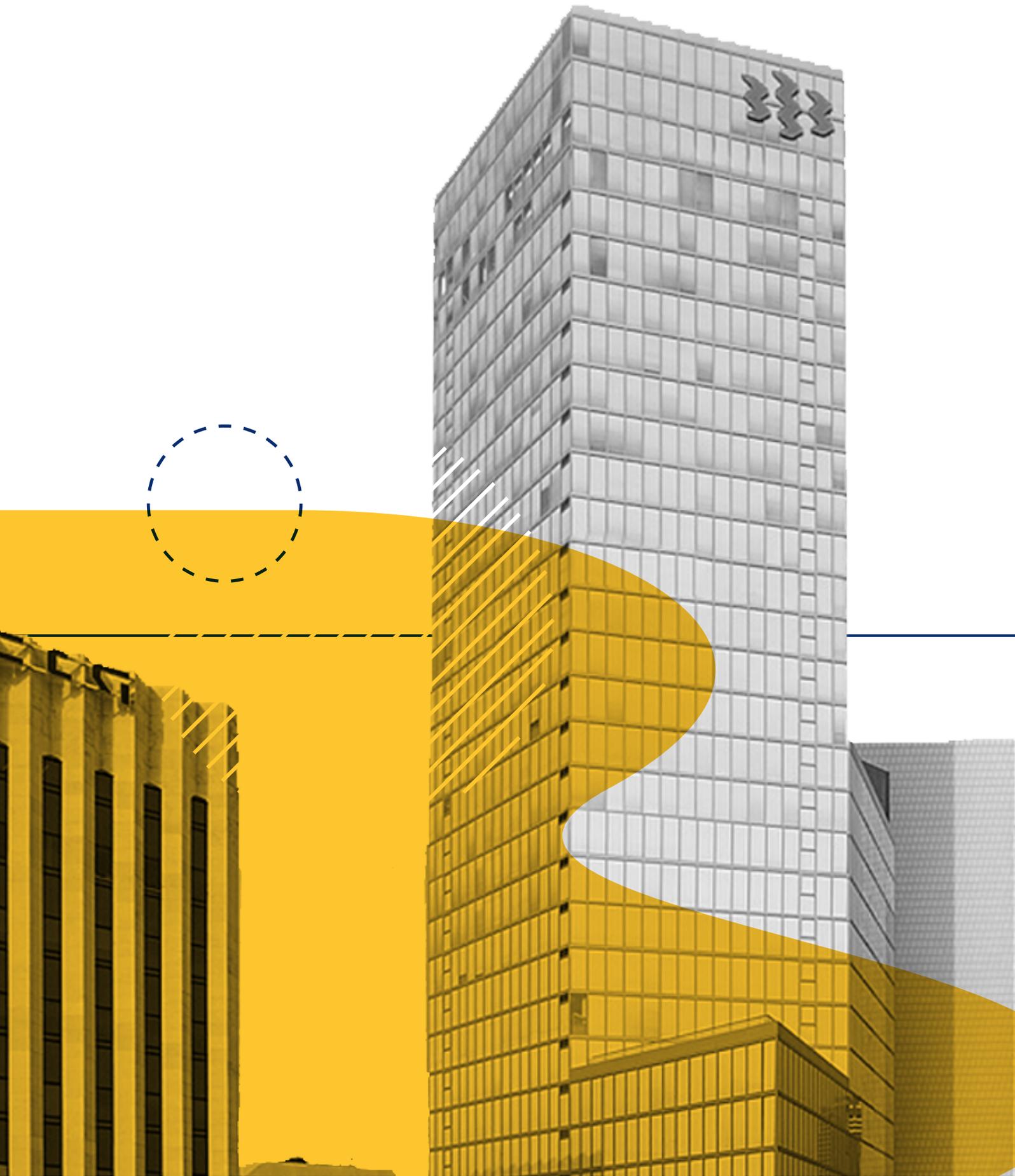


# ESG Report

The First International Bank Group | 2021





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# A Word from the Chairman and Chief Executive Officer

## Dear Stakeholders,

We are pleased to present to you the FIBI Group's ESG (Environmental, Social, and Governance) Report for 2021. The Report is published as it is every year, for the ninth consecutive year, and describes the Group's deep commitment to the promotion of social and environmental values and to the creation of a positive environmental and social impact in its activities. This year the report was reorganized as generally accepted in reporting on ESG issues and is divided into chapters on environment, society and corporate governance.

The FIBI Group believes that integrating ESG aspects as an essential part of business activity produces business value alongside social value for stakeholders, thereby constituting a value multiplier for our business activity. In view of this perception and the great importance we see in responsible and ethical business conduct, in 2021 we began to establish a Group ESG policy, and to set challenging multi-year goals. This policy, which will be published in 2022, will guide the Group's activities in the management of our social and environmental impacts and will constitute a 'North Star' for our activities and for examining our impact on the environment and society.

2021 was characterized as a year in which we moved to a new routine under the coronavirus pandemic, which has accompanied us for over two years, a routine of almost full social and business life alongside the coronavirus with almost no restrictions. The coronavirus pandemic has affected the reality in the Israeli economy and around the world and has created a new reality in which the digitization of services has a central role. Digital and technological accessibility enables rapid adaptation to changing realities and government policies. For us in the FIBI Group, it was another test year for expressing responsibility towards customers, employees, the environment, and the community in which we operate. This year, too, the Group demonstrated business continuity, significant technological development and, of course, financial support for customers affected by the pandemic and the new reality.

Ron Lebkowitz  
Chairperson of the Board



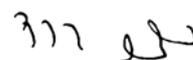
During 2021, we continued to develop our digital capabilities at a high intensity. Also, this year, customers continued to turn to digital channels, increasing their use significantly to customer satisfaction. The pandemic demonstrated that the Group's investment in advanced technological developments and digital service channels paid off for customers in the moment of truth, so that the new advanced services provided by the Bank's website and app led to high customer satisfaction reports this year as well.

Along with the continued development of innovation in the banking services, the Bank continued to provide personal and compassionate treatment to its customers. The Group continued to enable a response in diverse empathetic channels, required primarily by customers who were reluctant to use the direct channels. The Bank provided these customers with a set of service channels, which assisted them especially in the crisis.

As part of our social responsibility, FIBI is proud to continue its activities for different communities and sectors through diverse brands with unique characteristics. The activity allows access for diverse customers, provides a tailored response for and economic empowerment of various sectors, including minority groups in Israel. The various brands operating in the Group, with their unique characteristics, make FIBI Group a central entity among the financial entities that contribute to the economic inclusion of the diverse populations in Israel - both in terms of access to advanced financial services and in terms of access to quality employment at the Bank. Each brand in the Group knows the unique economic needs of its customers, providing them with competitive value propositions.

As a leading financial institution that is one of the five largest banking groups in Israel, and especially as a competitive bank in the Israeli banking sector, the First International Bank is proud to be one of the pillars of the Israeli economy. The Group will continue to promote business growth, alongside sustainable social and environmental prosperity, out of a deep commitment to all its stakeholders and to Israeli society in all its forms.

Smadar Barber-Tzadik  
CEO



# Our ESG achievements in 2021

## Investing in our customers:

**136**

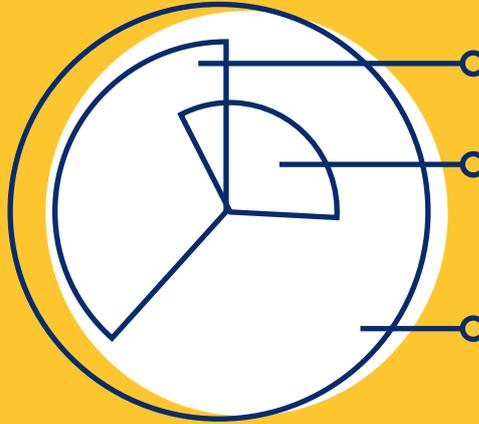
The Group operates 136 branches

**17**

The Group operates 17 branches dedicated to the ultra-Orthodox sector, located in ultra-Orthodox population centers

**13**

The Group operates 13 dedicated branches for the security forces within IDF bases.



**41%**

Of which 41% are located in Israel's geographic periphery

**32%**

Of Bank Massad branches are dedicated to the Arab sector

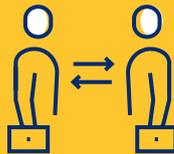
**100%**

Of the Group's branches are accessible to people with disabilities

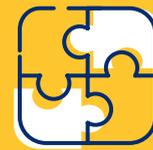
## Investing in capital market development:



Also, this year, the Bank was a TASE member with the largest trading volume in Israel.

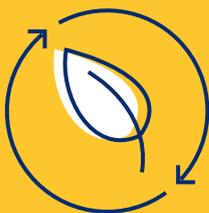


Thousands of clients have been empowered with advanced financial tools and knowledge that have improved their ability to make investment decisions.



The Bank is preparing to incorporate ESG aspects in the securities analysis and investment advice systems in order to enable customers to incorporate these considerations in investment management.

## Investing in Our Environment:



The bank consumed more than 300,000 kWh of self-produced solar energy in the MATAF building

**657**

The balance of credit provided by the First International Bank for projects that promote environmental sustainability amounted to approx. NIS 657 million at the end of 2021.



The number of hybrid vehicles in the Group's vehicle fleet in 2021 has increased over tenfold compared to 2020

## Investing in our employees:



**12,376**

The Bank Group invested 12,376 days of training for the FIBI Group's employees, during which thousands of the Group's employees developed professionally and personally.



**55%**

Of the managers in the Group, including the CEO of the First International Bank, are women



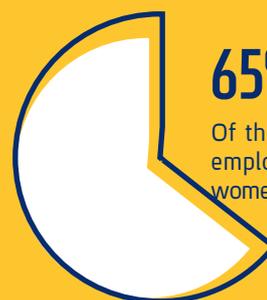
**18%**

Of Bank Massad employees are from the Arab sector, of which 17% are executives who constitute 8% of all executives at Bank Massad.



**5.4%**

Of the Group's employees are from the ultra-Orthodox sector and 5.3% of the Bank's executives are from that sector



**65%**

Of the Group's employees are women

## Investing in Israel's economy:

**11.5%**

The increase in credit balances in 2021 in the small and tiny business sector was 11.5% and is higher than the rate of increase in balances in this sector in the total banking system in Israel, which was 9.9%



**97%**

97 percent of the Group's suppliers are local suppliers, and approx. 39% of them are small suppliers

**1,937** 

The outstanding credit provided by the First International Bank to small and medium enterprises through the state-guaranteed small and medium enterprises fund amounted to NIS 1,937 million as at the end of 2021

**1.16**

The outstanding credit provided by the First International Bank to ultra-Orthodox social organizations is NIS 1.16 billion

**1,041** 

The Group signed 1,041 debt settlement agreements with customers in difficulty and allowed the deferral of loan and mortgage payments



**FIBI is a public company founded in 1972 whose shares are listed on the Tel Aviv Stock Exchange. The First International Bank is Israel's fifth largest bank.**

## Profile and Activity of the FIBI Group

FIBI is a public company founded in 1972 whose shares are listed on the Tel Aviv Stock Exchange. The Bank is a licensed banking corporation under the provisions of the Banking Law. The Group's headquarters are located at 42 Rothschild Boulevard, Tel Aviv. The First International Bank is Israel's fifth largest bank. The FIBI Group includes two banks - the First International Bank and Bank Massad. FIBI also operates through other leading banking brands, focusing on different target audiences: PAGI, Bank Otsar HaHayal and U-Bank<sup>1</sup>

The FIBI Group's business activity focuses on several main levels:

- Financial brokering between depositors and borrowers - the quintessence of commercial banking. Income from this activity is expressed in net interest income, which constitutes the Group's main source of profit.
- Financial and banking services in a wide range of activities, including: foreign exchange, foreign trade, securities, information services, credit cards, derivative financial instruments, etc.
- Investment consulting and retirement consulting.
- Market and liquidity risk management and investment of the Bank's nostro funds.
- Capital market banking services.
- Trust services for institutionals through the trust company.

The FIBI Group operates via three main business divisions:

- The Corporate Division coordinates all activities with large and corporate business clients (middle market), as well as the credit domain with business and institutional clients active in

the capital market. The division operates a business area, which coordinates the activities of the bank's business branches.

- The Banking Division provides banking and mortgage services to all customer segments - households, private banking and small businesses. The service is tailored to the customer's needs and is provided by in person and by digital means through the Bank's branch network, app, website and the international call center (Beinleumi Call). Platinum customers are served through the Bank's Platinum Centers, which provide customers with all their banking needs. Capital market services are provided both through the consulting centers and branches and via the app and website. The Bank also operates mortgage counters, which assist and advise customers through the process of obtaining mortgage loans. The Banking Division also operates U-Bank branches that specialize in private banking and the capital market, and Otsar HaHayal branches, which specialize in providing services to retail and commercial customers, with an emphasis on employees and retirees of the defense establishment. In addition to the Division, there is a PAGI system, in which branches specialize in providing banking services to the religious and ultra-Orthodox sector.
- The Customer Assets Division coordinates all capital market, finance and foreign exchange activities with private, business, institutional and active capital market customers. In the Division, the transaction rooms operate in securities, foreign currency and NIS, as well as the investment advice systems, retirement consulting and the investment center. In addition, the Division is responsible for the activities of subsidiaries in related fields - the trust company and the portfolio management company.

In addition to First International Bank, the Group includes Bank Massad, which specializes in providing services to Israel's teacher population. First International Bank and Bank Massad are members of the Association of Banks in Israel. As members of the Association, they are entitled to receive information and participate in the discussions and decision-making processes that take place within the framework of the Association's activities.

Certified Public Accountants Somekh Chaikin (KPMG) have been the Bank's independent auditors since 1972.

1. 102-45

In 2021, the Bank acted in accordance with the strategic plan for 2020-2022, which was formulated in 2019. This strategic plan is a direct continuation of the previous corporate strategy and strategic processes implemented in recent years. The strategic plan set business targets aimed at propelling the Group forward in an innovative competitive environment and under conditions of uncertainty. Under this plan, the Bank places emphasis on providing added value to its customers, in accordance with the needs of each customer, including through digital channels and innovative technological responses, while continuing its streamlining processes and informed risk management. This strategy has proven itself as highly valuable during the coronavirus pandemic, for which the Bank is highly prepared due to the focus on digital technology in recent years, and therefore managed to maintain high business continuity and provide efficient and continuous service to customers.

## Ownership Structure

FIBI Holdings Ltd. (hereinafter - "FIBI") is a public company traded on the Stock Exchange, which holds 48.34% of the issued share capital and voting rights in the First International Bank (constituting the controlling core, pursuant to the Bank of Israel control permit). The controlling shareholders in FIBI Holdings Ltd. are: Mr. Tsadik Bino and his children - Mr. Gil Bino, Ms. Hadar Bino-Shmueli, and Ms. Dafna Bino-Or (hereinafter - the "Bino family") through the Bino Hon Ltd. holding company; Mr. and Mrs. Michael and Helen Abeles through Instanz Number 2 Ltd, and Mr. Barry Lieberman, Ms. Casey Lieberman-Harris, Mr. Lee Lieberman, and Mr. Joshua Lieberman through Dolphin Energy Ltd. For information regarding the various arrangements existing between the controlling shareholders regarding their holdings in FIBI and indirectly in the Bank and regarding the terms of the control permit dated September 19, 2003, which was issued to the controlling shareholders by the Bank of Israel, as amended from time to time, see "Information regarding the Bank's controlling shareholders" in the Corporate Governance chapter for 2021.

According to FIBI's reports, as of the date of the most recent financial statements' publication, the holdings of the controlling shareholders in FIBI Holdings Ltd. (in terms of equity and voting rights) are as follows: Bino Hon Ltd. - 28.54%; Instanz Number 2 Ltd. - 11.68%; and Dolphin Energies Ltd. - 11.68% (the holdings of all the controlling shareholders in FIBI constitute its controlling core, according to control permits issued by the Bank of Israel).

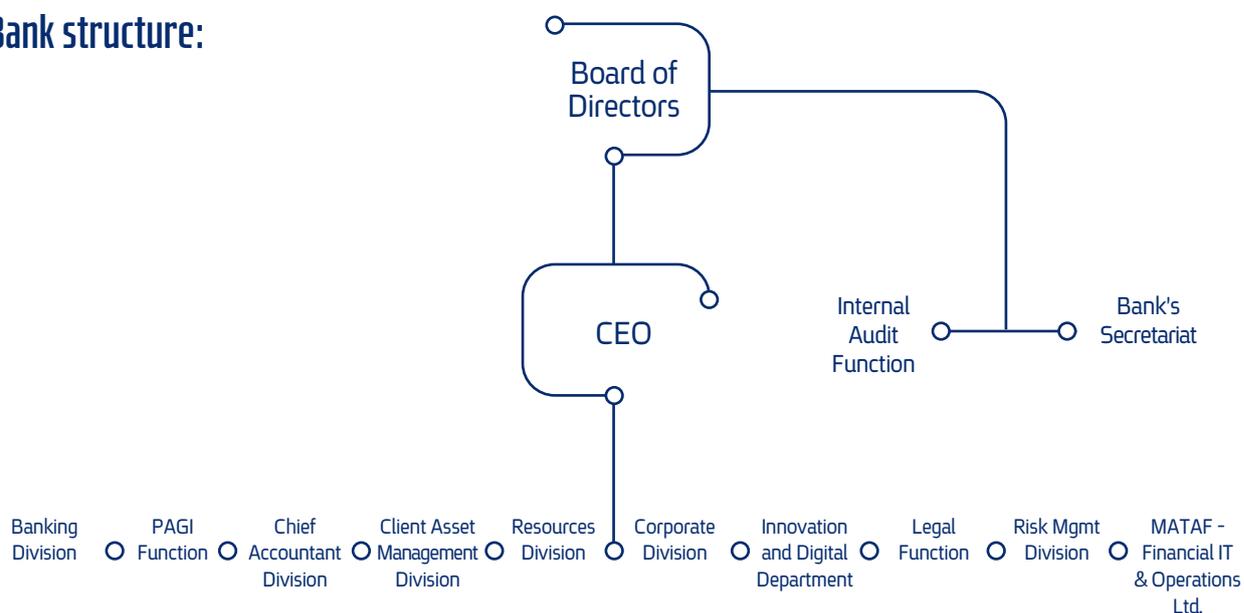
## The FIBI Group's Major Holdings in 2021:

Company	Equity	Voting rights
<b>Bank Massad Ltd.</b>	51%	51%
<b>Israel Credit Cards Company Ltd.</b>	28.2%	21%
<b>U-Bank Trust Company Ltd.</b>	100%	100%
<b>First International Issues Ltd.</b>	100%	100%
<b>Habeinleumi Unique Investment Management Ltd.</b>	100%	100%

## The FIBI Group's Organizational Structure

In 2021, the First International Bank operated through six divisions, the subsidiary MATAF, three systems and an innovation and digital department whose purpose is to accelerate and streamline the Bank's activities in its field. Each division and department is headed by a management member. The organizational structure of the divisions and departments is in line with the management philosophy of customer-centric banking, allowing the Group to provide tailored banking and financial services to customer segments with similar characteristics and needs. MATAF (Computing and Financial Operations Ltd.), a wholly-owned subsidiary of the First International Bank, is engaged in computing and the operation of banking processes of all the banks in the FIBI Group. As of December 31, 2021, the Bank has a total of 10 members of the Board of Directors, including the Group's CEO

## Bank structure:



As of December 31, 2021, the FIBI Group had 136 branches (114 branches in the Bank and 22 branches in Massad). The Group regularly examines the development in the branches' profitability and business activity, in relation to their intended target populations, the goals set in the work plans of the Group banks and the ability to realize the potential in the geographical area in which each branch operates. In this context, the suitability of the branch deployment examined for the business environment and for changes in areas that constitute potential for business development in the target population of each of the banks in the Group

## Creating Economic Value for Stakeholders

The FIBI Group is a leading and central economic organization with significant economic impact. The impact is reflected in the creation of value for the Bank's various stakeholders - for the shareholders and investors, the Group's activities create direct economic value; for the State of Israel, the Group creates value through the payment of taxes, creation of jobs nationwide, purchase of locally-produced ("blue and white") goods; for the Group's employees, the value is in their employment and payment of their salaries and social activities; for its customers, suppliers and business partners, the value is reflected in the promotion of their activities and for the community, by supporting and assisting through financial donations and volunteer work by the Group's employees. Beyond these, the Group banks contribute significantly to economic activity in Israel, and their diverse services encourage business entrepreneurship, trade, consumerism, investment, and savings. As of December 31, 2021, credit granted to the public by the FIBI Group totaled NIS 102.24 billion.

The FIBI Group contributes to the development of the Israeli economy in indirect ways. For example, the Group's branches are spread throughout the country and about a third of them are located far from the center of the country. In this way, the Group provides access to financial activity also in localities and areas far from the center of the country. In addition, the Group's various banking brand names provide professional services customized

**As a key leading financial organization, the FIBI Group has major economic impacts reflected in the value it creates for its various stakeholders. The Bank's activity generates direct economic value for its shareholders and investors, for the State of Israel through the payment of taxes, creation of jobs nationwide and purchase of locally-produced goods ("blue and white").**

to the specific needs of diverse populations in Israeli society: Ultra-Orthodox society; Arab society; career soldiers, active-duty soldiers and retirees of the defense establishment; teachers; immigrants from the former Soviet Union; as well as small and mid-size businesses. These populations have different financial needs, and through the unique specialties of the various brand names in the Group, we render financial services accessible and tailor them to all sectors and population groups in Israel, providing dedicated value-added services and products. This activity of the Group banks boosts their customers' financial independence and help them manage their financial activity on an ongoing basis.

The Group also continues to proactively promote small and mid-size businesses operating in Israel. The survivability and stability of these businesses - which serve as the Israel economy's backbone - is essential to the domestic economy. In addition, the Group's banks proactively promote initiatives to advance financial knowledge among customers and the public, thus helping them to make more informed financial decisions. The FIBI Group receives no government aid or financial support.

