israeli regulators and the increasing global SRI presence, are positioning Israel as an emerging target for responsible investors around the world. The potential is only beginning to be tapped.





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1. Maala - Business for Social Responsibility is a corporate membership organization facilitating a network comprised of leading businesses in Israel. The main purpose of the network is to promote responsible practices, both inward, within the companies, and as a point of reference, for others to follow.
2. Morgan Stanley, the American multinational investment bank, defines the premise of inclusive growth as follows: "Economic gains ought to be broad-based, sustainable and provide opportunity across the range of participants within that economic system. This begins with income, but also comprises access to health, education and economic advancement opportunities, regardless of gender, race, ethnicity, geography or other such circumstances."





## Israel is an Emerging Target for Socially Responsible Investing (SRI):

- **Movement towards business leadership committing to ESG standards** – Companies that make up half of the total market value traded on the Tel Aviv Stock Exchange (TASE) participate in the TA-Maala CSR Index; business leadership across industries are pursuing locally developed and community-focused Corporate Social Responsibility (CSR) approaches, and raise the bar in advancing diversity and supporting low-wage employees.
- **Increasing engagement with global actors and adherence to international norms and conventions** - This is reflected in Israel's connection to major international compacts and associations and is deepened by vigorous local activities of global corporations that expose the Israeli market to CSR standards.
- **Consistent government commitment to regulating stringent standards in Environmental, Social, and Governance (ESG) parameters** - This has been the emphasis for the past 15 years, including the 2001 requirement for company disclosure of community investment, the 2011 requirement for corporate reports on environmental management, and the 2017 requirement for institutional investors to disclose any use of ESG criteria in investment decision making.
- **Diversifying toolkit to facilitate SRI in Israel** – The Tel Aviv Stock Exchange was among global pioneers when it launched the TA-Maala SRI Index ranking companies by the Israeli CSR Index. This set of tools facilitates and guides SRI activities.
- **Exciting SRI opportunities with Israeli companies contributing to food, water, and energy security** - Israel's game-changing innovations in these critical areas continues to expand private sector product solutions for the developing and developed world.

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### ARISE - Alliance to Reinforce Israel's Security and Economy

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