### Branch distribution:

Bank	No. of branches	No. of branches far from the center of Israel <sup>2</sup>	Percentage of branches far from the center of Israel
First International Bank - total	114	46	40%
First International Bank (Including Otsar HaHayal)	94	39	41%
PAGI	17	7	41%
U-Bank	3	0	0%
Massad	22	10	45%
Total	136	56	41%

2. North of Hadera or south of the Gedera

## Financial performance - The FIBI Group in the years 2017-2021, in NIS millions

	2021	2020	2019	2018	2017
Total income	4,550	4,160	4,122	4,123	3,752
Operating and other expenses	2,652	2,569	2,654	2,819	2,607
Salaries and related expenses	1,601	1,532	1,601	1,696	1,579
Provision for income tax	728	368	478	408	358
Net income	1,405	750	865	733	678
Dividend	545	125	410	355	310

## The Group's activity in light of the Coronavirus Pandemic

Life alongside the coronavirus and its effects has forced Israeli society to adapt to a different and changing reality. The coronavirus affected the Bank's operations in 2021 as well. This year we adapted to life alongside the virus and to the continuation of business activities in a new routine. In 2021, continuing from 2020, the FIBI Group has invested great effort in helping customers deal with the impacts of the coronavirus in the best possible way. For this purpose, this year too, the FIBI Group adapted service channels to the needs of customers, to allow continuous and regular service. This included the expansion of possibilities for performing activities in the direct channels this year as well. The Group also took steps to keep branches open as regularly as possible, while protecting customer and employee health, in compliance with the guidelines of the Ministry of Health and Bank of Israel. The customers were informed of the operation of the branches through various communication channels. This year too, the Group took steps to support customers, many of whom encountered financial difficulties due to the coronavirus pandemic.





As one of the five largest banks in Israel, the First International Bank is a leader with a major contribution to socio-economic development in the Israeli economy. The Bank's contribution is reflected in a variety of aspects, from its core business activity that enables personal and business economic growth, through the employment of workers and the payment of taxes, to diverse community involvement activities.

## ESG in the FIBI Group

ESG is part and parcel of the FIBI Group's daily activity. The Group takes into account economic, social and environmental considerations in its day-to-day business activity, taking a holistic view of ESG, and out of a desire to create shared value for both the Group and all its stakeholders. By engaging in ongoing dialogue with the Group's employees, shareholders, various suppliers as well as the community in which we live, the Group creates a thriving business as well as added value.

The ESG domain is managed in a systematic and orderly manner. The executive-level party responsible for ESG in the FIBI Group is the Head of Resources Division at the First International Bank, a vice president and member of the Bank's management. In addition, the Bank appointed the Bank's Director of Organizational Development and Welfare as manager of the ESG domain; she is responsible for the integration and implementation of the domain, and for ongoing work with the subsidiaries.

ESG issues are discussed by management, the Board of Directors and various committees. In this context, the Head of the Resources Division and the Director of Organizational Development present the Bank's ESG Report to the Bank's Board of Directors. The Resources Division is responsible for coordinating the various entities involved and is in direct contact with the unit managers across the FIBI Group.

We thank all those interested in the Bank's ESG activity, and in this report, we invite all stakeholders to contact us regarding the report,

and to comment on our activities. For additional information regarding this report, please contact Orly Elad, Director of Organizational Development and Welfare at [elad.o@fibi.co.il](mailto:elad.o@fibi.co.il).

## The FIBI Group's ESG Policy

As one of the five largest banks in Israel, the First International Bank is a leader with a major contribution to socioeconomic development in the Israeli economy. The Bank's contribution is reflected in a variety of aspects, from its core business activity that enables personal and business economic growth, through the employment of workers and the payment of taxes, to diverse community involvement activities.

As part of our responsibility as a large bank in the Israeli economy, during the years 2021-22, we chose to establish a comprehensive policy for managing environmental, social and corporate governance (ESG) aspects in the Bank's business operations. This policy will be published in 2022. We consider ESG management as a business concept with the aim of managing the Bank's relationships with its various stakeholders from a collaborative perspective, and for the purpose of creating a common value for the Bank and the stakeholders as part of the ongoing business activity.

## The Group's ESG targets for 2025:

90% of the Bank's investment advisers will undergo training on the subject of ESG in investments, which will enable them to assist the Bank's customers in incorporating these considerations in their investment management.



The Bank will complete the process of identifying securities that have a significant environmental and social impact for the benefit of its customers, and integrate ESG aspects into securities analyzes.

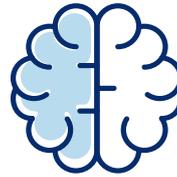
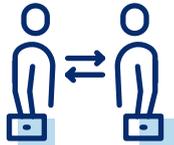


25% of the new nostro investments in private investment funds will be made through funds with an ESG investment management policy.



10% of the employees recruited will be from diverse populations

At least 75% of managers will participate in a minimum of one strength skills training, over two years.



In all the long courses in the core fields (credit, mortgages and the capital market) at least one training of strength skills will be integrated



The Bank will assist in the financial empowerment of 30,000 customers by providing advanced financial knowledge, 10% of which will be small businesses.

50% of the businesses that are members of PAGI's customer club will be local businesses in ultra-Orthodox communities, with the aim of promoting a sustainable local economy in the sector.



In addition to the comprehensive assimilation processes of the Code of Ethics that will be carried out every two years, at least 2,500 employees will be updated on a quarterly basis on ethics issues through dedicated communication on this issue that will be published to all Bank employees.





## About the report<sup>3</sup>

The FIBI Group's ninth ESG report examines and presents the Group's actions and performance in its areas of activity vis a vis the various stakeholders. This report reviews the activity of the FIBI Group in Israel in 2021 in areas of ESG that are material to the Bank. This report has been prepared in accordance with the GRI Standards' comprehensive option.<sup>4</sup> The purpose of the report is to present as transparently, reliably and comprehensively as possible the activities of the FIBI Group in the areas specified in it, in order to enable the Group's stakeholders to obtain an overall picture of its activities in the ESG domain. In this context, the report addresses the various stakeholders of the Group, with different sections of the report having relevance to different stakeholders.

The Report reviews the activity of the FIBI Group, including the activities of its two subsidiary banks: The First International Bank (including PAGI and the U-Bank brand name, which were merged into the First International Bank in 2015 and the Otsar HaHayal brand name, which was merged into the First International Bank in 2019) and Bank Massad, as well as subsidiary MATAF (where MATAF's activity has bearing on the issues presented in this Report). The Group's previous report, covering 2020, was published at the end of 2021. The data included in this report are consistent with those presented in previous reports. In any case of inconsistency, this is stated in the relevant place. Also, in this report there have been several changes in the way the data is presented and calculated in certain parts of the report compared to the previous report. These changes will be noted in the relevant places where they have taken place.<sup>5</sup>

3. 102-46, 102-48

4. 102-54

5. 102-49

6. For the Materiality Disclosures Service, GRI Services reviewed that the GRI content index is clearly presented and the references for Disclosures 102-40 to 102-49 align with appropriate sections in the body of the report. The service was performed on the Hebrew version of the report.

The Report presents the issues that are material to the ESG aspects of the Group's activity, based on a process of identifying the issues material to the FIBI Group, carried out ahead of the preparation and drafting of the Report (for more information, see below).

The Report has undergone external assurance by an independent third party - the ESG Quality Assurance Center (see the full quality assurance report at the end of this document). In addition, the report was reviewed by the GRI's Materiality Disclosures service,<sup>6</sup> which reviewed the references from the content index to disclosures throughout the Report. All data regarding issues contained in the Report were collected by relevant professional parties in the FIBI Group, with the assistance of external consultants specializing in ESG. Most of the quantitative figures in the report refer to the FIBI Group. Some of the data in this report are presented in comparison to the Group's previous report (covering 2020) while other data also serve as a baseline year (in aspects where measurement was improved). The quantitative figures in the Report are based and presented on the basis of accepted indicators, as required by the GRI's standards.

We would like to take this opportunity to thank all the employees of the FIBI Group for their daily contribution to the promotion of ESG in the Bank, and for their investment in creating long-term value for all its stakeholders.

# Material Topics<sup>7</sup>

This ESG Report was written in accordance with the Global Reporting Initiative (GRI) standards - the accepted local and global framework for reporting on ESG. The reporting process begins by identifying and defining the material issues, according to which the issues to be reported on are decided. The material issues are the key ESG areas that the organization and its stakeholders perceive as key to the core business activity, and are therefore relevant to the reporting. This framework outlines a process for analyzing the issues that are material to the organization - taking into account the expectations of the organization's external stakeholders - towards the preparation of the ESG Report.

Material issues are ESG issues (environmental responsibility, socioeconomic development, corporate governance) in which the organization has a major impact on its stakeholders, or which impact the organization. Material issues may be affected by the nature of the reporting organization's activity, the sector in which it operates, the economic or business environment in which it operates, its geographic location, its business and operational deployment, etc.

The choice of material issues is of great importance - these are the issues that the Group promotes in the areas of ESG, and accordingly - which the Group is required to report. The GRI reporting framework, according to which the FIBI Group reports, serves as a management tool for promoting and reporting about activity on material issues, and informs the organization in reporting on the Management Approach and annual performance on any material issue.

During 2019, the Group carried out a comprehensive process to revise and validate its list of material issues. The process included revising, validating and re-prioritizing the FIBI Group's material issues by First International Bank's management, as well as a process of dialogue with the stakeholders. As part of the dialogue with its stakeholders, the FIBI Group communicated with representatives of material stakeholder groups through various means; the representatives expressed their opinion on the material issues and prioritized them according to the preferences of their stakeholder group. Based on this process, the Group's materiality matrix was revised.

**Material issues are corporate ESG issues (environmental responsibility, socio-economic development, corporate governance) in which the organization has a major impact on its stakeholders, or which impact the organization.**

The matrix was validated and revised again in 2022, in the process of preparing this report. In this context, the priority of the material issues was validated and updated, based on the Group's ongoing dialogue with its key stakeholders and in accordance with various professional reviews of leading international standards in the field such as SASB, various publications by regulators such as the Banking Supervision Department in Israel and in accordance with the areas of activity in this field among the leading banks in Israel and around the world. The priority update explicitly addressed the intensification of the climate crisis leading to an increase in the importance of environmental issues from the perspective of a variety of the Bank's stakeholders.

The main changes relevant to prioritization are:

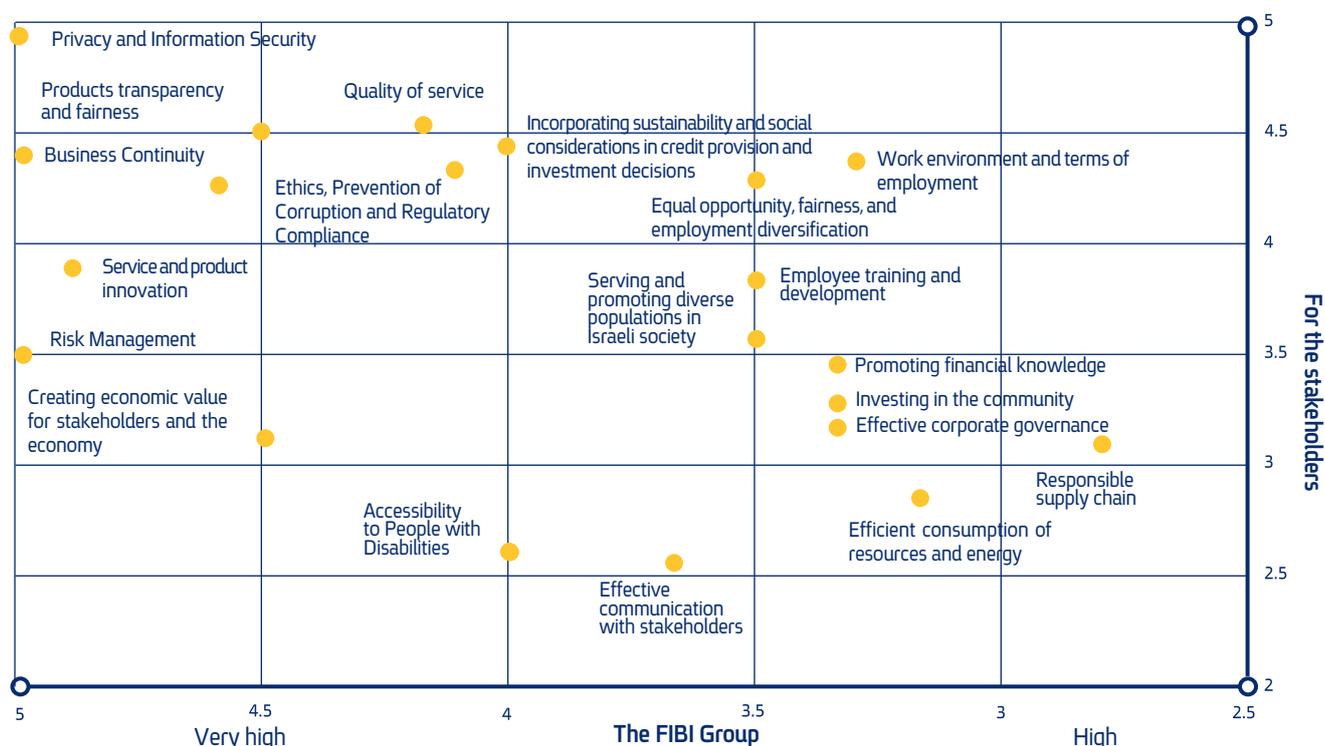
- The issues of "Ethics and Anti Corruption" and "Regulatory Compliance" have been merged into a single issue called "Ethics, the Anti Corruption and Regulatory Compliance".
- The "risk management" issue was added this year.
- The issue of "Work Environment and Terms of Employment" was split from the issue of "Equal Opportunity, Fairness and Employment Diversity".
- The following issues have increased in the level of materiality: addressing and promoting populations in the Company; investing in the community.
- The following issues have decreased in the level of materiality: innovation in services and products; effective communication with stakeholders; accessibility for people with disabilities.



7. 102-43, 102-44, 102-46, 102-47

## The FIBI Group's Material Issues for 2021:

The materiality matrix takes into account the level of importance of the Bank's material topics from an ESG perspective and their significance to the various stakeholder groups of the FIBI Group



### The FIBI Group's list of material issues<sup>8</sup>:

#### Privacy and information security

Managing information security and protecting customers' information secrecy, while responding to, and handling customer inquiries in this area.

provisions of the law and various regulators, and all the actions taken to ensure that the Group complies with them.

#### Business continuity

Promoting preparedness for maintaining business continuity and for operating under various conditions, including emergencies.

#### Transparency and fairness of products and services

Implementing the principles of transparency and fairness in the FIBI Group's products and services and meticulously adapting products and services to customers' needs and characteristics, by implementing the various consumer regulations that apply to the Bank and exercising responsible marketing based on accepted ethical principles in this field.

#### Risk management

Managing the Bank's business and financial stability in view of current and future challenges that may affect the Bank's operations and management.

#### Creating economic value for the stakeholder

As a leading financial organization, the FIBI Group creates value for various stakeholders: shareholders and investors, customers, employees, suppliers, the State of Israel, the community, and others. The Report presents the key economic disclosure that reflect this.

#### Product and service innovation

Promoting innovation with an emphasis on digital services through direct channels.

#### Ethics, anti-corruption and regulatory compliance

Reducing risks embodied in the Group's activity by maintaining integrity and promoting business and moral excellence by implementing business ethics in the Group's activity, including mapping the obligations that apply to the Group pursuant to the

#### Quality of service

Steps taken by the Bank to promote quality of service and maintain customer satisfaction, including training, monitoring and measuring, learning and improving service quality.

8. 102-47

## **Incorporating sustainability and social considerations in credit provision and investment decisions**

A combination of sustainability aspects (such as long-term considerations, corporate governance, human and civil rights, environmental protection, etc.) in addition to financial considerations, including environmental risks, in the FIBI Group's significant investment and credit provision decisions.

## **Accessibility to people with disabilities**

A key service aspect, which provides value to the Group's customers in several aspects: In addition to providing innovative, quick, and professional service, promoting service accessibility allows people with handicaps to obtain equitable service, like any other customer. In addition, service through direct channels (telephone, the Bank's website, applications, etc.) meets customer needs, prevents unnecessary use of paper, and results in cutting down emissions of pollutants caused by driving to branches.

## **Effective communication with stakeholders**

Conducting an open, continuous and effective dialogue with all of the FIBI Group's stakeholder groups, in order to boost long-term relationships with them as well.

## **Equal opportunity, fairness, and employment diversification**

The principles and processes that allow and advance workplace equality and non-discrimination and maintain adequate, fair and pleasant employment conditions and work environment for all employees of the Group, while maintaining effective interfaces between employees and management, and maintaining employment security for employees, as well as taking proactive measures to hire employees from populations that are under-represented in the Israeli labor market and maintaining a diverse, high-quality employee profile in the Group, in order to address social and business needs.

## **Employee training and development**

Professional training of Group employees according to the Group's business needs and for its employees' personal and professional development.

## **Serving and promoting diverse populations in Israeli society**

The FIBI Group comprises 5 brand names - the First International Bank, Otsar HaHayal, PAGI, and Massad), which provide services to diverse customers, populations, and sectors in Israeli society. While promoting economic activity, as a result of working with these sectors, the banking products and services provided by the banks also advance social causes.

## **Work environment and terms of employment**

Creation of a safe and productive environment and space for all Bank employees while considering their personal well-being and concern for proper and respectful remuneration and working conditions.

## **Providing financial knowledge**

Various initiatives to promote financial knowledge among the banks' customers and in the community.

## **Investment in the community**

Investment in the community, including policy development, financial and cash-equivalent donations, volunteering by employees, and promoting a range of social activities.

## **Effective corporate governance**

Creation and implementation of internal management mechanisms and an efficient, diverse and active structure of the board of directors in order to achieve the Company's long-term and short-term goals.

## **Efficient consumption of resources and energy**

The Group places great importance on making significant efforts to reduce its environmental impact. The Group thus takes into account various environmental aspects when making decisions in its regular course of business.

## **Responsible supply chain**

Incorporating ESG values into the Group's contracts with suppliers, such as ensuring fair and proper employment conditions by manpower contractors, contributing to the Israeli economy by contracting local businesses and businesses in the periphery, and ensuring proper management of procurement processes.



# The FIBI Group and the Sustainable Development Goals (SDGs)

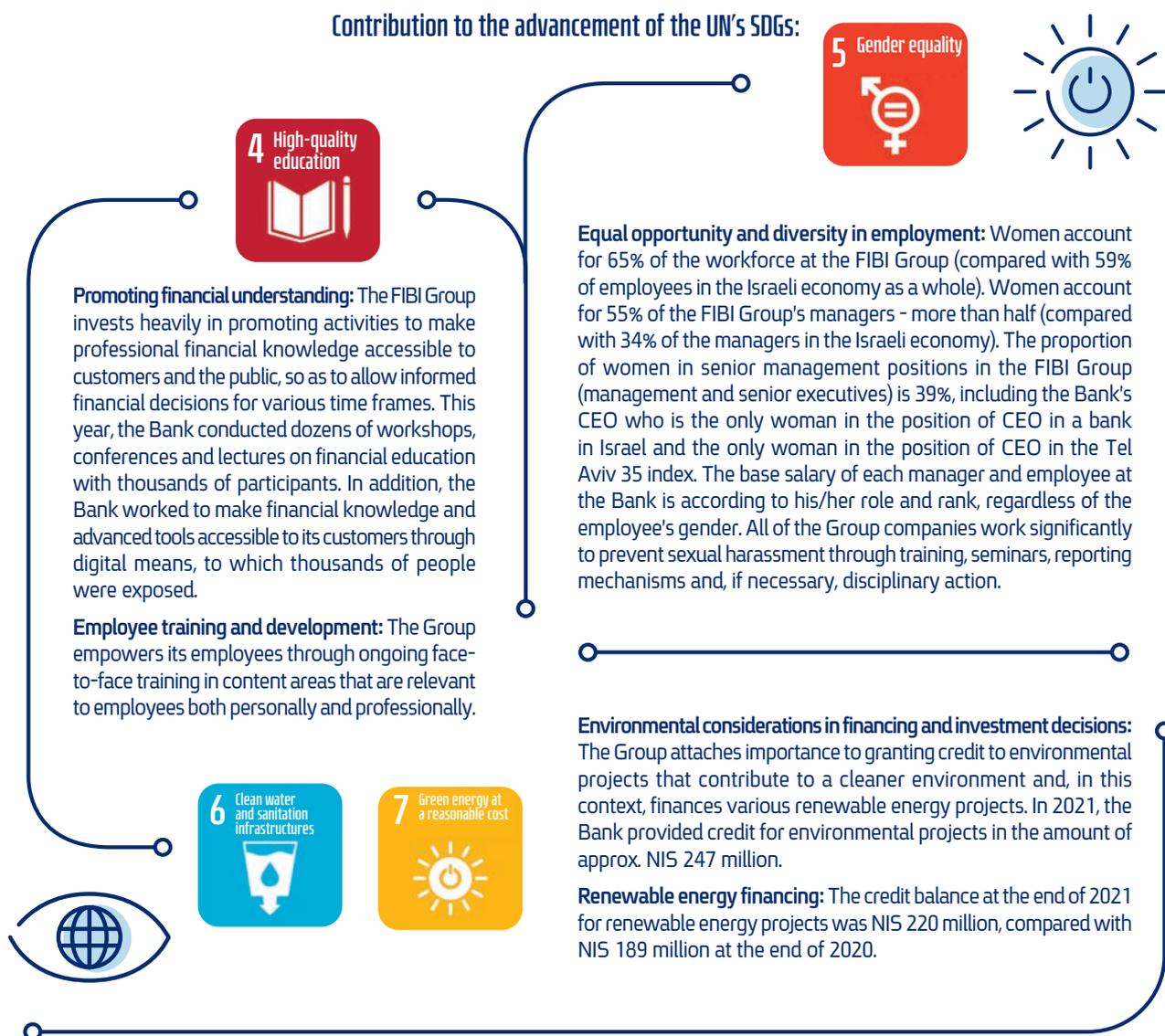
In September 2015, the UN General Assembly adopted Sustainable Development Goals (SDGs) with the aim of promoting global sustainable growth by 2030. The goals include 17 primary goals and 169 secondary goals, and each primary goal encompasses numerous fields related to diverse economic, social and environmental aspects. As part of defining ESG, the FIBI Group takes part in advancing Sustainable Development Goals in Israel.

As a member of the organization, the State of Israel is obligated to report on the processes it carries out in order to advance its goals and meet the international SDGs. To realize the goals, the public, business, and voluntary sectors in Israel need to cooperate long-term. A significant part of the realization of the objectives depends on cooperation with the business sector. As a leading financial organization, the FIBI Group recognizes the importance of its contribution to realizing the SDGs and to promoting sustainable development in Israel.

## As a leading financial organization, the FIBI Group recognizes the importance of its contribution to realizing the SDGs and to promoting sustainable development in Israel.

The following details cover the Group's main activities to promote the SDGs. The Report includes extensive information on the manner in which the Group promotes the SDGs across the organization.

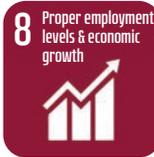
### Contribution to the advancement of the UN's SDGs:



**Assistance for small and medium-sized businesses:** First International Bank provides state-guaranteed loans to small businesses. The credit balance at the end of 2021 provided by the Bank through the state-guaranteed small and medium enterprise business fund is approx. NIS 1,937 million, of which a credit balance of NIS 1,647 million was provided under the Business Assistance Fund to deal with the coronavirus crisis.

**Employment environment:** The FIBI Group provides good employment conditions and work environment for employees, and is considered one of the 50 preferred employers in the Israeli economy (according to a BDI survey).

**Responsible supply chain:** To be entered in the Group's procurement systems, each new supplier must submit a declaration in which it undertakes not to accept any benefits and a CPA's approval that all its employees are paid salaries and provided social benefits according to law.



**Assistance to small and medium-sized businesses:** The Bank sponsors a program to finance exporters' operations in cooperation with a credit firm. This program serves as a means to assist small and medium-sized exporters on the one hand, and to provide them with opportunities to expand their overseas business on the other hand.



**Innovation in products and services:** The Bank promotes innovation by assimilating products and technologies developed by external companies, such as FinTech start-ups, alongside ongoing efforts to develop in-house products and technologies through the Bank's IT Unit.



**Addressing and promoting diverse populations in Israeli society:** customer-targeted activity designed to provide an optimal solution to the unique financial needs of diverse population segments. PAGI enables economic development and financial activity in the ultra-Orthodox and religious sector, including through financial literacy activities and by granting credit to social organizations in this population segment. Bank Massad is improving its service to the Arab community, offering products and services tailored to the sector. The First International Bank holds ongoing activity in an effort to make financial services more accessible to senior citizens.

**Accessibility for people with disabilities:** All of the Group's branches are accessible to the public and the Bank continues to improve the accessibility of services using different means.

**Diversity in employment:** The Bank makes an effort to employ workers from under-represented groups in the Israeli labor market, including employees from the ultra-Orthodox and Arab sectors, and people with disabilities, while providing equal opportunities in recruiting, employment and in their promotion at the Bank. In 2021, approx. 10.4% of the Group's employees were from under-represented populations in the labor market, and approx. 12.6% of the employees recruited during the year are from those groups.



**Responsible supply chain -** The Bank takes care to cooperate with suppliers and service providers which comply with local and international laws. To be entered in the Group's procurement systems, each new supplier must submit a declaration in which it undertakes not to accept any benefits.

**Direct environmental impact management:** The Bank is working to reduce the use of the main raw materials. In 2021, we continued the Paper-Less project that replaces the use of paper by digital means. The Bank also works to encourage waste recycling in its branches and offices and encourages its customers to receive e-mail. In 2021, all of the Group's toners and electronic waste were recycled by authorized entities.



**Fairness -** ensure proper disclosure to customers, including full information and comprehensive explanations. Fairness in marketing, advertising, sales, and investment advice. Fairness towards customers in financial difficulties. Also in 2021, no fines were imposed on the FIBI Group for non-compliance with laws and regulations regarding marketing and marketing communications.

**Environmental considerations in financing and investments:** The FIBI Group maintains the environmental risk management policy regarding the borrowers as part of the credit granting process, which includes a methodology and orderly work processes for monitoring, identifying, locating, assessing and controlling the significant environmental risks of the various borrowers.

**Management of direct environmental impacts -** the FIBI Group works to reduce its environmental impact in various ways, including by consuming power generated by gas, and by integrating cost-effective vehicles into its car fleet. In 2021, the Group's carbon footprint was 12,013 CO<sub>2</sub>eq. The total electricity consumption in the Group decreased in 2021 by approx. 3% compared to 2020.



**Ethics, regulatory compliance and maintaining integrity:** The Bank works to prevent bribery and corruption through a number of mechanisms, such as the Internal Audit System, the Risk Management Division and the Control of Procurement Activities. In addition, every employee who is hired by the Group takes a reliability test before starting to work. The Group is working to implement the principles of the Code of Ethics, which constitutes a binding declaratory document. Furthermore, the Group has various internal procedures designed to ensure caution and control, as well as enable enforcement of the Group's Code of Ethics.



# Environmental



As a leading financial entity in Israel, the Bank sees great importance in taking part in national and global efforts to prevent and slow down these environmental processes and reducing their impact on the environment and on people.



We at the FIBI Group are aware of the growing significance of environmental occurrences at both the global and local level. In recent years, there has been a significant increase in environmental awareness in Israel and around the world, among other things due to various pollution events that affected local resources and ecosystems, as well as the intensification of climate change that is expected to affect all areas of life and wide populations. Also in Israel, in addition to the increasing scarcity of natural resources, experts predict an over-vulnerability to the climate crisis, which will be reflected, among other things, in rising temperatures, damage to water sources and changes in ecosystems. These environmental processes impact the Group's business environment, its customers, and its financial stability. As a leading financial entity in Israel, the Bank sees great importance in taking part in national and global efforts to prevent and slow down these environmental processes and reducing their impact on the environment and on people.

The Group thus takes into account various environmental aspects when making business decisions. Environmental aspects mainly affect two main areas in the Bank's operations:

- Financing and investing activities (indirect environmental impacts)
- Ongoing operating activities (direct environmental impacts)

As part of the Bank's financing and investment activities, we take into account various environmental parameters (including environmental risks and positive environmental impact) as part of the various considerations when examining investments and financing options. As part of the operating activities of the branches and offices, we take various actions to reduce our environmental impacts by reducing energy consumption, raw materials and waste and by increasing the amount of waste that is recycled. We consider these two areas to be significant for the Bank's involvement in the fight against climate change and in preparation for the effects of the climate crisis on the business sector.

# Sustainability and social considerations in financing activity and investments

As a leading financial institution, the FIBI Group recognizes its significant role in encouraging market activity through financing activity and investments - credit provision and investment of nostro funds. These activities, which are the business core of the Bank, enable an increase in economic activity in the economy and therefore have a significant macroeconomic impact. Along with the positive economic value of these activities, in the activities of some of the entities financed and invested in by the banks in the Group, there may be an impact on the environment - positive or negative. The environmental impacts of the entities financed and invested in by the Bank also have effects on the business value that the Bank derives from its financing and investment activities. Environmental aspects may constitute significant risk factors or financial value. The environmental risk involved in the investment and financing of certain projects or companies may also affect the overall risk profile of the Group. Therefore, the group works to find the right balance between all the various considerations - economic, business, environmental and social. In view of this, and due to the Bank's business considerations, the FIBI Group reflects environmental aspects as part of the process of managing the various financial risks.

At the same time, the FIBI Group sees great value in funding and approving business projects that contribute to sustainable environmental development. In this context, the Group provides, as part of its credit portfolio, credit for the development of products that contribute to mitigating adverse environmental impact, promoting various projects in the field of renewable energy, developing technologies and innovative processes that contribute to preventing and reducing waste contamination, and more.

## Environmental risk management as part of credit policy

Following the directive of the Banking Supervision Department in 2009 regarding exposure to and management of environmental risks by banks, the FIBI Group formulated, approved, and implements an environmental risk policy for the Group's credit activity. Environmental risk is one of the risks to which the Group is exposed as part of its business activities in the area of credit. Materialization of the environmental risk may be manifested, among other things, in impairment of a collateral or a deterioration in a borrower's financial position as a result of its impact on the environment. This effect can cause, among other things, damage to the borrower's reputation, to incurring costs and regulatory restrictions that will harm its business results, and to difficulties in tapping international markets. All this can make it difficult for borrowers to repay their loan and may impair their financial stability; therefore, the Group assesses this risk as part of its overall credit risk management. In

addition, the very cooperation between the Group and the entity that has a direct impact on the environment and its funding by the bank, pose a reputational risk to the Bank.

Analysis of the borrower's environmental risk level is performed individually in relation to each borrower according to the Bank's work method, which is mainly based on an environmental risk rating according to the borrower's business sector, and if necessary, the collection of information is completed directly from the borrower and examined by external environmental consultants. A threshold is set for each type of customer, for an in-depth assessment of the environmental risk level, in accordance with the financial risk level. The Environmental Risk Policy chapter is the responsibility of the Corporate and Commercial Division, and is approved annually by the Group's Board of Directors as part of the credit policy documents.

Environmental risks are expected to play a greater part in the Group's business strategy and its risk appetite in the coming years. This is partly due to the increase in importance of these risks in view of the development of the climate crisis and its impact on the Bank's business environment and the conduct of the financial sector in Israel and around the world, as well as the regulator's expectations in this area.

The Bank's risk management policy in the credit domain defines a methodology and work processes for monitoring environmental risks in credit provision, which are carried out by the Business Division and include identification of high-risk borrowers and material risks, assessment of the risk level and quality of risk management, and supervising transactions identified as embodying high environmental risk. At present, the main environmental risks identified and managed by the Division relating to credit are significant environmental pollution risks, which will lead to significant regulatory and legal sanctions against the borrower. The policy sets guidelines for enlisting external environmental consultation, and defines the risk assessment and decision-making processes.

For loans secured by collateral for unbuilt real estate properties, where there is evidence of soil or water contamination (or for which the loan is material), the Group often uses an official opinion of a certified environmental consultant. The environmental consultant helps borrowers to improve their environmental performance and comply with the Group's requirements for reducing environmental risk. In many cases, the consultant's recommendations will be binding for the borrower, and if the borrower does not meet the schedules for implementing the recommendations, approval of the loan terms and conditions will be reconsidered. In some cases, the consultant will monitor projects financed by the Bank on an ongoing basis, to ensure that high environmental standards are maintained in the long term, as part of the Bank's credit risk management.

The assessment of environmental risks and how they are managed support the Group when making business and financial decisions. The policy allows the Bank to assess the environmental risks, and to integrate them in the financial decision-making process, along with other business parameters, and as part of all the assessed credit risks. In relevant cases, the environmental risk may even be a decisive factor in decision making regarding the provision of credit to a borrower.

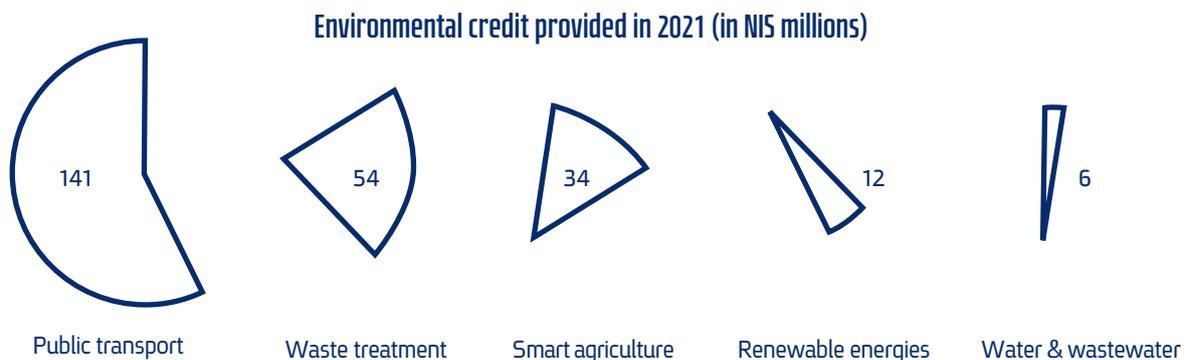
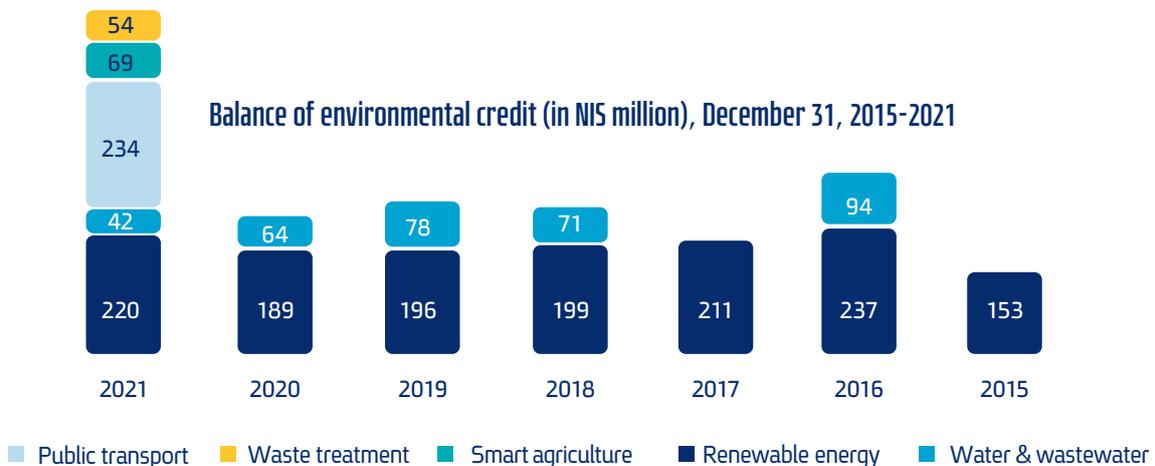
## Environmental Credit

As part of the management of our environmental impacts on the credit activity, we at the FIBI Group see the importance of providing credit to companies, sectors and projects that have a positive impact on the environment. This credit is defined in the Bank as environmental credit, and we consider it important to increase its volume in order to improve the environmental impact of the financing activities in the various banks.

In view of the importance we see in improving the environmental impact of our financing activities, this year we updated the environmental credit taxonomy that defines the areas of green credit according to the definitions of the international "Green Bond Principles (GBP)" standard, which although it is a standard for financing through bonds, it is also accepted for defining green credit in the banking sector throughout the world. This update included the removal of certain areas from the definition of environmental credit and the introduction of other areas such as public transportation and smart agriculture, based on the 10 types of environmental credit listed in the standard. In total, in 2021, the FIBI Group granted loans to projects promoting sustainability for a total of NIS 247 million.

In 2021, the FIBI Group granted a total of NIS 657 million in loans to projects promoting sustainability, compared to NIS 657 million, as follows:<sup>9</sup>

In view of the importance we see in improving the environmental impact of our financing activities, this year we updated the environmental credit taxonomy that defines the areas of green credit according to the definitions of the international "Green Bond Principles (GBP)" standard, which although it is a standard for financing through bonds, it is also accepted for defining green credit in the banking sector throughout the world. This update included the removal of certain areas from the definition of environmental credit and the introduction of other areas such as public transportation and smart agriculture, based on the 10 types of environmental credit listed in the standard. In total, in 2021, the FIBI Group granted loans to projects promoting sustainability for a total of NIS 247 million.



9. The data for the years 2015-2020 are not consistent with the 2021 data and do not include all the components that appear in relation to 2021 due to the change in taxonomy made during the year.



The First International Bank is a leading bank in the banking sector in its customers' capital market trading, and out of this responsibility we lead innovative and significant trends in capital market trading, and make them accessible to our customers.



## Management of environmental considerations in investments

As a significant investor in Israel and as an incentivizing factor in the market, we see great importance in integrating ESG considerations in general and environmental and climate considerations in particular as part of the general investment considerations. Investments in the First International Bank are carried out in two main ways. The first is in securities trading by the Group's customers through the Group banks' investment platforms. The second way is by investing the Group's nostro funds. In each of these ways of investment we apply the ESG considerations in a unique and tailored way.

The First International Bank is a leading bank in the banking sector in its customers' capital market trading, and out of this responsibility we lead innovative and significant trends in capital market trading, and make them accessible to our customers. The Customer Assets Division is working to increase the accessibility of customers who trade in securities through the Bank to information and tools that will let them incorporate environmental considerations (and ESG considerations in general) in their investment management. In this context, the Division works to integrate information on significant ESG issues in the investment platform, and in the processes of securities analysis and investment advice, according to the customers'

needs. Accordingly, leading securities in ESG performance will be marked on the investment platform. Furthermore, a process has begun for the assimilation of these aspects into the investment advice processes provided to customers. The Division has defined advanced multi-year objectives in this area (for more information, see the Introduction chapter), and it examines the effectiveness of its activities in this area in accordance with leading global practices.

In the investments of the Bank's nostro funds we integrate ESG considerations in the investment management. In this context, the Bank's financial risk management policy has been updated to include a section dedicated to the subject of ESG, which stipulates that the Bank must examine diverse ESG aspects in its investment management, with the understanding that these factors have a significant effect on the long-term success of the investment.

Environmental considerations, primarily the impact on the climate crisis, occupy a significant place in the Bank's investment policy. For example, during the year the Bank invested, among other things, in securities in the field of green energy. The Bank continues to examine marketable investment products with environmental value in the field of renewable energy, and to examine the possibility of investing in them. When investing in private equity (PE) funds, the Bank examines the funds' conduct in view of relevant ESG aspects, and determined a future target that at least 25% of the funds in which it will invest in the coming years, with an emphasis on new funds, will be funds that have clear ESG policies. In addition, we completely refrain from investing in areas that are considered to have a significant negative impact on society, such as in the areas of tobacco and gambling.

# Management of Direct Environmental Impacts

A significant part of the Group's involvement in the fight against the climate crisis concerns the Group's self-management and the management of the direct environmental impacts that are created in its activities. The Group's main environmental impacts result from office operations. Thus, the main environmentally significant impacts of the Group's activity stem from consumption of electricity to operate its properties, the use of fuel for transportation purposes; greenhouse gas emissions generated due to consumption of electricity and fuels; paper consumption in office and business activities; and the creation of office waste during daily activity.

The FIBI Group controls buildings that consume substantial amounts of power and a fleet of vehicles that consume fuel. Efficient and economical management is both environmentally and economically significant. Furthermore, the Group believes that implementing an environmental policy will provide its employees with a better work environment and a higher quality of life, which improve satisfaction and benefit everyone.

The Group recognizes its responsibility and therefore manages the key environmental resources of its activity, seeking opportunities to reduce their use and improve the efficiency of resource consumption, by adapting and changing operating and business processes and the responsible management of waste by prioritizing waste treatment by recycling. The various environmental aspects are managed while monitoring key operational aspects, and implementing initiatives for increasing energy and operational efficiency. The Group also invests resources on increasing environmental awareness among its employees, so that they will adopt environmentally friendly behavior both within and outside the Group.

## Reducing energy consumption and emissions

Energy is the main environmental resource used by the Group through its consumption of power and various types of fuels. Increasing energy efficiency in headquarters and branch buildings of the FIBI Group is a key priority of the Group's environmental management. The Group's logistics function is the body responsible for the Group's power consumption. The function is formulating a policy and procedures for resource management and energy use.

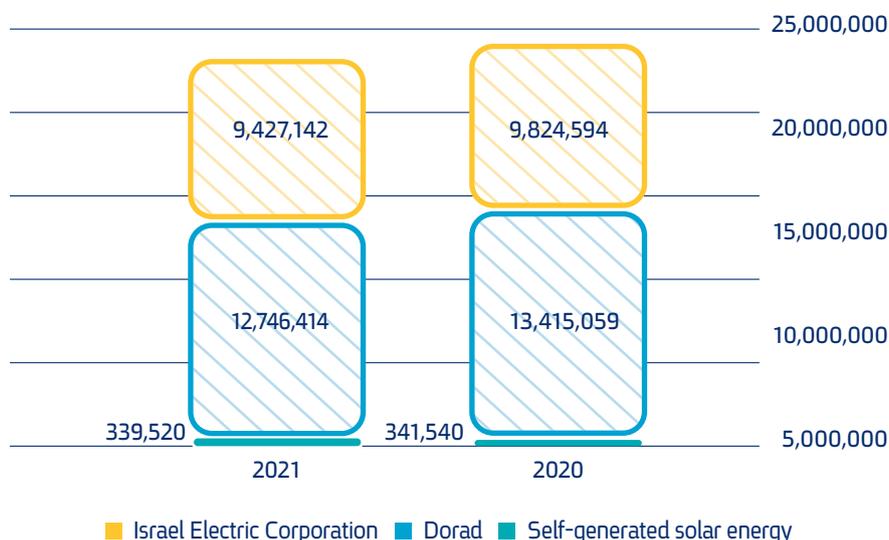
### Power consumption by the FIBI Group:

In order to reduce energy consumption, the Bank uses buildings that meet green building standards. For example, the First International Bank headquarters was awarded the title of the first green office tower in Israel by the Ministry of Environmental Protection. The construction method at the Bank building enables energy savings for air conditioning needs, due to the advanced construction and insulation method.

As part of our effort to streamline energy consumption, in some of the FIBI Group's facilities the electricity is provided by Dorad, a company that generates electricity based only on natural gas and its fuel mix has less severe environmental impacts compared to the fuel mix used by the IEC for generating electricity. In 2021, about 58% of the FIBI Group's power consumption came from Dorad. This year we started examining a transition to "cleaner" power consumption at Beit MATAF and in the rest of the Group.

In addition, part of the electricity consumption at Beit MATAF is from self-generated solar energy. This year we consumed 339,520 kWh of solar energy generated using panels on the Beit MATAF rooftop, compared to 341,540 kWh in 2020. The solar energy consumption from self-production this year constitutes approx. 1.5% of our total electricity consumption - a 4% increase in the share of electricity consumption from solar energy in the Group's total electricity consumption compared to 2020. At Beit MATAF, the electricity consumption from self-produced solar energy in 2021 constitutes approx. 5% of the total electricity consumption, an increase of approx. 1% from last year.

The FIBI Group's power consumption resources (KWh)



The Group's total electricity consumption in 2021 was 22,513,076 kWh. This is a decrease in electricity consumption of approx. 3% in 2020. This reduction was made as a result of the Bank's efforts, despite the relative return to routine in 2021 (compared to 2020, in which the use of the Bank's facilities was relatively limited due to the coronavirus crisis). The Group's energy intensity also declined by 0.1% this year and amounted to 227.76 kWh per sq.m.

	2021	2020 <sup>10</sup>	2019	2018	2017	2016	2015
<b>Power consumption (kWh)</b>	22,513,076	23,239,653	16,649,875	16,425,227	17,121,671	24,029,960	27,110,604
<b>Area (m<sup>2</sup>)</b>	98,846	103,431	83,118	83,975	89,234	120,308	131,271
<b>Power consumption (kWh per m<sup>2</sup>) - (energy intensity)</b>	227.76	227.99	200.32	195.6	191.87	199.74	206.52

**Buildings of the FIBI Group**

The energy management process at the FIBI Group places special emphasis on the construction of new buildings. Consumption efficiency considerations are included from the initial planning stage and implemented in the construction process and maintenance of the buildings. In this context and in view of additional environmental advantages, significant new structures are built in accordance with the Israeli standard for Green Building - Israeli Standard 5281 (2011).

In addition to the Group's new buildings, most activity and consumption takes place at the branches and other existing structures. These are mostly properties in commercial centers, malls, etc. which are not directly owned by the Group. Nonetheless, and notwithstanding the absence of operational control, the Group undertakes a range of measures to save electricity, including the following:

- **Installation of energy-efficient air conditioning systems:** In several bank branches, air conditioning systems and old split air conditioning units were replaced this year with new energy-efficient systems as part of a multi-year plan to streamline the air conditioning systems in branches. These replacements save approx. 10% in the power consumption of the air conditioning systems in those branches. In new branches, energy-efficient new systems have been installed in advance, including a variable air conditioning output capacity. These installations also enable savings of approx. 10% in electricity consumption.
- **Installation of occupancy sensors for turning off lighting and air-conditioning** in various service facilities, such as kitchenettes, toilettes, archives, etc..
- **Transition to power-saving lighting fixtures:** In 2021, and as part of a gradual replacement of the light fixtures in most properties to LED lighting, various lighting fixtures were replaced in the management unit and at several other branches for more economical lighting.
- **Installing air conditioning system controllers** to maximize the compressors' efficiency.



**Fuel Consumption:**

Besides power, another component of the FIBI Group's energy consumption is fuel consumed by the Group's vehicle fleet. The FIBI Group's vehicle fleet is mainly based on gasoline-powered sedans. To reduce air pollution from car emissions and increase fuel consumption efficiency, the Group is promoting the use of hybrid cars in its fleet, and is expanding the supply of these cars, publicizing their advantages for employees and providing information on safe and fuel-saving driving.

**The vehicle fleet in 2021**

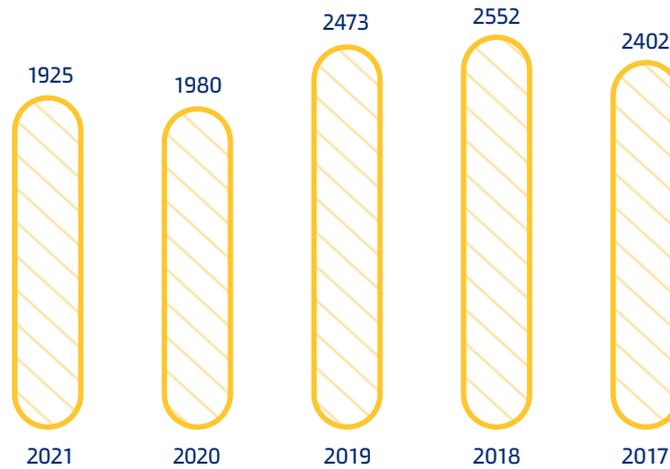
- At the end of 2021, the Group's vehicle fleet had **364** vehicles, 32 (9%) of which were hybrid vehicles.
- The number of hybrid vehicles in the Group's fleet has increased significantly since 2020 when there were 3.
- In 2021, 38% of the Group's car replacements were to hybrid vehicles.
- In 2021, the Group's vehicles consumed 700 thousand liters of fuel and 3,306 liters of diesel fuel.



10. The data for 2020 were changed from the previous report due to the addition of MATAF's consumption data. The data relating to the years 2015-2019 do not include the data on the electricity consumption and the built-up area in sq.m. in Beit MATAF.

## Comparison of average annual vehicle and fuel data:<sup>11</sup>

### Comparison of average annual fuel consumption per vehicle by the Group in 2017-2021



## Carbon Footprint

Understanding the destruction caused to the planet by global warming and climate change, the FIBI Group monitors the main factors in its activities that affect the phenomenon, and works to mitigate their impact. The Group's carbon footprint is monitored in accordance with accepted standards in Israel and other countries and is calculated using calculation tools developed by the Ministry of Environmental Protection and in accordance with the international Greenhouse Gas (GHG) Protocol. The FIBI Group's carbon footprint consists of direct emissions (Scope 1) - the burning of fuel by the Group's vehicle fleet; indirect emissions (Scope 2) - power consumption; and other indirect emissions (Scope 3) - emissions generated resulting from the consumption of various raw materials, from the dumping and recycling of waste generated in the Group's branches and offices, as well as from employee flights and overnight stays in hotels as part of the job. Scope 3 emissions were calculated for the first time this year for the purpose of this report and are not calculated for previous years.

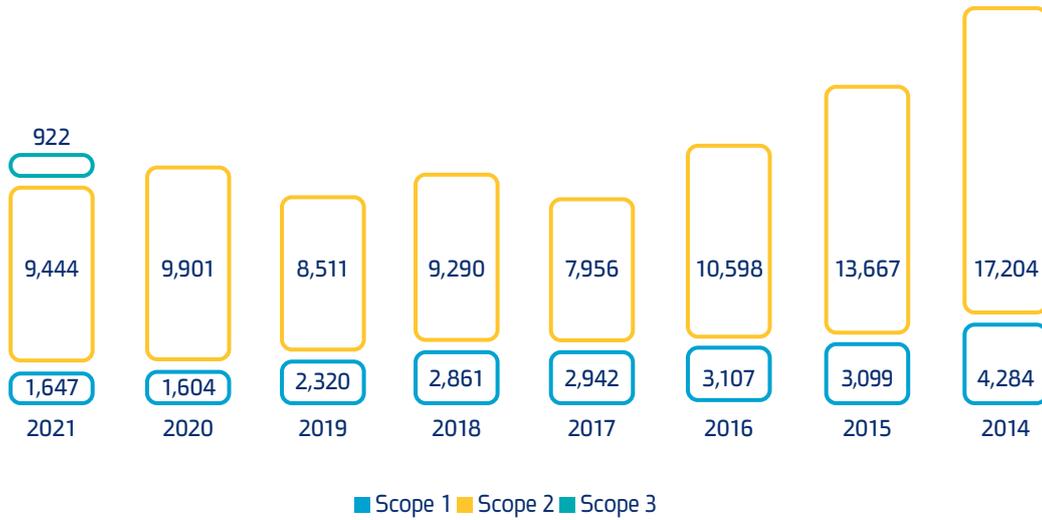
Dealing with climate change and reducing emissions at source is undertaken as part of the energy conservation plan, green building, use of fuel-efficient vehicles, and the purchase of electricity from private power producers which generate power by natural gas (that has lower greenhouse gas emissions compared with the fuel mix used by Israel Electric Corporation). In this context, for example, action was taken such as switching to consumption of electricity generated from gas, while the Bank's central headquarters on Rothschild Boulevard in Tel Aviv and the MATAF building were constructed as green towers (the First International Bank Building was recognized by the Ministry of Environmental Protection and the Standards Institute of Israel as the first green office building in Israel). In addition, the MATAF building uses solar panels to generate electricity for self-consumption. Also, in order to reduce our other indirect emissions (Scope 3), we are working to reduce discarded waste and the use of various raw materials such as paper, toners and water.

The FIBI Group's total carbon footprint in 2021 was approx. 12,013 tons CO<sub>2</sub>eq, of which approx. 1,647 tons CO<sub>2</sub>eq in Scope 1, approx. 9,444 tons CO<sub>2</sub>eq in Scope 2 and approx. 922 in Scope 3.<sup>12</sup>

11. In the 2017 report, U-Bank was reported together with MATAF; in the 2018 report, U-Bank was reported together with First International Bank. As of the 2019 report, Otsar HaHayal's reports were consolidated with those of First International Bank. In the 2020 report, an error was made in the data calculation due to the inclusion of the fuel consumption of leased vehicles of privately financed employees that are not part of the Group's vehicle fleet - the error was corrected in this report.

12. The greenhouse gas emissions in Scope 3 were calculated using the conversion coefficients of the UK Department of the Environment (DEFRA). These calculations do not include a reference to emissions related to the Bank's investment and financing activities. The data included in the Scope 3 emissions in this calculation are detailed in the chart "Scope 3 Emissions in 2021, tons Co<sub>2</sub>eq".

### The FIBI Group's carbon footprint in 2014-2021 (in tons CO<sub>2</sub>eq)<sup>13</sup>



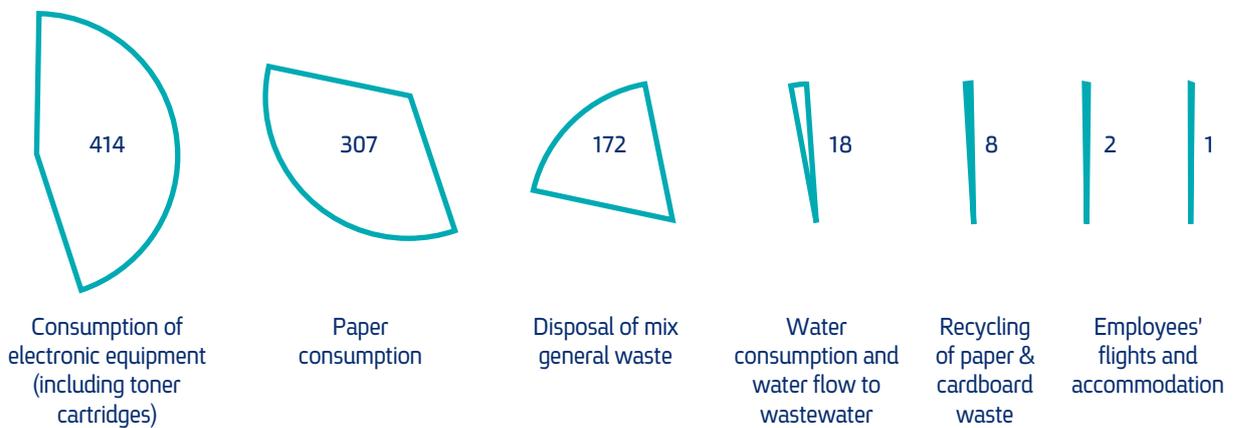
### Emissions by scope, tons CO<sub>2</sub>eq



In 2021, the greenhouse gas emissions intensity - including Scope 3 emissions - stood at 0.122 tons CO<sub>2</sub>eq per square meter. The emission intensity this year in Scopes 1 and 2 alone was 0.112 tons CO<sub>2</sub>eq per sq.m. This figure indicates an increase of approx. 1% in the emission intensity compared to 2020, when the emission intensity in Scopes 1 and 2 was 0.111 tons CO<sub>2</sub>eq per sq.m.

### Scope 3 emissions in 2021, tons Co2eq<sup>14</sup>

Recycling of electronic waste



13. The calculation of emissions in 2020 was changed and includes the emissions resulting from the purchase of electricity at Beit MATAF and excludes the fuel consumption of employees' leased vehicles that are not part of the company's fleet. For details regarding the differences, see the subsections "Power Consumption in the FIBI Group" and "Fuel Consumption". The carbon footprint for the years 2014-2019 does not include the Scope 2 emissions resulting from the electricity consumption at Beit MATAF.



## Reduction of waste and use of raw materials

### Reducing consumption of materials

The FIBI Group's activities naturally require the use of a variety of raw materials that enable the ongoing operations of the Group and its employees. Similar to other office workplaces, the main raw materials used by the FIBI Group are various office materials - water for human consumption and irrigation, diverse electronic equipment such as computers and peripheral computing equipment, toners for office printers and especially paper and cardboard of various types.

Paper is one of the main raw materials consumed by the Group's banks on an ongoing basis. The FIBI Group therefore manages this resource in accordance with its overall concept of boosting efficiency, reducing consumption, and increasing recycling. In addition, paper consumption is directly linked to toner consumption for printing. Printer toner contains ink, which has a significant environmental impact. The FIBI Group regards reducing the consumption of paper and printer toner as an opportunity to reduce its impact on the environment, thereby contributing to the organization's efficiency and to a more sustainable planet.

To reduce paper and toner consumption, the FIBI Group encourages its customers to receive mail through digital media, subject to relevant regulation. As part of its resource management, the Group monitors paper and ink consumption by internal systems and is gradually expanding the measurement baseline, in order to obtain more accurate results.

To reduce the use of paper in branches, and in order to create a digital and up-to-date customer experience, in September 2021 it was decided to expand the digital signature pilot that started in 2020 using electronic pads and to create a Paper-Less project. As part of the project, the distribution of electronic pads will be expanded to additional branches in a more massive way than in the past, and additional operations that were not automated in the past will also be transferred to electronic pads. Through this project we anticipate that paper consumption in the branches will decrease significantly in the coming years due to the reduced need to print various documents for customers to sign in the branches. Since the project is in its initial stages, as of 2021 it has not yet led to a significant reduction in paper consumption, but we expect to see significant savings in the coming years.

The FIBI Group's paper consumption in 2015-2021 (in Kgs):

Type of paper	2021	2020	2019	2018	2017	2016	2015
A4 photo-copy paper	326,155 <sup>14</sup>	308,943	329,620	339,890	359,923	360,173	368,578
Stationery	4,125	1,375	1,667	1,507	1,477	1,713	2,610
Brown envelopes	3,188	4,139	5,042	6,627	5,662	5,527	5,967
White envelopes	1,069	1,222	3,415	2,238	2,692	3,610	4,160
<b>Paper - total</b>	<b>334,537</b>	<b>315,679</b>	<b>339,744</b>	<b>350,262</b>	<b>369,753</b>	<b>371,022</b>	<b>381,315</b>

14. As part of our emergency preparedness and in view of the coronavirus pandemic, some of the A4 photo-copy paper was purchased as inventory for the Bank's emergency warehouse.

### Total paper consumption (tons), 2015-2021



The increase in paper consumption between 2020 and 2021 is a result, among other things, of a relatively reduced use of paper in 2020 due to the coronavirus pandemic and the lack of in-person activity compared to other years. Despite this increase compared to 2020, from a multi-year perspective in 2021 we continued the consistent decline in paper consumption. The consistent decline over the years in the volume of paper consumption is due, among other things, to the digitization processes that the banks in the Group are undergoing, and in particular to the conversion of many forms from paper to online.

Some of the toner consumed by the Group is recycled and some is not, with preference for recycled toners. In 2021, the FIBI Group consumed 6,283 kgs of toner, of which 5,267 kgs of recycled toners. Approx. 84% of the toner purchased this year was recycled toners.

The Group's water consumption is another factor that affects the environment. In order to reduce water consumption in the Group, water saving devices were used in all the taps in the MATAF

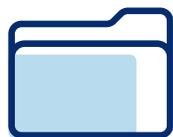
building and in certain branches of the FIBI Group. In total, this year we consumed approx. 48.9 thousand cubic meters of water in the branches and in the Group's buildings. Approx. 46% of the Group's total water consumption is in Beit MATAF, with most of the water consumed in Beit MATAF being used for the cooling towers for air conditioning. As part of the effort to reduce the use of water in the MATAF building, the building uses condensate water for cooling the water in the cooling towers and sometimes also for irrigation, and the meters are monitored on a monthly basis to test for anomalies and trends in water consumption in the building. In 2021, the Group reduced its water consumption by approx. 7%. The decrease in consumption of the Bank's branches and units in 2021 is mainly due to a streamlining of approx. 5% in the utilization of office space compared to 2020. In Beit MATAF, the decrease is a direct result of changes in the weather, 2020 included warmer months on average than 2021, which resulted in an increase in water consumption for the cooling towers in those months.

### Consumption of other raw materials in the years 2020-2021:

Raw material	Unit of measure	2021	2020
Toners	Units	5,236	5,383
Of which recycled toners	Units	4,389	4,974
Water	m <sup>3</sup>	48,904	52,636

## Waste management

The waste created by the Group's activity can be classified into three main types:



General mixed office waste



Paper waste (including cardboard)



Computer equipment waste, including toners

In terms of scale and content, the most substantial types of waste characteristic of the Group's activity are paper waste and computer equipment waste.

All paper consumed by the Group is collected after consumption and sent for recycling. Major facilities also collect cardboard, which are sent for recycling together with the paper. In 2021, a total of 364.45 tons of paper and carton was recycled. Similarly, all of the toner cartridges consumed in the Group were collected and recycled. Computer equipment and electronic product waste is centrally collected by the Group Procurement Department and sent for handling by a certified party (an entity recognized under the Environmental Treatment of Electrical and Electronic Equipment Waste Law). Collected electronic products waste includes magnetic storage devices, batteries, computer equipment and peripherals, appliances, and communications equipment.



### The FIBI Group's waste recycling was as follows:

	2021	2020	2019	2018	2017	2016	2015
Paper and cardboard (tons)	364.45	1335.3 <sup>15</sup>	318.43	482.94	509.1	580.3	528.9
Archive clearance (tons)	0 <sup>16</sup>	177.21	188.27	163.16	162.9	272	254
Toners (kg)	6,283	5,969	4,955	6,764	8,651	9,989	9,482
Electronic waste and magnetic storage (kg)	798	1,640	960	1,910	500	5,372	3,568

In addition to the main recycling activity, the FIBI Group works to increase employees' awareness of recycling and its importance. In this context, there is waste recycling activity in the various offices of the Group banks. There are recycling facilities, and separate bins for material intended for recycling. Among the materials that Bank employees are encouraged to recycle are bottles, plastic packaging, glass, and batteries. It should be emphasized that the Bank also recycles materials that come to it from external sources, such as packaging and mail items. In addition to these recycling activities, the Bank collects electronic waste through an authorized contractor for environmentally friendly recycling.

15. An inaccurate figure was reported in a report from last year. The correct figure regarding 2020 is the figure attached to this report.

16. In 2021, an archival elimination was not carried out due to a malfunction in the eradication facility. The archival elimination planned for 2021 was finally carried out at the beginning of 2022 and will appear in the next report.



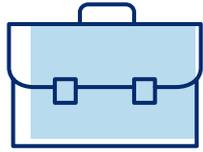
## The Group's Employees Contribute to the Environment

In 2013, the FIBI Group established the Process Streamlining Forum, which is charged with assessing and promoting streamlining and savings by the Group. Any employee may submit to the Forum any idea whose implementation may result in future financial savings on the Group's activity, with the savings financially quantifiable in the future, but having no financial short-term impact. Among the areas with which the forum deals are issues related to reducing the Bank's environmental impact.

In the past, the forum's activity has led to, among other things, a reduction in printing volume and in the bank's paper usage. This was attained through a recommendation to transmit certain forms digitally instead of printing them on paper, as well as recommendations for saving various types of information on computer only, without additional hard copies.

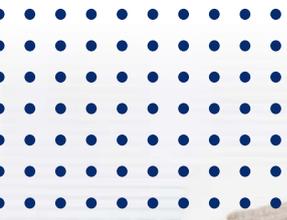
Among the proposals received in the past two years and being examined are proposals to digitize various banking processes, thereby reducing the use of paper, as well as the expansion of the digitization of certain banking processes, a move which has led to a reduction in the need for customers to come to branches.

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# Social





The FIBI Group believes in its ability to help its customers plan for their financial future and works to assist them in making informed financial decisions that will have a positive impact on their future, while balancing the customers' short- and long-term needs.



## Customers and Services

### Financial Empowerment of Customers

As the banking domain and financial markets change and become more and more complex over time, the importance of making financial knowledge available to the public grows. The ability to make informed financial decisions has a great impact on an individual's financial independence.

Many of the financial decisions made by the Group's customers have a long-term effect. The FIBI Group believes in its ability to help its customers plan for their financial future and works to assist them in making informed financial decisions that will have a positive impact on their future, while balancing the customers' short- and long-term needs. The great importance that the FIBI Group attributes to advancing financial knowledge among its customers and the general public is out of its sense of obligation to the public and customers, and as part of the Group's risk management approach. As part of this commitment, the Group has set itself the goal of assisting in the financial empowerment of 30,000 customers by 2025, by providing advanced financial knowledge.

The Group's banks understand that the more financially knowledgeable customers are, the better they are equipped to make good decisions about managing their money and the more balanced they are in their financial conduct. A result of this approach is comprehensive activity for financial empowerment of the Bank's customers, by providing financial knowledge and tools. In this context, dozens of lectures are held by the Bank each year on a variety of financial topics in the fields of capital markets, retirement consulting, financial planning and family finances. The lectures are delivered by outside content specialists and the Bank's

experts. The lectures are held at branches, professional conferences, and other settings according to customers' needs. The lectures are provided as a public service, and the Bank's customers are invited to attend to enrich their financial knowledge. During the Covid-19 pandemic as well, notwithstanding the social distancing imposed by the pandemic, the Group continued to hold these conferences, frontally where possible, and digitally. Thus, with the aim of making the information accessible to the general public, in 2021, the Group held 40 conferences on financial savings, with thousands of participants.

In addition, as part of the overall approach in the FIBI Group to introduce advanced technological tools, we adopted the use of digital tools to promote professional issues and financial training for our customers. In 2021, we distributed 8 instructional videos to provide the public with unique and up-to-date financial information, such as customization of pension products and proper management of pension savings. These videos received wide exposure and were viewed by thousands of customers.

Efforts in promoting financial understanding are made by the various brands of the FIBI Group for their respective target audiences, out of in-depth familiarity with the different financial needs and challenges these audiences face. FIBI Group banks maintain direct contact with their customers, who require different content.

In addition, as part of FIBI Group's community outreach, the Bank's employees contribute their financial knowledge in the volunteer programs in which they are involved. The employees cooperate with various NGOs to promote the general public's financial knowledge.

## Assistance and Support in Making Financial Decisions:

The FIBI Group considers it highly important to help its customers take care of their financial situation and future, and to assist them in reaching complex decisions in this field. The FIBI Group provides advanced consulting services that assist customers in building investment portfolios according to their needs, covering the entire range of investment instruments available to them. The consulting services are tailored to the customers' preferences, characteristics, risk appetite and investment ranges, in accordance with the customer's goals and needs. The consulting services provided by the Group are of the highest professional standard and are characterized by caution, objectivity and responsibility. The Group has developed and implemented methodologies that include investment advice milestones with the objective of providing each customer a solution tailored to his/her personal needs and wishes. The Group offers its customers a wide range of advanced investment products, in order to meet the different and dynamic needs of all its customers.

One of the most significant financial aspects of customers' lives is retirement savings, and the FIBI Group dedicates significant attention to this issue. This is the single most significant and basic form of savings, and the FIBI Group helps its customers manage these savings efficiently and effectively, in accordance with the savers' needs and preferences. The Group therefore provides its customers with retirement consulting, which gives them a clear and full view of their pension savings and examines whether the savings are in line with their personal needs and characteristics and their changing condition. Retirement consulting services are characterized by objectivity and transparency, long-term planning, professionalism, adaptation to customers' needs, proactivity on the part of the Bank, and the use of advanced information systems. The great importance that the FIBI Group attributes to this issue is part and parcel of the FIBI Group's approach to the importance of taking a long-term view on financial planning. The Group regards the task of expanding financial consulting as a mission, which will allow the public to enjoy their retirement savings long after going on retirement.

Retirement advice contributes to improvement in the customers' retirement savings plans by: adjusting the risk level of savings to the customer's characteristics and age; improving insurance coverage and adapting it to the customer's marital status; selecting the recommended investments based on an advanced rating system; adjusting the contribution amounts to salaries and tax benefits to maximize retirement savings; and aspiring to reduce management fees. Due to the importance of retirement advice, the Group maintained digital accessibility of the service during Covid-19 as well. This is also through digital tools that have proven to be essential for the general population during lockdown.

In addition to its retirement investment advisory services, the Group seeks to implement an educational approach regarding the capital market, and is investing resources in making knowledge accessible and developing tools intended to support sustainable capital market conduct by its customers. FIBI is the leading bank in Israel in the capital market sector and for several years it has been the TASE member with the highest trading volume in Israel. As such, it recognizes its responsibility to strengthen and empower its customers in the capital market and to develop accessible advanced tools and knowledge contributing to more efficient and effective trading. The capital market is one of the Group's business growth engines and it is an important activity that contributes to the financial education and development of the public, such that this

growth engine creates added value for the Group, its customers, and the general public. The share of the investments segment at the Group is greater than the share of other banking segments compared with the banking sector in Israel.

A central part of the Group's capital market activity is the understanding that customers with financial knowhow will be able to make the right decisions in the capital market and make transactions more suitable to their financial needs. There are opportunities for deepening financial knowledge in several channels - the direct banking channels, through the website, professional videos, the app, and at the bank branches, consulting centers and investment centers by banking experts specializing in the different financial fields.

Since the outbreak of Covid-19, public interest in the capital market has increased. To provide professional guidance to customers taking their first steps in the capital market, in 2021 the Bank lowered the eligibility threshold for investment advisory services for customers with an investment portfolio, from NIS 150 thousand to only NIS 50 thousand, the lowest threshold in Israel's banking system. In addition, to make the services more accessible and easier to use, the Group is developing advanced financial tools - such as the Smart Trade system that enables customers to make their own investments, or Advise.me, a system that makes investment consulting services accessible to our customers via mobile devices. These services are provided in addition to advanced and proactive personal consulting services. These digital services have proven to be especially significant during Covid-19, to ensure the continuity of advisory services and support for our customers. In addition, the Group provides second opinion services, free of charge, to the general public, allowing a second opinion on investment portfolios managed elsewhere.

As part of the Group's efforts to raise awareness and provide tools to its customers for long-term savings and investment, this year, we created a clear separation in the accounts of advised customers between the customers' regular investment portfolio and the long-term investment made through a standing order. This change allows the advisor to provide customers with clear and accessible information about the importance of prudent long-term savings management, in which the financial considerations are different from the financial considerations in routine trading in the capital market in the context of the customers' investment portfolio. In 2021, after the separation, more than 2,000 customers received long-term investment advice and the Bank intends to continue to expand this service for our customers. In addition, in 2021, the Bank took steps to set up its Capital Market Academy, which will hold online courses for independent trading, with guided lessons on the capital market, including the foreign exchange market. The academy will be launched at the beginning of 2022.

The Group also attributes great importance to placing ESG principles at the core of the Bank's activities, including in the investment advisory process. For this purpose, the Group is advancing ESG investments in the research unit with the aim of assessing responsible investment tracks and ways to integrate ESG aspects and information in the Bank's analyzes for the purpose of investment advice and recommendations on securities for customer trading. The Group has also appointed an ESG officer in the investment advisory system, who is responsible for assimilating professional ESG content among the Group's analysts. In addition, in 2022, the Bank intends to launch a recommended ESG investment portfolio to allow the Bank's customers to make responsible, comprehensive, and innovative investments from the aspect of ESG.

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In addition to providing investment consulting services, the Group also assists its customers in making ongoing financial management decisions. Thus, for example, the banks provide retirement consultation services, which allow retiring customers to manage their pension funds efficiently, taking into accounts various taxation tracks. In addition, in some of the business tracks, several of the bank's brand names help their customers manage cash flows and with their businesses' financial planning.

Activity in 2021:



We held 31 frontal conferences and 9 digital conferences on retirement savings, with more than 2,050 participants.



We distributed 8 unique and current financial training videos to our customers, with an average of 11,000 views per video.



We launched a model that separates the advised customers' regular investment portfolio from long-term investments made by a standing order, with the aim of encouraging our customers to save wisely. More than 2,000 customers have already received long-term investment advice.



We lowered the eligibility threshold for advisory services from NIS 150 thousand to only NIS 50 thousand.



The FIBI Group banks promote long-term relations with customers by providing professional, fair, efficient, and courteous service and creating value for the Group's diverse customers. The activity and the relationship with the customers, as key stakeholders of the banks in the FIBI Group, are managed in the best interests of the customer and while creating a variety of accessible, innovative communication channels and diverse services according to the customer's specific needs.

### Accessible financial services for diverse populations in Israeli society

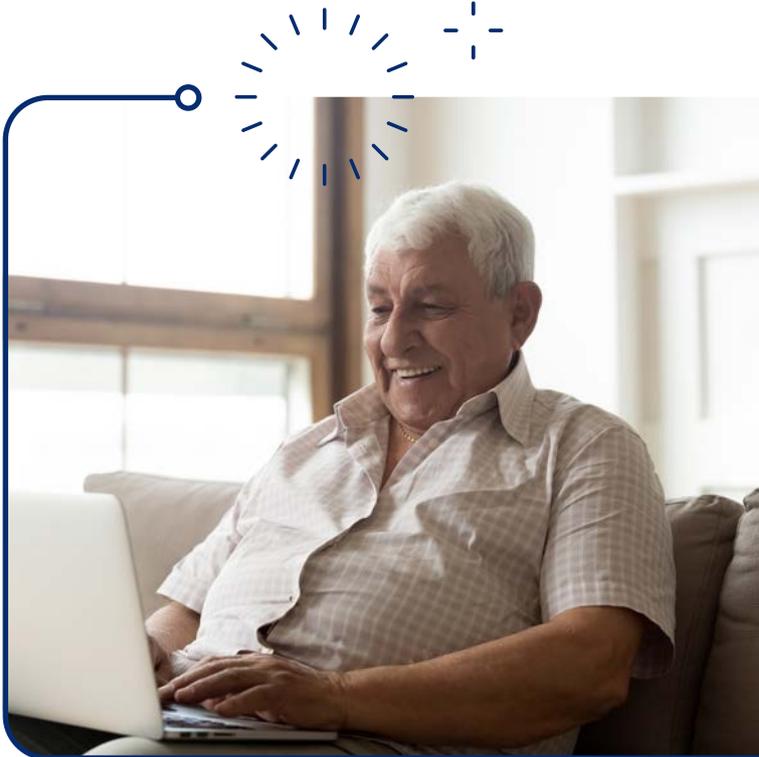
The FIBI Group provides a high-quality service package for all its customers, taking into consideration the unique needs of customers from diverse social sectors and acts to tailor unique value by addressing each group of customers in ways that suit it. Thus, the banks work to make the Group's most advanced, high-quality financial services accessible to numerous social sectors in Israel. The dedicated and unique activity, and access to customers through the different dedicated brands is one of the Group's main competitive advantages.

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The Group's unique response to the diverse financial needs of various populations and sectors allows it to make accessible - to a variety of audiences - the opportunity to receive high-quality management of their financial assets and liabilities, while making informed financial decisions. In this way, the Group contributes to the growth of the Israeli economy, with its diverse parts and unique social components.

The Group has adopted a personal and empathetic attitude, in accordance with its Group policy. As a leading financial organization, the Group is committed to providing professional, fair and courteous services based on trust in both personal and digital banking services. As part of the implementation of the Group's strategic plan, processes are carried out to improve service and the products offered to customers by drawing conclusions from customer satisfaction surveys. The FIBI Group also conducts annual studies in order to monitor financial market trends; in addition, it measures and monitors customer satisfaction, using various communication channels, when making changes and introducing innovations in its services.

The FIBI Group attaches great importance to assisting all its customers, while taking into consideration the unique financial needs and specific economic needs of each customer group. The Group works to provide a unique, tailor-made solution to a variety of sectors, and to develop the financial independence of customers in these sectors, including the ultra-Orthodox sector, the Arab sector, people with disabilities, senior citizens, teaching staff, and the security forces.



### In adapting its solutions to groups with unique financial needs, the FIBI Group's strategy utilizes several methods:



Adapting branches to the characteristics of the population living in the area by stationing suitable personnel in the branches and tailoring marketing language and themes.



Adapting branches to the characteristics of the population living in the area by stationing suitable personnel in the branches and tailoring marketing language and themes.



Cooperation with, and support for, a variety of social entities and organizations to support programs and activities on behalf of underserved groups. Examples of these activities include improving financial literacy, providing tools and training for household financial management, etc.



This year, too, the FIBI Group continued to address the effects of Covid-19, which affected the Bank's customers and presented many challenges for them. The FIBI Group has invested great effort in helping customers address Covid-19 in the best possible way. For this purpose, the FIBI Group continued to provide continuous and regular services. The Group continued to maintain the option for transactions using direct channels (such as opening an online account and raising the amount for check deposits in the app, and increasing the amount of money transfers), the same as at the beginning of the pandemic. The Group also took steps to keep branches open while protecting customer and employee health, in compliance with the guidelines of the Ministry of Health and Bank of Israel. The customers were informed of the operation of the branches through various communication channels.

## Investing in the Ultra-Orthodox and Religious Sectors

PAGI focuses on the ultra-Orthodox and religious populations. PAGI is developing new products and services tailored to these communities' unique financial needs. PAGI operates as an integral part of First International Bank, into which it was merged with great success, while fully preserving its brand name, character and activity in the ultra-Orthodox and religious sectors and deploying branches in places with significant ultra-Orthodox population.

PAGI takes care of meeting the unique needs of the sector, both in terms of the service model and through customized products and services. To ensure that PAGI continues to generate the unique value required of its customers, it maintains an ongoing dialogue with its customers and with opinion leaders in the sector, while conducting research to identify changing trends and needs in the sector in general and specifically within its diverse segments.

As part of its effort to tailor its service to the needs of the sector, PAGI takes care to provide personal human service in its 17 branches, since the majority of its target audience - the ultra-Orthodox - does not use the Internet. The branches feature approximately 200 employees from the religious and ultra-Orthodox sectors, who are able to provide service that is in line with the customers' needs. Due to the relatively high work load at the Branches, PAGI offers time- and cost-saving solutions at its branches, such as Internet kiosks, ATMs for depositing cash and checks, etc.

As part of its effort to adapt its products to the ultra-Orthodox sector, PAGI offers unique banking services tailored to the various needs at different stages of an ultra-Orthodox person's life, which are characterized by changing economic abilities and financial needs. Unique products and tracks are also offered to specific sub-segments of the sector, such as young workers, students and small business owners. Some of the tracks include financial consultation, in order to help customers boost their financial independence. In addition, PAGI has a dedicated credit card club for the community, in which hundreds of businesses offer discounts to cardholders on charges for consumer goods and at businesses for the ultra-Orthodox community.

As part of its community outreach in the sector, PAGI specializes in providing services to ultra-Orthodox and religious associations and institutions. PAGI thus contributes to economic activity as well as to advancing social processes and causes. The Bank's relevant departments have accumulated many years of experience in working with non-profit organizations, and its professional staff specializes in finding creative solutions and leading long-term processes to empower the proper management of these entities' activities over time, while scrupulously complying with regulatory restrictions.

### Activity in 2021:

- 2021, which was characterized by long periods of social distancing, was also particularly challenging in the ultra-Orthodox sector, which is not accustomed to regular use of digital means and is therefore characterized by relatively low use of direct channels. The PAGI system met the challenge and invested considerable effort to ensure that its customers from this sector are aware of the changes in service and the unique products and services offered by the Bank, with widespread advertising campaigns on dedicated media in the ultra-Orthodox sector, with the aim of making information of options for contacting the Bank accessible, and by personal conversations with customers.
- As part of the effort to increase awareness of responsible financial management in the ultra-Orthodox sector, PAGI collaborates with the ultra-Orthodox newspaper Mishpacha to advertise a series of podcasts on financial issues. In addition, to promote financial knowledge among ultra-Orthodox women, PAGI's representative was interviewed by the ultra-Orthodox newspaper Eshet, under the headline "It is important for a woman to know how to manage money, not just to earn it".
- As part of the effort to promote economic development and professional financial knowledge in the sector, PAGI held courses and lectures on a range of financial topics. Three professional conferences were held for ultra-Orthodox mortgage advisors in Jerusalem, Modi'in Ilit, and Bnei Brak. A workshop was also held for ultra-Orthodox women who own small enterprises in Beit Shemesh. Another initiative was a conference for decision makers and policy makers together with the ultra-Orthodox Institute for Public Affairs, for small enterprises in the ultra-Orthodox sector.



## Investing in the Arab sector

Bank Massad is expanding its services in the Arab sector, making its products and services more accessible to the sector's unique financial needs. This is part of the Bank's general strategic plan for retail customers and its designated activity for the educational system and teaching employees in particular. The service for the Arab sector focuses on two main populations - teaching staff and medical professionals in the sector. Bank Massad operates seven designated branches for the Arab sector (comprising approximately 32% of its branches). The branches' deployment provides customers with easy access to the range of services provided by the bank.

As part of Bank Massad's activity for the financial advancement of Arab society in Israel, the Bank focuses on value creation through the unique services it offers, and by adapting its services. For this purpose, branches in areas with a high concentration of customers from the Arab sector routinely hire and employ employees from the sector, and currently 8% of all managers and 18% of the employees at Bank Massad are from the Arab sector. Thus, the Bank is able to ensure high-quality, efficient and professional communication with customers, in appropriate places and language, rendering financial services more accessible to the Arab sector. As part of the products and services offered by the Bank, adjustments are made to the unique financial needs in Arab society, such as by making credit services more accessible and marketing loans dedicated to the needs of customers in the sector (such as dedicated loans for the holidays). In addition, the Bank offers unique value propositions for various institutions in the sector, such as colleges or hospitals, depending on the customers' needs.

During the Covid-19 crisis, Bank Massad continued to provide frontal services in the Arab sector. To this end, Bank Massad defined core branches in areas with a high concentration of

customers from this sector. Arabic-speaking representatives regularly staffed a dedicated call-center that was set up to provide a response to customers during lockdown with an option to carry out transactions. In addition, Bank Massad customers receive reciprocal services from FIBI, such as teller services and ATMs that support frontal service.

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### Activity in 2021:

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- In 2021, Bank Massad continued to provide products designed for customers from the Arab sector, according to its holidays, including the Ramadan period. In April and May, during the month of Ramadan, there were 5 major events in which the Bank's customers were invited to the Iftar meal (breaking of the daily fast). Activities also included sending flowers for Mother's Day and Christmas activities in schools.
- Bank Massad continued to reinforce its ties with leaders of public opinion in Arab society, who play an important part in maintaining and reinforcing the sense of belonging among the Bank's customers. For this purpose, during the year, the Bank sent text messages through leaders of public opinion to inform the population of the unique benefits to which customers from this sector are entitled. In addition, campaigns were increased on digital channels and social networks, including Facebook and Instagram. During the year, there were campaigns in Arabic on these networks during Ramadan, Eid al-Adha, and Christmas, and there was a campaign to promote the Umm al-Fahm branch.



## Investing in customers with disabilities

The FIBI Group attributes great importance to ensuring that its services are accessible to people with disabilities, so that everyone can exercise their basic right to receive the financial services offered by the Group. The FIBI Group is committed to making its banking services accessible to all its customers, both physically at the branches and through call centers, online services and service facilities at the branches. For this purpose, there is a Group accessibility officer who is responsible for implementing an accessibility plan at the Group level, in accordance with the law and accessibility regulations. The Group program for accessibility of services was supported by Access Israel.

Today, all the Group's branches are accessible and the Group ensures ongoing maintenance of the accessibility means in the branches. Service accessibility includes physical accessibility of the branches, and accessibility of service channels. Physical accessibility in the branches includes nearby disabled parking; accessible entrance to the branch; reception counters (adapted to the customers with impaired vision and limited mobility); adapted teller counters; a waiting area; aids for customers with hearing disabilities; toilets; an elevator; ATM and self-service stations (adjusted for customers with impaired vision and limited mobility). The accessibility of the different service channels includes accessible ATMs; website accessibility using dedicated technologies; call center accessibility; and operation of a special telephone line for inquiries about accessibility. In addition, the Group collaborates with the Access Israel organization to provide accessible information services through diverse means and in coordination with the customer, including reading aloud, audio files, PDF files (adapted for reading software), and information in Braille.

Covid-19 presented a significant challenge for the Group's customers in general and for customers with disabilities in particular. The Group therefore invested great effort during the Covid-19 crisis to advance dedicated solutions for customers with disabilities and assisted them in coping with the crisis. Throughout Covid-19 lockdowns and social distancing, the Group continued to operate teller services at defined core branches, with priority given to people with disabilities, particularly on days when there is greater activity of customers with disabilities (such as days when stipends are received), while protecting and preserving the health of customers at the branches.

The Group encourages its employees to learn about accessibility, with the aim of ensuring high-quality service that is accessible and adapted to customers with disabilities. The FIBI Group developed an accessibility tutorial which was approved by Access Israel and is available to employees on the Group's training website.

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### Activity in 2021:

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- As part of the Bank's commitment to physical accessibility in all branches, the four new branches this year included accessibility works, and renovations and streamlining in another 11 branches included accessibility adjustments.
- Another 40 accessible self-service stations and ATMs were added.
- The mandatory accessibility tutorial was revised, which all Bank employees and service providers are required to take, in accordance with revisions in the accessibility regulations. The revised tutorial was approved by Access Israel.

## Investing in Senior Citizens

During retirement, customers' lives undergo material financial changes, stemming from retirement and reduced revenues, as well as increased expenses due to new needs. This new period in life brings new experiences to customers' lives and leisure time, alongside concern for their future and the future of their family. Furthermore, digitization in the worlds of service in general, and in the banking sector in particular, poses unique challenges for senior citizens, who - in many cases - find it difficult to adapt to changes taking place in their lives and in their environment.

The FIBI Group works to adapt the services to the unique needs of senior citizens, and to allow them access to these banking services. In this context, the Group offers senior citizens unique services, enabling them to make informed financial decisions based on the unique characteristics of retirement. The services include retirement consulting - aimed at maximizing sources of income, investment advice for adapting investment portfolios to the new needs of this population, deposits and loans under unique terms, and more. Special benefits for senior citizens are also provided, adapted to their unique needs. For example, senior citizens who have difficulty visiting the branch are entitled to a free monthly courier service, or if they prefer carrying out transactions at the branches, they may carry out four monthly transactions with a teller at the same cost as a direct channel transaction.

At the same time, the FIBI Group takes a two-pronged approach in order to make financial services accessible to this audience. First, the Group makes it easier for customers to use the digital channels and technological services, through dedicated training and guidance, as well as deployment of service representatives at the branches and call center. Second, it makes it easier for them to use personal channels, such as service at branches and the Beinleumi Call center. Senior citizens are given priority in obtaining service through retail channels, out of the FIBI Group's understanding that they require these service channels more than other customers.

FIBI is a leading entity in the Financial Education Forum at the Bank of Israel, which includes initiatives for financial education and digital orientation for senior citizens. The Bank has also recently adopted the service charter published in cooperation with the Ministry of Social Equality and the Association of Banks in Israel. In addition, due to the great importance that the Bank attributes to services for senior citizens, in 2021 a unique course on banking services for senior citizens was held for all branch employees.

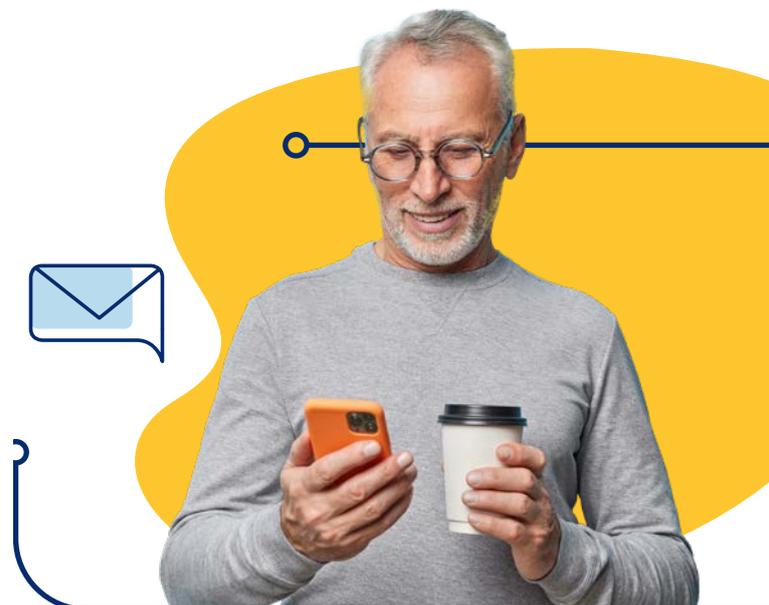
The Covid-19 pandemic has significantly affected the lifestyles of senior citizens, since they belong to a high-risk group. Senior citizens, whose use of digital channels is relatively low, were forced to increase their use of channels for various essential services. In 2021 as well, during lockdown and in periods when appointments had to be scheduled in advance, customers over the age of 70 received services at the branches, including teller services, without having to schedule an appointment and without having to stand in line. In addition, the branch bankers assist senior citizens, to the extent possible, in carrying out transactions remotely, without having to visit the branch.

## Investing in Education and Teaching Staff

Bank Massad's target audience is teaching staff. The bank offers financial products and services tailored to this population, including a range of special plans and benefits. The Bank continues to learn about the needs of this population and adapts its services accordingly. The bank's service and marketing functions are also adapted to the characteristics of the teachers population. As part of Bank Massad's commitment to the teacher population, the community outreach activities of the bank and its employees are also related to this area. Bank Massad works to strengthen teachers' status through various initiatives such as Teachers' Day, sponsorship of the Israel's Teacher competition, as well as cooperation with Israel's Teachers Union and the Athena Foundation.

### Special activities in 2021

- 2021 started with a lockdown in January. As a result, marketing activities at schools, conferences, and events were suspended, and all temporary branch activities were also stopped. At the same time, to maintain an optimal response for teaching staff, advertising activity was increased on digital channels, social networks, and content sites. In addition, customer recruitment through the Bank's telemarketing center was increased, including additional working hours and hiring of representatives.
- To ensure that teachers are aware of the unique conditions to which they are entitled from the Bank and the benefits due to them, cooperation with the Israel Teachers' Union was expanded, including messages to teachers indicating the unique benefits and loans for members of the Teachers' Union.
- The Bank continued to support community outreach projects related to teachers, and collaborations such as Kavim v'Mahshevot - the Association to Promote ADHD Awareness and the Athena Foundation. Activities included participation of Bank representatives in conferences, publication of activities, and articles on the Facebook pages of the Bank and associations.
- The Bank, as a partner in the Financial Education Forum of the Bank of Israel, participated in financial education activities, which focused on Global Money Week in 2021. In this context, financial education activities for youth were held.



## Investing in the security forces

The Otsar HaHayal brand - under First International Bank - specializes in providing services to members of the security forces and their families. Otsar HaHayal offers unique and diverse financial services, which suit the various needs of this population, and takes care to provide a holistic response to their needs, both during military and security service and after retirement therefrom. Otsar HaHayal branches are familiar with the unique challenges facing security forces personnel and retirees, and address them at both the product and service levels. As part of its commitment to providing accessible and special service for the security forces, the Bank has 13 branches in IDF bases, with the understanding that it is difficult for security forces to visit branches near their homes. The Bank also offers loans and credit on special terms under the Ministry of Defense tender, holds dedicated conferences for members of the security forces and maintains close cooperation on a range of issues with the various security forces organizations such as Hever, Ovday Zahal Organization, Tzevet-Israel Defense Forces Veterans Associations, and Zahal Disabled Veterans Organization. Furthermore, since 2006, Otsar HaHayal has adopted the Keren Battalion of the Artillery Corps as part of the Adopt a Fighter program.

To cope with the challenges during the Covid-19 crisis, FIBI invested great effort to ensure that branches in or close to military bases continue to provide face-to-face professional services, and special services and solutions suitable for the needs of the period. The Bank took steps to publish changes in the special products and services, in channels designated for members of the security forces.



## Quality of service

Providing the best possible service is part and parcel of the FIBI Group's way of doing business and is reflected in providing professional, fair, responsible, readily available, efficient, and courteous service to all customers and constantly striving to improve the level of service, with an emphasis on proactive and customized service, and on improving the service and response provided through the direct channels on a regular basis.

The Group's customer service policy is derived from the provisions of the law and regulations and directives of the Banking Supervision Department, but also from the values of the Group banks' Code of Ethics, which include the principles and rules of proper conduct. The response provided to customers reflect the values of professionalism, care, and responsibility, and emphasis is placed on the values of fairness and transparency in customer relations and service efficiency, as well as compliance with the laws, regulations, Bank of Israel positions, and other regulatory provisions.

The Group continues to develop innovative and advanced products for its customers. The Group deems it important to conduct a dialogue with its customers, in order to understand and address their needs at the highest level. The Group's service culture is always at the forefront, and its service approach is common to all its employees; the Group takes care to equip its employees with up-to-date professional tools and knowledge in order to maximize and streamline its service to customers. In 2021, 273 of FIBI's employees attended advanced customer service training courses, which were integrated into fair banking training or held as dedicated service training.

In 2021, the Bank began to implement a new model for measuring the service quality, to encourage constant improvement in the

branches, in relation to themselves and in relation to other branches. The model considers a range of parameters related to customer satisfaction and is based on different information sources. Thousands of customers participated in the measurement processes over the year, offering their opinions and contributing to continuous improvement in the customer service experience. The service level measured in the branches is a key parameter in the assessment of the branch and the service model is taken into account in competitions between the branches. The service measurement processes, in which the Bank invests many resources, are intended to allow the Bank to identify ways for constant improvement in its customer service. The Bank also frequently monitors the call center and callback system to ensure that the Bank's customers receive a fast, professional, and high-quality telephone response.

Decisions taken regarding customer inquiries reflect the values of integrity, fairness, and reliability. The Group's public inquiries units - led by the public inquiries officers - handle each inquiry in a thorough and unbiased manner, emphasizing fairness and objectivity. The findings resulting from the inquiries are examined in depth, and any deficiencies are handled systemically, as relevant, with strict adherence to realizing the Group's purpose and vision, which stresses fairness, reliability and commitment to customers and the environment. After a complaint has been fully handled, findings are drawn, including remedies, as relevant, with detailed reasoning and addressing the claims raised in the complaint, which is then sent to the inquiring party within a reasonable time. The FIBI Group strives to shorten response times to complaints and to handle complaints promptly and sometimes immediately - in the case of urgent complaints, while complying with Proper Conduct of Banking Business Directive 308A, which regulates the activities of the Public Inquiries Unit and of its Ombudsman.

## Customer Satisfaction at the FIBI Group

The FIBI Group conducts surveys among its customers in order to learn about their satisfaction with the service and draw lessons and insights to boost efficiency and constantly improve scores in satisfaction measures. At the same time, as part of the annual work plan, discussion groups are held to implement solutions and define work processes in an effort to boost excellence in this field.

### Activity in 2021

#### First International Bank

- The First International Bank invests heavily in providing professional service and regularly monitors satisfaction results of its customers - both proactively and internally by participating in external customer satisfaction surveys conducted by the Bank of Israel and Marketest Institute.
- The Bank emphasizes service excellence in professional workshops and conferences held for branch managers and heads of the personal and retail departments in the branches. At these meetings, emphasis was made on the importance of providing professional service, fairness, clarification of customers' needs, adapting solutions to customers' needs, deepening the relationship with customers, and more. In 2021, unique parameters for service level were included in the branch assessment model, and the branch service surveys serve as an integral part of the tools for internal branch assessment.
- In 2021, the Bank participated in various sector surveys on service issues, including satisfaction of private customers, small enterprises, and mortgages-related areas, and anonymous

Providing the best possible service is part and parcel of the FIBI Group's way of doing business and is reflected in providing professional, fair, efficient, and courteous service to all customers and constantly striving to improve the level of service, with an emphasis on proactive and customized service, and on improving the service and response provided through the direct channels on a regular basis.

customer surveys. The Bank also initiates satisfaction surveys among various target populations. This refers to a telephone survey with a representative sample of customers from all the Bank's branches, as well as regular digital surveys throughout the year.

- In a telephone customer satisfaction survey conducted each year, various aspects of customer satisfaction were surveyed, such as employee professionalism, level of attention to customers' needs, speed of response, courtesy of service, and overall satisfaction. The survey results indicate that in 2021 as well, the Bank was able to maintain its high score for service quality and customer satisfaction with the service level.



FIBI is ranked first among the major banks in Israel, in a number of aspects of service quality, according to a Marketest survey for 2021. The parameters in which the Bank ranked first include:

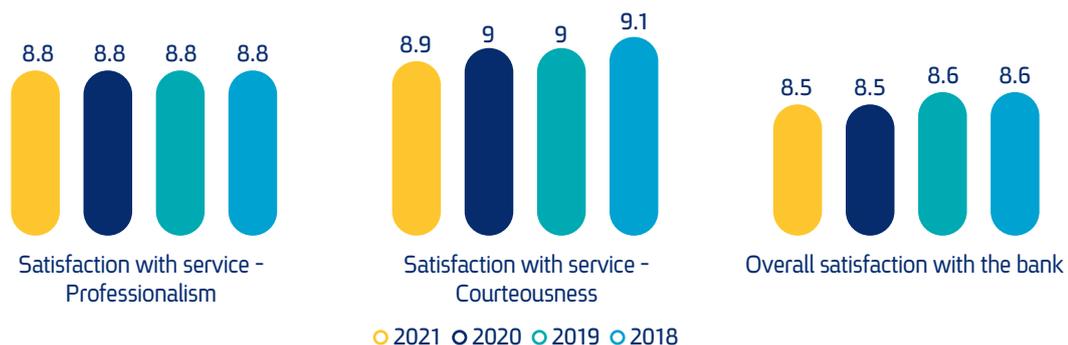
- Professional service
- Courtesy
- Satisfaction with value for price
- Overall customer satisfaction with the service in the latest inquiry
- Personal adaptation of offers to customers



In another sector survey on mortgages, the Bank was awarded first place in the following parameters:

- Overall customer satisfaction
- Satisfied with interest rates and terms and conditions
- Professionalism and knowledge
- Response time

### First International Bank, 2018-2021



## Bank Massad

Bank Massad considers customer satisfaction as a substantial basis for its business, and accordingly invests considerable efforts in this field. The service approach at Bank Massad is based on the customer's personal experience with holistic service. The Bank invests in advancing a range of service channels and creating synergy between them, creating an overall experience that reinforces the customer's sense of satisfaction and belonging to the Bank. In 2021, Bank Massad conducted a service satisfaction survey. The results of the survey indicated an increase in customer satisfaction and an increase in the customer loyalty index.

## Public Inquiries

The FIBI Group seeks to respond to every customer professionally, responsibly, and with great care. Decisions taken regarding customer inquiries reflect the values of integrity, fairness, and reliability. The Group's public inquiries units - led by the public inquiries officers - handle each inquiry in a thorough and unbiased manner, emphasizing fairness and objectivity. The findings resulting from the inquiries are examined in depth, and any deficiencies are handled systemically, as needed, with strict adherence to realizing the Group's purpose and vision, which stresses fairness, reliability and commitment to customers and the environment. Inquiries to the unit can be sent through a variety of communication means, including the website, e-mail, fax, and telephone. All contact channels are published on the Bank's website.

Customer inquiries are handled on the basis of legal and regulatory provisions, and Banking Supervision Department guidelines, as well as on the principles and rules of proper conduct included in the Code of Ethics of the banks in the Group. Responses to customers reflect the values of professionalism, care, and responsibility, and emphasis is placed on the values of fairness in customer relations and efficiency, as well as compliance with the laws, regulations, Bank of Israel positions, and other regulatory provisions. Complaints are reviewed fairly and objectively according to the banks' procedures and the relevant agreements between the banks and the customer. Our responses to customers are characterized by sensitivity, and is made while exercising discretion and a high sense of service. After a complaint has been fully handled, findings are drawn, including remedies, as relevant, with detailed reasoning and addressing the claims raised in the complaint, which is then sent to the inquiring party within a reasonable time. In inquiries that do not involve the bank's business discretion (inquiries that do not pertain to the Bank of Israel's directives and to laws), the customer is informed that he/she reserves the right to appeal the decision to the Banking Supervision Department or to a court of law.

The public inquiries unit has a high contribution to the Group's ability to map the issues that are material from the aspect of customer expectations of the level and type of service they receive, for the purpose of drawing conclusions and setting goals. Accordingly,

**Responses to customers reflect the values of professionalism, care, and responsibility, and emphasis is placed on the values of fairness in customer relations and efficiency, as well as compliance with the laws, regulations, Bank of Israel positions, and other regulatory provisions.**

the unit carries out an orderly process for learning and drawing lessons from the inquiries received.

In this context, in view of the findings of the complaints and as necessary, the unit cooperates with various units in the Bank (relevant to the customer's inquiry) such as the legal system, compliance officer, banking division, risk management unit, and MATAF. The purpose of this is to draw conclusions and to prevent the recurrence of similar complaints.

In the event of a specific failure, the branches are instructed to draw conclusions in cases where non-compliance with the procedure resulted in a customer complaint/inquiry and customer compensation. Together with the relevant entities at the Bank, the unit monitors improvements in automated systems (such as the system for opening an account, closing an account, and foreclosures), change in forms, and change in working methods - all as required and as relevant. The unit also monitors the correction of flaws across the entire organization and the drawing of conclusions arising from customer inquiries and complaints. A report on the conclusions drawn is presented to the Bank's management and the board of directors once a year, and a report of material deficiencies is produced for the Bank of Israel semi-annually and annually.

In accordance with the service charter of the Public Inquiries Unit, The Group is committed to responding to every complaint within reasonable time and to provide a clear, courteous and thorough response, supporting its responses with documentation when necessary, on the basis of the following principles:

- Rapid and efficient response to customer inquiries in compliance with the criteria set by the Bank of Israel.
- Raising awareness of adhering to consumer-related directives and fairness towards customers among the Group's employees.
- Turning a dissatisfied customer into a satisfied one.
- Placing emphasis on service and courteousness.
- Drawing lessons from complaints in order to improve service and professionalism.

### Public inquiries submitted to the FIBI Group - 2021

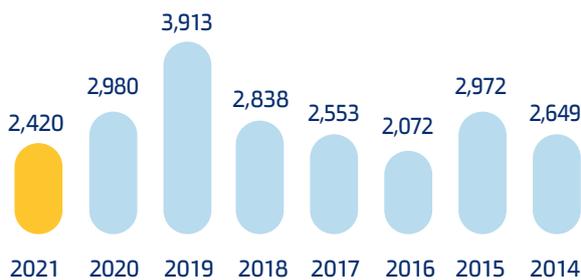
Type of inquiry	Received	Handled	Percentage of inquiries / complaints handled	Justified complaints
Inquiry	1622	1621	99.9%	--
Complaint	2486	2420	97.3%	390
Total	4108	4041	98.4%	--

### Complaint response time:<sup>17</sup>

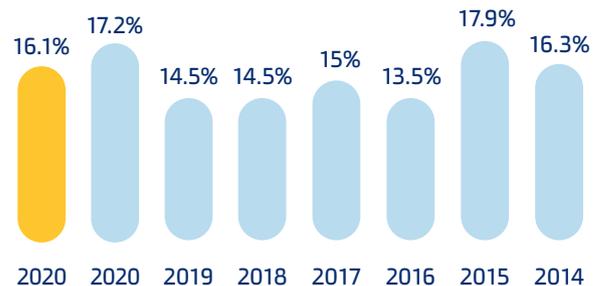


It should be noted that no inquiries were filed with the Public Enquiries Unit during the reporting period regarding breach of customer privacy, loss of customer information, or other inquiries concerning information security and privacy.

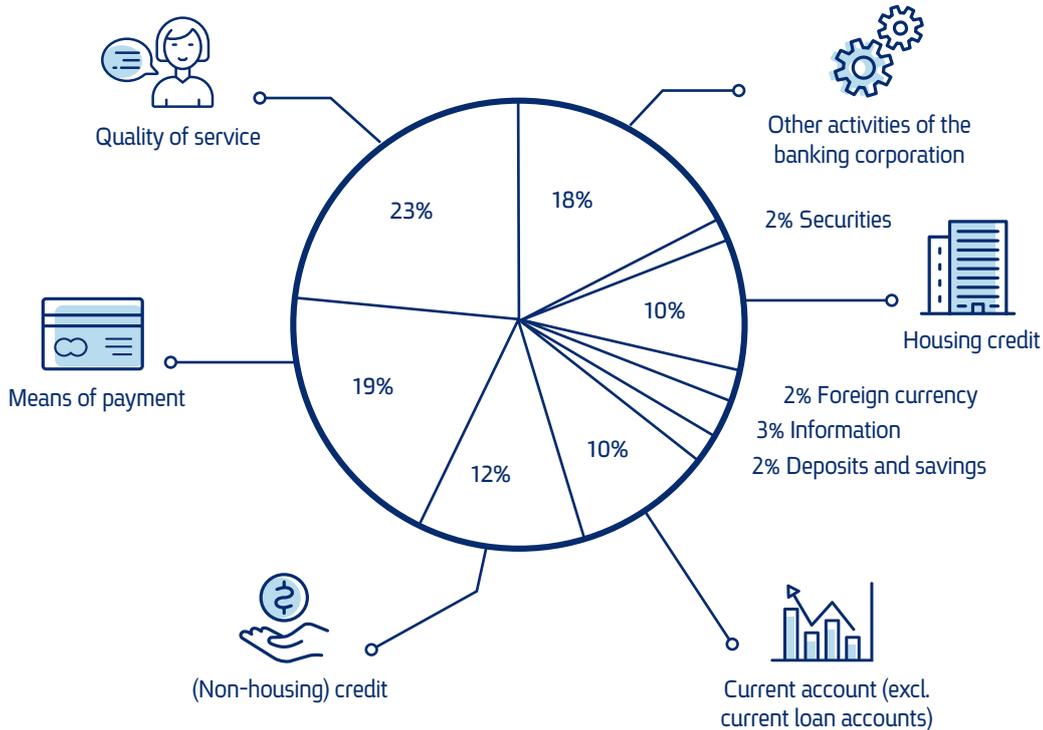
### Total no. of inquiries processed during the reporting period requiring reporting to the Bank of Israel



### No. of justified complaints filed with FIBI



### Breakdown of inquiries by subject matter in 2021



17. 1) The report reflects the averages of groups of processing days set by Bank of Israel and not the actual number of processing days.  
 2) Of these, the average response time for Covid-19 related complaints (any complaint or request associated with the Covid-19 Crisis) at the First International Bank is 19 days, while urgent issues such as credit (other than for housing) and payment means are answered within an average of 7 days.

3) Complaints about reporting to the credit provider are not included in the reporting to Bank of Israel for Directive 308A regarding addressing customer complaints, other than for customers who directly contacted the Public Inquiries Unit.

4) Group of 46 and more processing days - a letter is sent to the customer regarding the delay in response. During the Covid-19 crisis, Bank of Israel allowed a deviation in the number of processing days in accordance with Directive 308A. A notice was published on the Bank's website.



## Social considerations in banking activity

### Social financing:

The FIBI Group is constantly developing products and services tailored to special groups, in the realization that Israeli society has diverse social and cultural features; these groups have unique financial needs requiring tailored solutions in order to encourage the financial integration of all the group into Israeli society.

The FIBI Group's strategy for promoting social credit works in the following ways:

- Credit services are tailored to the target group's way of life: loans are granted on easy terms, credit solutions for crises are provided, and personalized tools are offered to customers according to their financial capabilities.
- A range of social entities and organizations are supported, and credit programs for social organizations that support underserved groups and social and public objectives are promoted.

A leading example of social credit provided by the Group is the credit provided by the Bank (through PAGI) to social organizations in the ultra-Orthodox sector. At the end of 2021, the balance of credit granted by the Bank to social organizations in the ultra-Orthodox community (in the areas of education, welfare and assistance services, social community organizations, religious services, etc.) was NIS 1,160 million.<sup>18</sup>

The FIBI Group is constantly developing products and services tailored to special groups, in the realization that Israeli society has diverse social and cultural features; these groups have unique financial needs requiring tailored solutions in order to encourage the financial integration of all the group into Israeli society.

The Bank also incorporates social considerations in its nostro investments, and in 2021, the Bank chose to participate in an impact investment as part of this activity. At the end of 2021, the Bank undertook to participate in the financing of Social Impact Bonds of Social Finance Israel (SFI), a social enterprise that promotes impact investments in Israel and produces measurable social impact through social financing tools. The bonds to which the Bank has committed will finance the qualification and integration of men from the ultra-Orthodox sector in high-tech professions, in accordance with the Bank's social targets. The return on investment and the yield will depend on the social outcomes of the financed project. To date, the investment has not been made due to legal-regulatory delays, which SFI is striving to resolve.

18. After a calculation error was identified, figures for 2014-2020 were corrected compared with the figures in earlier reports.

### Outstanding credit granted to social organizations in the ultra-Orthodox sector (in NIS millions)



## Promoting the Small and Mid-Sized Business Segment

FIBI regards small and medium enterprises as one of the key growth engines and the backbone of the Israeli economy. Accordingly, the Bank attributes great importance in creating economic value for this sector, allowing small enterprises to grow and succeed over time in the long term. The challenges arising from Covid-19 particularly demonstrated that small and medium enterprises have unique economic challenges that require a dedicated response. For this purpose, the Bank is able to provide a unique response to the needs of different business sectors, based on their size, turnover, and credit requirements. Credit to small businesses is granted through all of the First International Bank's branches and is professionally managed by a dedicated team at headquarters specializing in small businesses.

The Bank strives to maintain a long-term relationship with business customers, and to this end, takes steps to provide them with a wide range of banking services required by small enterprises. The relationship is based on the bankers' personal acquaintance with the businesses, allowing them to provide a comprehensive response to all requirements of the business owners - from financing solutions, through to guarantees, and up to financial advice for capital management.

Recognizing the dynamics of the business environment in which small enterprises operate and the changing needs of business customers, FIBI decided to allow a dynamic and creative response to needs characterizing the small business sector. Accordingly, bankers in branches specializing in a response for business customers are able to provide advice to customers with the aim of finding a solution tailored to their specific requirements. The branch managers have extensive authority to provide credit, allowing the Bank to provide an immediate response to the diverse and urgent requirements of each customer.

FIBI works constantly to make an increasing number of services accessible to businesses through digital channels, recognizing the need for banking transactions 24/7. At the same time, FIBI continues to believe in the importance of personal service, allowing customers to consult with employees in the Bank's business departments, and to receive creative solutions tailored to the unique needs of each customer.

As at the end of 2021, credit provided by the Bank to tax-exempt, small, and medium enterprises amounts to NIS 27,145 million.

The increase in credit balances in 2021 in the tax-exempt and small enterprise sector was 11.5%, which is higher than the increase in balances in this sector in the total banking system in Israel, which was 9.9%.

## State-guaranteed financing

In 2016, Otsar HaHayal Bank (in a joint bid with investment house Meitav Dash) won the Accountant General's tender to provide loans to small and medium-sized businesses guaranteed by the state. Once Otsar HaHayal was merged into First International Bank, such loans are offered in all branches of the Bank. The Bank is thus a significant financial partner of the State of Israel in strengthening the small and medium-sized business sector.

The funds' activities have several characteristics that make them instrumental in the development of small and medium-sized businesses. Providing credit through the funds reduces the requirement for collateral from the customer (due to the terms of the tender and the State guarantee), making it significantly easier for customers. Furthermore, financing decisions are based on the applicants' plan and business potential, thus encouraging businesses to develop professional business models, which reflect economic viability. In addition, it is possible to generate a financing package that combines several funds as well as run-of-the-mill bank credit, depending on the needs of each business.

In 2021, the volume of credit provided by the Bank through the state-guaranteed Small and Medium-Sized Business Fund was approximately NIS 1,937 million.

## Impact Financing - Jewish Agency Loan Funds for Business Encouragement

The Jewish Agency Loan Funds to encourage businesses assists entrepreneurs in Israel's geographic and social periphery in obtaining loans under preferential terms. By doing so, the Center assists entrepreneurs in accessing initial capital to establish or expand a business, and encourages growth in the economy. For this purpose, the Center operates a number of funds (funded by donors) to finance the establishment or growth of small and medium enterprises. FIBI (formerly Bank Otsar HaHayal) is a significant partner of the Jewish Agency, and this is the bank that provides business loans on behalf of the funds.

The Bank provides loans in this framework to entrepreneurs and business owners from the Negev, Galilee, Jezreel Valley, and the Jerusalem area, and to new immigrants, people of Ethiopian descent, entrepreneurs from the ultra-Orthodox sector or from the Arab sector. The loans are provided under favorable and preferential terms, partially guaranteed by the fund.

To date, the funds have provided loans to thousands of businesses that created thousands of new jobs in the country. In 2021, an amount of NIS 5 million was provided in this context.

## Response for business customers in the Covid-19 period:

Many small and medium enterprises were among the main victims of the Covid-19 economic crisis. FIBI stood by its business customers, offering a range of tools for addressing the crisis. In this way, the Bank continued to provide routine banking services, both digitally and through the branches. The Bank allowed its small enterprise customers to freeze current loan payments, and also provided specific solutions for enterprises in accordance with the unique requirements of each enterprise.

In addition, FIBI grants state-guaranteed loans under the state fund for businesses affected by the economic consequences of Covid-19. In this context, FIBI provided loans amounting to NIS 1.793 billion, with over 70% of the loans provided to small enterprises (with an annual turnover of less than NIS 25 million). The fund ranked FIBI as one of leading supporters of small enterprises, including:

- Ranked first in approvals for loan applications
- Ranked first in the average loan amount granted to small enterprises
- Ranked second in the number of days required to address the loan application

## Additional unique services for small and medium enterprises

### Assistance to Israeli exporters and importers:

The FIBI Group, which promotes economic activity in Israel, views exports and imports as a central anchor in Israel's economy and industry. For many years, the Group has been instrumental in

promoting Israeli industry and in recent years, has developed and initiated various financing and recruitment programs:

- **Exporter financing program in cooperation with a credit firm** - The Bank sponsor a program to finance exporters' operations in cooperation with credit provider Ashra. This program serves as a means to assist small and medium-sized exporters on the one hand, and to provide them with opportunities to expand their overseas business on the other hand.
- **Recruitment of industrial companies and entrepreneurs as customers** - The Business Development and Marketing Unit of the Corporate Division focuses on the recruitment of industrial plants and entrepreneurs with turnovers of at least NIS 25 million, as customers. Credit applications of such customers are reviewed by the relevant functions at high priority and responses are fast-tracked in order to promote new business activities as quickly as possible.
- **Financing agreements for the purchase of industrial equipment in cooperation with the Manufacturers Association** - An agreement was signed with the mutual fund of the Manufacturers Association to provide up to 90% financing for the purchase of industrial equipment for an unusual maximum period of 12 years.

## Financing for Businesses - Factoring:

First International Bank also operates a specialized financing service (factoring), which provides a comprehensive solution for the risks involved in granting credit to mid-size and large customers. The service is based on the purchase of some or all of the customers' receivables in respect of credit sales made locally or with overseas customers. Factoring thus turns a credit transaction into a cash transaction. The factoring services provide numerous benefits to the customer, including: early payments and improved cash flow; neutralizing credit risks; increasing the company's financing resources beyond traditional bank credit; improving the financial ratios in the financial statements; marketing means to expand the company's turnover; ongoing assessment of customers' robustness and freeing up customer credit management resources.





The Bank cooperates with non-profit organizations, such as Paamonim, Pedot ve Hazala, Beit Hatavshil, and Netivotea Shalom, which operate in the field, Friends of Orly and Guy, and companies that guide and mentor individuals and families financially. Through these collaborations, the FIBI Group helps customers handle their financial difficulties, rehabilitate their long-term financial status, and repay their debts.

## Investing in customers in financial difficulty

FIBI Group supports customers in financial difficulty with sensitivity and helps to find a solution to their difficulty. When customers have difficulty in repaying their debt to the Bank, the Bank's policy is to do its utmost to reach debt settlements with them prior to initiating legal procedures, which may be very costly for both the customer and the Bank. The FIBI Group has developed and uses processes which combine sensitivity, professionalism and will to help these customers regain financial stability. The collection department of the FIBI Group is dedicated to fairness and transparency with debtors, exhausting all avenues of debt collection before going to court. Thus, for every new case reaching the collection department, according to the procedures of the FIBI Group, customers must be contacted in an attempt to reach a fair and convenient settlement for payment of the debt before initiating legal proceedings. If the attempt is successful, the case is not transferred to an attorney, saving further expenses such as fees and levies. In addition, attorneys handling collection cases are instructed to attempt to reach settlements with customers before taking the case to court. In accordance with the policy of the board of directors and Proper Conduct of Banking Business Directive 450. The intention of these and other actions is to assist the debtor and to reach an arrangement for repayment of the debt, while minimizing the damages and expenses incurred by legal action.

In this context, the FIBI Group takes proactive measures, from time to time, to collect old debts (such as "Debt Collection Drives", days in which customers are scheduled to meet with attorneys and bank representatives in an attempt to reach settlements), in an effort to assist the customers.

Due to the Covid-19 crisis, the Group adopted a particularly sensitive policy towards customers in financial difficulty, due to the challenges of the period. The Group has invested great effort in avoiding legal procedures with customers in difficulties, and has worked in cooperation with the customers to settle their debts according to their ability. In addition, the collection officers were instructed to be flexible in the debt arrangements, both in terms of long-term payment schedules and in favorable interest rates than in the past. As of the end of 2021, there are 21,785 open cases of customers who failed to meet their repayment schedules. In 2021, 1,704 cases were transferred to the collection department (7.8% of all cases). The collection department transferred 1,318 cases (only 6%) for legal procedures, of which 275 were closed during the year. During 2021, about 1,041 debt settlement agreements were signed with customers in difficulties at the FIBI Group.

The FIBI Group strives to reach agreements with customers who fail to meet their repayment schedules. In addition, the FIBI Group cooperates with various organizations that regulate the status of customers in financial difficulty due to financial and health reasons, and contact the banks on their behalf or along with them. Thus, the Bank cooperates with non-profit organizations, such as Paamonim, Pedot ve Hazala, Beit Hatavshil, and Netivotea Shalom, which operate in the field, Friends of Orly and Guy, and companies that guide and mentor individuals and families financially. Through these collaborations, the FIBI Group helps customers handle their financial difficulties, rehabilitate their long-term financial status, and repay their debts. In addition, the FIBI Group has signed a voluntary convention that requires it to give special consideration to women who are victims of domestic violence staying in shelters or hiding places.



The Group attributes great importance to creating an adequate supportive environment and providing ancillary conditions to help employees realize their skills and maximize their abilities. The Group believes that promoting employees' welfare, development of their leisure time, and responding to needs related to their private lives help create a good work environment.

## Investing in Our Employees

The Group's human capital is one of its most significant and important growth engines. The employees are full partners in the Group's business success and in its ability to achieve its goals. To enable employees to realize their full potential, for the sake of their personal and professional development and for the sake of the Group's business activities, the Group's banks maintain a fair and responsible employment environment, and abide by current legal requirements, best practice in the Israeli employment market (and in the financial sector in particular) and universal norms designed to protect human rights.

The Group attributes great importance to creating an adequate supportive environment and providing ancillary conditions to help employees realize their skills and maximize their abilities. The Group believes that promoting employees' welfare, development of their leisure time, and responding to needs related to their private lives help create a good work environment. The Group realizes this approach from the employee's first day on the job through every stage of his/her career until retirement, including beyond working hours.

The FIBI Group's human resource departments are responsible for managing human capital in the various banks and in MATAF, serving as supporting partners in realizing the banks' goals. The human resource strategy focuses on combining the various objectives of the bank with providing solutions to the employees' needs, development, and welfare, and ensuring a proper work environment. This approach allows the banks to have highly professional employees, who operate in a work environment that is oriented towards achieving the organization's objectives while enabling employees to serve as partners in an organizational culture that promotes dialogue, transparency, and welfare as its cornerstones.

Human resource management includes several key principles with the aim of striving towards constant improvement in all areas of activity:

- Development of human capital and long-term human resource management - strengthening and developing human capital in accordance with the Group's needs and business targets, with a long-term view: identifying and fulfilling employees' potential, mapping knowledge gaps and imparting core capabilities, adjusting career paths, recruiting and training leadership succession candidates and professional reserves according to the Group's needs, professional and managerial training, and executive development.
- Organizational development - developing advanced tools in every area of human capital in the organization, including: improving hiring, onboarding, and retention of employees; acknowledging employees; streamlining organizational processes and building control and performance review tools; and supporting the Group's units, etc.
- Employee hiring and onboarding - The FIBI Group places special emphasis on the onboarding period, under the assumption that the nature of the onboarding process affects the performance, integration in the Group, and motivation of the new employees. The onboarding processes at the Group banks' and MATAF emphasize several aspects: professional onboarding, including imparting the knowledge needed by the employee; employee orientation, which helps employees learn the Group's rules, norms, and values; and social absorption, which facilitates teamwork and connection to the unit where the employee is placed.
- Internal communications - Managing internal communications to create organization-wide dialogue and cooperation through the empowerment of human capital, with an emphasis on openness and information transparency, and encouraging ongoing internal dialogue by various means and communication channels.
- Organizational culture - supporting a culture that strengthens the Group's values and goals with an emphasis on excellence in every area, ethics, social responsibility, and community outreach.

## The Group's employees

**3,723** 

In 2021, the FIBI Group had 3,723 employees.

**98%** 

Of the FIBI Group's employees work full-time.

**98.4%** 

Of employees are employed directly by the Bank (an increase of half a percent compared with last year). The remainder are contract employees.

**47.3** 

The average age of the Group's employees is 47.3, and their average seniority is 18.1 years.

**72%** 

72% of the Bank's employees have academic degrees.<sup>19</sup>

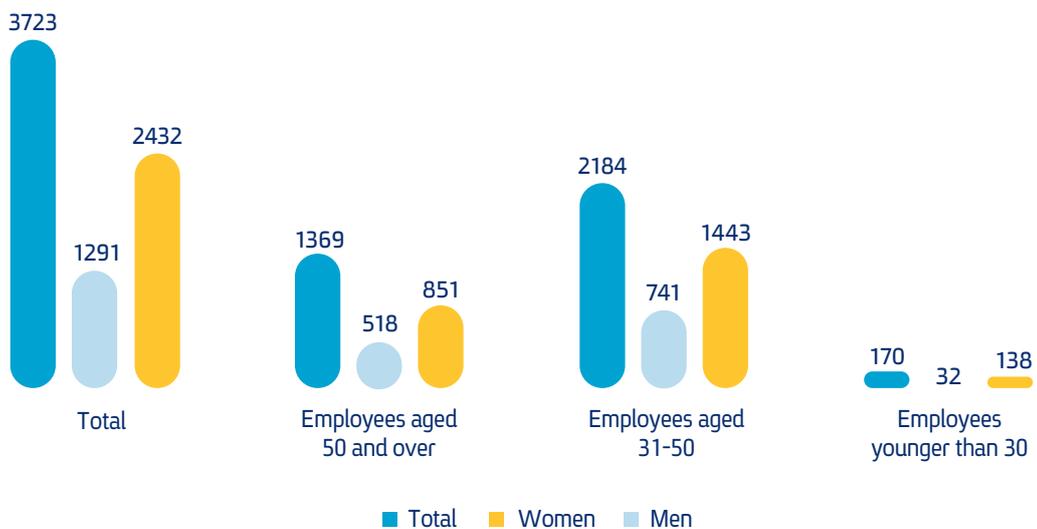
**12%** 

Of the Group's employees are temporary employees and the remainder are tenured employees.

**96%** 

Of the group's employees are employed under a collective employment agreement, and 4% are employed on a personal employment contract.

## The FIBI Group's Employees by Age and Gender in 2021:



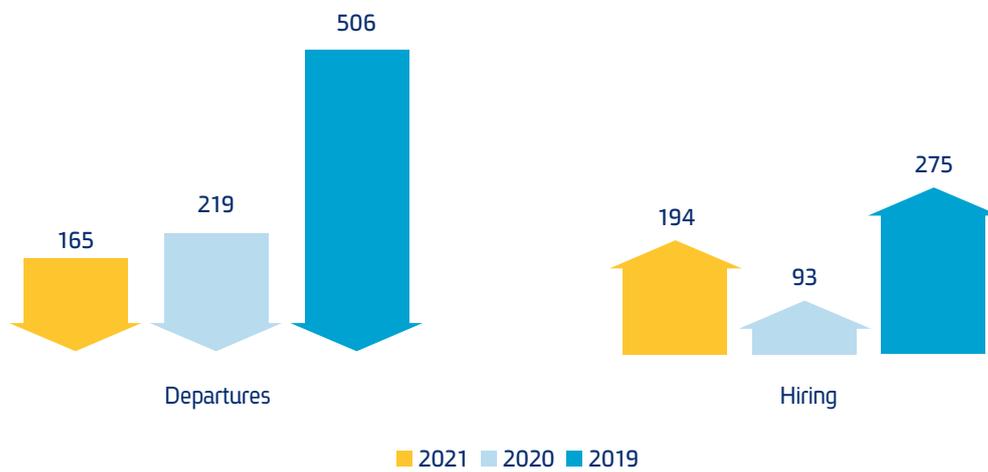
19. This figure includes FIBI employees only.

## Hiring of New Employees and Departure of Veteran Employees:

**Employee Turnover in 2021**

Age	Hired				Exited <sup>20</sup>			
	Women	Men	Total	%	Women	Men	Total	%
Up to 30	57	14	71	37%	23	11	34	21%
31-50	61	50	111	57%	81	36	117	71%
50+	4	8	12	6%	7	7	14	8%
<b>Total</b>	<b>122</b>	<b>72</b>	<b>194</b>	<b>100%</b>	<b>111</b>	<b>54</b>	<b>165</b>	<b>100%</b>

## Group-level employee turnover in 2019-2021



19. Employee churn figures for 2021 are net of retirement.

## Employee turnover by age in 2021



## Employee absences in 2021

	No. of absence days		Total rate of absence days
	Women	Men	
No. of sick leave days <sup>22</sup>	52,259	17,098	7.8%
No. of work accident days <sup>23</sup>	417	267	0.1%
No. of leave days <sup>24</sup>	66,013	31,542	9.25%
No. of military reserve duty days	117	552	0.06%

## The FIBI Group's Employees by Gender and Rank

	2021			2020		
	Women	Men	Total	Women	Men	Total
Top Mgmt/ Top executives	50	77	127	49	75	124
Middle management	377	286	663	384	274	658
First line managers	143	105	248	160	116	276
Employees <sup>25</sup>	1,845	781	2,626	1,935	833	2,768
Total	2,415	1,249	3,664	2,528	1,298	3,826

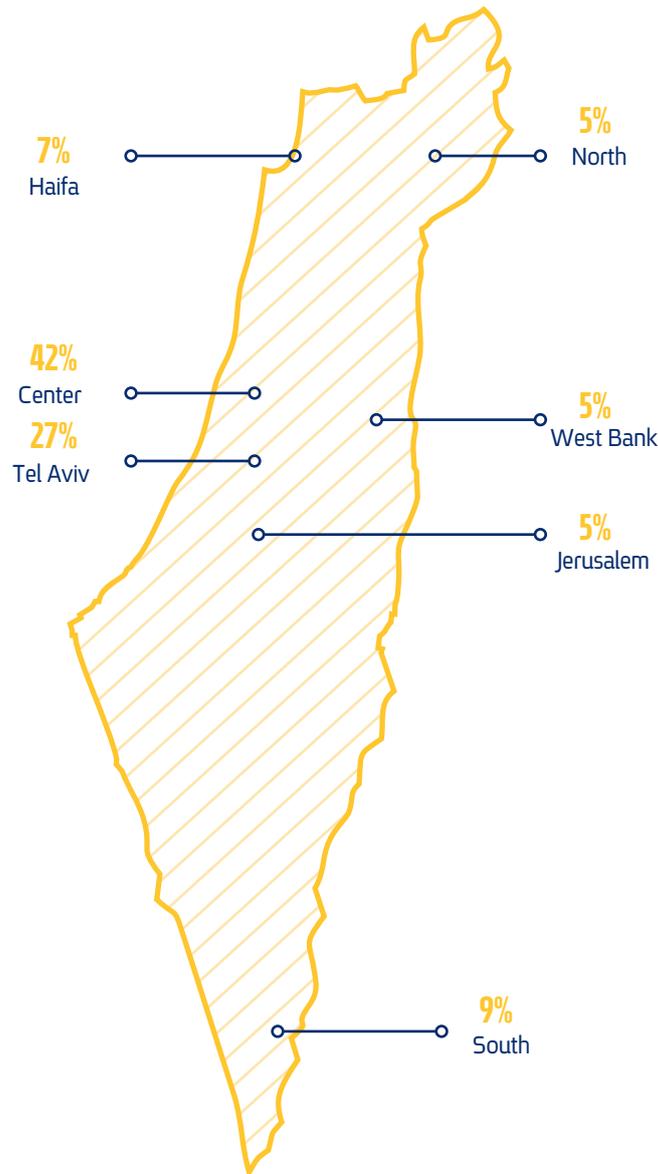
22. Employee churn figures for 2021 are net of retirement.

23. Sick leave due to work accidents: in 2021 there were 20 work accidents in the Group.

24. Including leave campaigns and holidays for non-Jewish employees.

25. Excluding external employees.

## FIBI Group Employees by Residential District<sup>26</sup>



## Dialogue with employees

The FIBI Group considers its employees to be full partners in its activities, its development, and its success, and therefore encourages continuous and honest dialogue between the various units in the Group and between employees and management. Therefore, the Group creates and promotes a culture of dialogue and ongoing communication with the employees. The dialogue with the Group's employees allows communication of professional knowledge between employees, improving the cooperation and teamwork between employees from different units and different banks in the Group, strengthening the pride of the unit and boosting the sense of belonging to the organization.

The FIBI Group places great importance on communicating with the employees on an ongoing basis, and maintains a dialogue with them using various means through a range of channels.

Formal communication channels include an open line for human resources, employee feedback, an employee inquiries officers, an organizational portal, conferences, the operational efficiency forum, round tables for management and employees, organizational survey, and management visits (including the CEO) to branches and headquarter units.<sup>27</sup> The Group places significant focus on the development and effective management of internal communications, in order to promote transparency, create dialogue, connect the employees to the organization, and strengthen communication among all Group employees.

In addition, employees may contact relevant officials in the Group through various channels, including anonymously, about auditing, compliance, and ethics.

26. Excluding Massad employees

27. Not all of the communication channels that were listed are permanent in all Group companies.



### Round Tables:

All the banks and companies in the Group take care to ensure that there is an unmediated line of communication and an ongoing dialogue between the management and the employees. One of the main practices for these purposes is "round table" meetings in which management representatives participate with the employees. These meetings also enable the employees of the organization's various units to get to know each other and strengthen the connections and partnership between them, as well as deepening their familiarity with the Bank's goals, its vision and its work plan. These meetings deal with topics on the agenda of the Group and employees; a survey of the Bank's business environment and the work plan's targets in the Bank's core business is conducted, and an open discussion on professional and other matters is held. Topics for discussion and proposals for improvement and streamlining are sent to the relevant parties for handling. The treatment results are brought to the attention of all meeting participants.

Despite the Covid-19 restrictions, also in 2021 the First International Bank's management continuously held meetings every quarter with employees from all areas of the Bank's business; in total, 24 round table meetings were held in the past year.

In addition, Bank Massad's management held monthly meetings with the branch managers; the meetings were held digitally due to the Covid-19 period restrictions that did not allow in-person meetings.

### Internal Surveys:

Also this year, an internal survey was conducted to raise awareness of management to the employees' needs and wishes, in order to identify strengths and weaknesses in respect of the different interfaces in the Bank, while the main purpose is striving for constant

improvement and aspiring to internal service excellence. In the survey, which was answered by 35% of employees, employees rated 90 internal organizational interfaces that significantly affect their success. The survey figures were analyzed on the section, department, and division levels and on the organizational level, and provided the Group with insights on the organizational and personal level. Due to the survey findings, a comprehensive work plan was built to strengthen the internal interfaces.

### Performance Reviews and Feedback - Direct Dialogue:

The Group's performance review process for its regular employees takes place once a year. The evaluation process for employees who have not yet received permanent employee status takes place more frequently, in order to allow the employee an ongoing dialogue with his or her managers, and to provide the employee with ongoing guidance and full coordination of expectations. In addition to this process, the Group's employees are also evaluated by external review institutes at key junctures, such as hiring for the Bank, receiving permanent employee status and promotions.

The employee assessment process is an opportunity for open dialogue with the direct manager, empowering the employee, and obtaining an overview of the functioning of the unit and the organization. The process also allows a tool for fostering employees and setting standards and a uniform language for managing performance. The review process is also an opportunity to guide the employee, to focus, to improve performance and to conduct a comprehensive dialogue that is not possible during the busy daily routine.

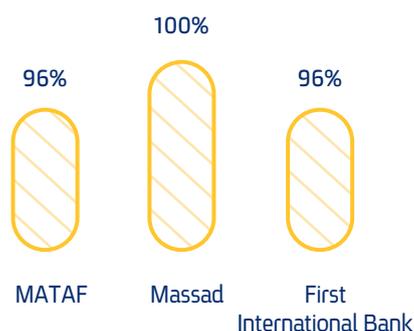
## Employee Performance Reviews at MATAF:

The employee review process at MATAF is a material infrastructure in creating an organizational culture that strives to excellence. In 2020, the process was refreshed in order to produce coordination of expectations and a proactive and constructive dialogue between the employee and the manager. The process included preparation of a revised employee assessment process and an interface assessment process as part of a corporate vision of partnership. The corporate themes in the light of which the evaluation form was designed emphasize the pursuit of excellence, and support in a culture of performance, as well as the need for listening and dialogue with employees, development, support, and realization of the personal potential of each and every employee. Prior to initiating the process, all managers at the different levels were trained in dedicated workshops, and new tools were provided for conducting an effective feedback meeting.

## Feedback in the FIBI Group

At the First International Bank, the annual employee appraisal process begins at the end of the year and culminates towards the end of the first quarter of the following year. In 2021, 96% of the Group's employees received in-person feedback.

Percentage of employees who received face-to-face evaluation



## Recognizing Outstanding Employees:

The FIBI Group believe that recognizing outstanding employees contributes both to the employees, personally, and to the organizational climate in general. Therefore, the Group recognizes outstanding employees and nurtures the value of excellence as part of an organizational culture that strives to excellence. The Group encourages the value of excellence among its employees and set a goal of striving toward constant improvement by setting development goals, setting objectives, professionalism and deepening the sense of commitment. In 2021, the title of outstanding employee was awarded to 35 employees in a ceremony presided over by the Group's CEO and management members. At Bank Massad, the title of outstanding employee was awarded to 16 employees in a ceremony presided over by the Bank's CEO and management members.

## Dialogue and relationships with the workers unions <sup>28</sup>

FIBI Group has 5 workers' committees - 3 at First International Bank (the committee of managers and authorized signatories, the workers' committee of the Bank's employees, and the workers' committee of the Otsar HaHayal collective agreement), 1 at Bank

28. 102-41



Massad and 1 at MATAF. The workers' unions are responsible for the rights and duties of all the employees represented by them, their welfare and entertainment, and assist employees where necessary. In 2021, 96% of the FIBI Group's employees were employed under collective agreements, while 4% were employed under personal agreements.

FIBI Group management conducts ongoing and open dialogue with the workers' committees and a working relationship based on mutual respect and attention. The Bank has collective agreements with its employees that require linkage of certain aspects of terms and conditions of the clerks, managers and authorized signatories to the agreements signed between the management of Bank Leumi le-Israel (hereinafter - "Bank Leumi") and Bank Leumi's workers' union. In addition, the employees of the Otsar HaHayal collective agreement continue to be represented by the Otsar HaHayal committee until a new collective agreement is signed that regulates their integration into the Bank's employment agreements. In December 2019, the bank signed a special collective agreement for the years 2022-2019 with the National Committee and the Managers and Authorized Signatories Committee, based on the agreement signed at Bank Leumi in July 2019. This is a forward-looking agreement that allows the Bank to prepare for the challenges of the future in the world of work in general and in the banking industry in particular.

The employees' organization at Bank Massad unites all the bank's employees. Bank Massad's management maintains an ongoing and open dialogue with the worker's committee. In 2012, the Bank's management and the union signed a salary and employment terms and conditions agreement, which was extended and valid through 2018. A new agreement was signed in 2020, and it applies retroactively from 2018. The collective agreement at Bank Massad stipulates a certain linkage of the employees' terms to the agreement between the management of Bank Hapoalim and the organization of Bank Hapoalim employees.

The MATAF workers' organization was established in 2017. In February 2019, a collective agreement was signed for the first time between the representatives of the Workers' Union and the Histadrut and the management of MATAF. In December 2020, a new collective agreement was signed with the committee. From the date of signing the agreement and on an ongoing basis, MATAF's management has maintained a supportive working routine with representatives of the workers' union in order to create an effective work environment.

## Work environment

The FIBI Group sees value in maintaining a pleasant, fair, and rewarding work environment, as part of our efforts to be A Good Place to Work At. Accordingly, we strive to create a professional, warm, and inclusive work environment, providing employees with support and extending concern for their well-being. All Group employees, permanent and temporary alike, are eligible for the social conditions set in law and various benefits offered by the banks. The FIBI Group also attaches great importance to employees' health and recreational development, to their maintaining a work-life balance, and to offering them a variety of benefits as well as enrichment and leisure activity.

First International Bank, the largest employer in the FIBI Group, is regularly ranked among the 100 Best Companies to Work For list published by BDICoface and The Marker magazine. The rankings are based on an annual survey conducted among thousands of employees at hundreds of companies, and among the Bank's employees (a representative sample). In the past few years, the Bank has been among the top 50 companies in the rankings. In 2021, First International Bank was ranked 45. Such lead in ranking is directly due to FIBI Group's perception of its employees as significant partners in leading to its success, achieving its business goals and increasing the scope of its activities. The Bank promotes a culture of partnership, transparency and striving to strengthen the sense of commitment and involvement of its employees.

**First International Bank, the largest employer in the FIBI Group, is regularly ranked among the 100 Best Companies to Work For list published by BDICoface and The Marker magazine. In 2021, First International Bank was ranked 45th.**

## Welfare, Health, and Recreation Development:

The Group attaches great importance to the welfare of its employees and development of the recreational culture. For that matter, the banks' human resources departments are responsible for handling employee welfare and their recreational development. These departments accompany the employees throughout their working life: At the work place, celebrations, leisure time, times of distress and on retirement. As part of this approach, the various banks and MATAF offer cultural activity year-round, including special recreational days for the entire family at various sites, trips, workshops, and representative teams in various sports, welfare programs during work hours - such as proper nutrition programs).

The Group offers employees the following benefits (not all benefits exist in all Group employment agreements): benefits in running bank accounts, employee loans, health insurance, sports activities, workshops and classes, periodic medical check-ups, holiday gifts, team-building events, and participation in funding family expenses - such as through summer camps and kindergarten - and tuition fees for workers' children.

The Group increases awareness to the importance of keeping healthy by encouraging its employees to participate in physical activities, sports through sports groups in various fields, teams, Pilates workshops, group training, etc. In 2021, there was a pilot for the promotion of 15 minutes of physical activity during the working day, which was widely adopted by the Bank's employees.

FIBI Group encourages its employees to lead a healthy lifestyle. In this context, the Group provides medical services to the employee, including periodic medical examinations. The Group provides employees with access to influenza vaccinations and enables them to be vaccinated at the workplace every year. The Group supports employees also from the psychological aspect, provides a solution in dealing with emotional situations and enables them to receive psychological services.





### Safe Work Environment:

The FIBI Group makes every effort to maintain comfortable physical work conditions and preserve all of its employees' health and safety. Whenever necessary, the Group performs radiation and air testing in the Group's various headquarter units and branches. The Group meets all fire safety standards. In addition, the Group ensures that its systems are planned in accordance with air quality standards and does its best to place electrical panels as far as possible from the employees' work stations in order to prevent radiation. If necessary, protective systems against radiation are installed. There is also a supply of fresh air in the various offices, as part of the air conditioning systems.

With the outbreak of the Covid-19 in Israel, FIBI Group prepared quickly and made orderly and structured adjustments in full synchronization between the divisions and units to provide a solution to the employees' personal needs, and to provide them with a safe work environment in dealing with the virus.

### Supporting reservists:

FIBI Group encourages its employees to participate in the military reserve system and assist in the national effort, so they are entitled to paid reserve duty from the Bank, including all wage benefits that are usually provided only for actual work. In addition, to express support and recognition for the reservists' contribution to the nation, the Group grants each employee who serves at least 14 days per year a luxurious recreational gift for two. The Group also implements the law dictating a shorter workday for spouses of employees on military reserve duty.

### Work-life balance:

The FIBI Group recognizes the great importance of a home-life balance and enables its employees to combine personal and professional development with family life, thanks to favorable work agreements. In this context, for example, the First International Bank has a shorter working week than is customary in the economy (average of 39 weekly hours), a higher annual leave and sick leave quota than set by law, optimal conditions for accumulating and using sick leave, etc. In addition, the Group makes efforts to manage the work so that it is unnecessary to engage employees overtime.

### Employee Transfers and Organizational Changes:

As part of the personal and professional development of the Group's human capital, it allows and encourages employee mobility and transfer between the various different units. Organizational changes enable employees to gain experience in a variety of fields of business and positions; and to continue to develop, enrich the professional knowledge and realize the potential of each employee, while maintaining dynamism and high motivation throughout their career at the bank. In the Group's business environment requires that, or it sees fit to, make structural changes and business adaptations from time to time, which also involve the transfer of employees and are carried out pursuant to the law and agreements at the FIBI Group. The Group is aware of the impact of organizational changes on employees' working conditions and welfare and takes into account reasonable geographical limitations and provide at least two weeks' advance notice.

## Retirement:

The FIBI Group supports employees into retirement, offering comprehensive preparation and accompaniment programs on a variety of topics for employees approaching retirement. In addition, the FIBI Group attaches great importance on keeping contact with retirees on an ongoing basis. In this context, the Group's banks meet all their pension and retirement commitments to employees in respect of pension or provident fund contributions.

The FIBI Group offers retiring employees a variety of benefits and activities:

- Participation in a preparatory retirement course to acquire basic tools for exhausting the various possibilities. The program has 5 frontal and digital courses covering the following subjects:
  - Retirement as a process of profound change - preparation
  - Formulating the new life - developing a second wind
  - Family and relationships in retirement
  - Balanced and prudent financial management in retirement

In addition, each of the participants was sent an online workshop, which was open for viewing for three months, with lectures on topics related to retirement.

In view of the importance of the topic, the Group also offers employees' spouses the opportunity to participate in the workshops, free of charge. During the year, five retirement preparation courses were held, in which 262 employees and their spouses participated.

- The Group's retirees' club: The Group continues to support and maintain contact with its retirees through the Retirees' Club, which is supported by the Group and is active on an ongoing basis. Activities offered at the club include social activities, lectures, parties, gatherings to raise a toast before holidays, as well as trips and vacations.

In addition, the Bank's retirees are entitled to a range of benefits in the account and at the branch in which their account is managed, such as exemptions from a variety of fees, preferential terms for a credit facility, and Bank employee terms for deposits, interest, and other services such as renting a safety deposit box and ordering checkbooks.

## The FIBI Group - A Good Place to Work At, in Covid-19 times as well:

As part of the global response to Covid-19, FIBI Group made preparations and adjustments in full synchronization between the divisions and units to address the personal needs of employees, to the extent possible.

The Human Resources Department invested many resources in increasing the sense of resilience and connection of the employees in order to make it easier for them to deal with the challenges of the period. In this context, many welfare events were adjusted at the banks and MATAF to the social distancing restrictions in order to continue to hold the planned activities. Thus, numerous events were held such as various live events for employees and their families (like activity on a healthy lifestyle, concerts, team building meetings and enrichment lectures) that maintained the partnership and sense of belonging of the employees.

The Group provided its employees with support and consulting services through external psychologists. The service included social, individual, couple and family therapy, assistance in exercising rights and guidance, coordination and connecting the employee to government ministries, local authorities, the National Insurance Institute of Israel, HMOs, insurance companies, etc., as necessary.

The Group personally guided employees in isolation and those with Covid-19 by ongoing telephone contact and sending a sweet gift to sick employees and their families. When necessary, personal and professional assistance was provided to isolated and sick employees and their families.





## Employee training and development

In the competitive environment in which it operates, the strength of the FIBI Group is reflected in its human capital, which is the its face, both vis-à-vis its customers and internally. As a high-level financial service provider, the Group regards itself as committed to giving its customers and other stakeholders the most professional service possible. To this end, the Group continuously strives to empower and nurture its employees through training, personal development and encouragement to excellence. The Group fosters a culture of learning and development of professional tools for empowering its employees and improving their capabilities. These training programs encourage personal development, organizational growth, and maintaining of professional excellence.

The FIBI Group's training programs nurture and develop individual and organizational capabilities, provide tools and skills to managers of all levels, and maintain ongoing processes for imparting knowledge and skills aimed at improving the enterprise's overall performance. To maximize our professionalism while encouraging ongoing excellence among managers and employees of the Group, the Group uses structured and gradual processes to help them acquire the level of professional know how and the additional skills they require.

The Group has two training units:

1. A group-wide training department, run from the FIBI Group headquarters, which serves all the banks.
2. At MATAF, in the training area, the Human Resources Department is responsible for building an annual training program. The program is built as a derivative of strategic focuses, departmental goals and a process of identifying needs with the managers.

**In 2021, all Group employees participated in 12,376 training days, representing an annual average of 3.3 training days per employee. In addition, Group employees participated in 5,905 study days through online courses, representing an average of 1.6 study days of online courses per employee.**

The training departments provide solutions to the banks' needs and objectives, while advancing and developing the professional and personal skills of the managers and employees and building long-term promotion horizons. The training activity promotes the knowledge of the group employees in the following content worlds:

- Basic banking skills
- Expert training in credit, the capital market, mortgages, foreign currency, and foreign trade.
- Customer service and sales training
- Acquiring soft skills (personal, social, and communication skills that help job performance).
- Training in the areas of professional and personal ethics and anti-corruption.
- Executive training
- Professional assistance for implementing operational systems
- Advancing specialized professional skills
- Tech training
- Training according to regulatory requirements

In addition, all the departments routinely assess training needs by examining objective and subjective knowledge gaps and using various mapping processes. The departments continuously review their professionalism through feedback from participants in the various courses and other tests which reflect the quality of the training. The FIBI Group also adapts the annual training program to market developments and regulatory requirements.

In 2021, all Group employees participated in 12,376 training days, representing an annual average of 3.3 training days per employee. In addition, Group employees participated in 5,905 study days through online courses, representing an average of 1.6 study days of online courses per employee.

## Professional training and development of soft skills

The Group's employees' professional training includes basic 101 courses in various fields of knowledge, which serve as the basis for more specialized training.

To qualify as banker, each newly hired employee in any position is undergoes several basic courses. In recent years, the departments have worked to reduce knowledge gaps among veteran employees as well, through extensive knowledge mapping processes and building special courses for veteran employees. Employees subsequently receive in-depth training on professional topics according to their field of work.

In addition to professional knowledge, workshops are held on soft skills (called "power skills" at the Bank), as well as enrichment and personal and managerial development as a platform for implementing professional knowledge and maximizing professionalism and excellence. The Bank attributes great importance to soft skills development among its employees, understanding their importance to the success on all levels at the Bank and the personal empowerment of the employees. The Bank regularly assesses additional ways to integrate soft skills training in the various training systems.

In 2021, we focused on developing and reinforcing the set of required skills and the future skills of the Group's employees and managers through a range of new courses on required soft skills such as resilience, agility, innovation and analytical thinking, digital

Topic	Number of types of courses	Total number of classes
Tools for conveying messages	3	5
360 degree customer view	8	42
Understanding the characteristics of the business environment	5	22
Business leadership	1	1
Personal leadership and social skills	10	22

literacy, and emotional intelligence. Employees participated in the following courses:

In total, 1,304 employees and managers in the FIBI Group participated in soft skills training.

2021, which was characterized by a return to living with Covid-19, required the training system to adapt to the challenges of the period and hold frontal courses alongside digital courses. Over the year, the FIBI Group continued the professionalization and conversion of instructional content to digital format. Together with the use of diverse instructional tools such as synchronous lessons, non-synchronous lessons, simulators, online courses, and interactive information pages, the Bank's digital learning capabilities were expanded, the content worlds were expanded and populations that will consume digital learning were defined, and collaborations with technological projects were forged.

## Training in 2021:

- In 2021, there were 30 different types of professional workshops and courses of more than one training day, in which 1,362<sup>29</sup> participants attended 164 training days in 102 cycles.
- In 2021, there were 51 different types of professional workshops and courses of one training day, in which 7,464<sup>30</sup> participants attended 46.4 training days in 261 cycles.
- A total of 2,771 employees participated in courses.
- To help employees and managers succeed in their position alongside Covid-19, we continued to provide dedicated training for this period such as effective remote communication management, remote service and sales, personal resilience, agile management in a disrupted world, and motivating employees in a changing environment.
- Measurement of training effectiveness was expanded by mapping data-based needs, training programs were adapted to units and individuals, and tests were expanded over time.
- Courses on comprehensive service for the Bank's customers were expanded, and courses were held on accessibility, online courses on banking services for senior citizens, and online courses on equal rights for people with disabilities.
- Over the year, 19 new workshops and seven new online courses were added. The new workshops include: DATA WIZ - a workshop for analysts, a seminar for the digital officers, management of communication with my partners, effective distance communication, a training conference for internal lecturers - effective digital learning, and a workshop on how to address verbal abuse.

29. To clarify, this number includes employees who attended a number of courses, and not 1,362 different employees.

30. To clarify, this number includes employees who attended a number of courses, and not 7,464 different employees.

## Regulatory Training:

To complete the all-around training, emphasis is placed on regulation as an additional pillar of professionalism and excellence, in addition to the ongoing integration of regulatory content in training courses and activities. In 2021, the training department held courses on a range of regulatory topics, such as prohibition on money laundering, the Fair Credit Law and the Reduction of Cash Law, opening an account for a minor and a recognized entity, credit for a private customer and creditworthiness, and accounts at cross-border risk. In these training courses, 399 employees underwent training in matters of regulation and integrity.

## Special content to advance employees to the future world of work:

The First International Bank makes efforts to develop its human capital according to the future working world together with creating an employee experience that includes a sense of pride and meaning. The Bank promotes a culture of professional development, excellence and current professional competence vis-a-vis tomorrow's challenges. In this context, the Bank develops and implements various special contents to develop and nurture its human capital.

The Bank has three types of employee promotion tracks:

# Re-skilling

Strategic planning of the future workforce and adjusting it to the changing competitive environment. The Bank makes adjustments by mapping skills focused on success in the future banking world according to expected developments in technology and innovation.

Implementation of a middle management training and development program in cooperation with top notch lecturers.

# Up-skilling

# Re-careering

Building individual career tracks for employees with the aim of preserving and developing their capabilities, and benefiting from the diverse skills of the employees in the different units of the Group.

## Executive training:

The FIBI Group holds structured managerial training for all levels of management that deal with the provision of managerial and leadership tools, maximizing the managers' skills in their respective positions and towards their next ones, along with a regular leadership succession training program and imparting knowledge, tools, and skills in professional areas and supporting current managers. The training for managers is delivered in conjunction with the Human Resources Department. The training includes long-term courses, dozens of management enrichment courses and workshops adapted to the various management levels.

In 2021, 808 managers underwent training in various disciplines, including an advanced management course, Influencers Program - Development of Middle-Level Managers, Talk like TED, course on agile leadership in a disrupted world, management in the age of interruption, etc.

The Influencers Program, the flagship middle-level manager development program, is a platform for the development and empowerment of middle-level managers as leaders of proactive, influential and relevant banking. The purpose of the program is to formulate the concept and strengthen the skills of the new leadership, in light of the Bank's challenges. To examine how each manager can increase their sphere of influence, relevance and managerial value to form a sustainable competitive advantage. This 7-session

program was built in cooperation with the Executive Education Center at Reichman University, including lectures, workshops and a hackathon, and deals with various fields relevant to the challenges of the manager in the 21st century, such as change and managerial courage, management through strengths, customer experience, data and intraorganizational initiatives.

## Evaluation of Satisfaction with the Training:

The Training Department evaluates the effectiveness of training and the level of employees' satisfaction with it in the following ways:

- Examining the effectiveness of the training through an assessment test and a final exam. The extent of knowledge acquired during the training is evaluated through tests taken before and after the training.
- Feedback - At the end of every course, all students fill out an anonymous automated feedback questionnaire that measures their satisfaction with the classes and level of training. In addition, a wrap-up talk is held at the end of every course, attended by the Training Department Manager or his deputy. Every student is given the opportunity to express his/her opinion.



The FIBI Group, as a bank operating with diverse populations in Israeli society, recognizes the importance of diverse employment. Apart from the immense social value in providing employment opportunities to talented employees from all parts of Israeli society, the Bank also regards this as having business importance, recognizing the value of a deep and personal knowledge of the diverse needs of their customers from all sectors by the Bank's employees.



## Equal Opportunity, Diversity and Inclusion

FIBI Group scrupulously maintains equal opportunities and objects to discrimination of any kind in all of its organizational processes, including hiring and onboarding, salary and employment terms, promotion, and professional training, as well as in any other organizational process. The Group considers full representation of the population of utmost importance, as well as creation of a diverse work environment that provides equal opportunity and a just culture to all employees, regardless of gender, religion, race, origin, nationality, disability, age, and sexual orientation.

As part of its hiring policy, the Group supports diversity at work by hiring employees from sectors constituting minorities in Israeli the population. Empowerment of these groups has added value for all those involved - on the one hand, it provides employment opportunities for members of these minorities and on the other - allows the Group to offer specialized service to customers from these groups. The Group's Human Resources Department cooperates with placement agencies specializing in specific sectors to make the necessary adjustments in the hiring and onboarding processes. It also devotes resources to creating a work environment suitable to all employees. Furthermore, the Group cooperates with NGOs specializing in empowering and integrating diverse population groups in the labor market.

### Employment diversity in the FIBI Group

The FIBI Group, as a bank operating with diverse populations in

Israeli society, recognizes the importance of diverse employment. Apart from the immense social value in providing employment opportunities to talented employees from all parts of Israeli society, the Bank also regards this as having business importance, recognizing the value of a deep and personal knowledge of the diverse needs of their customers from all sectors by the Bank's employees. The diversity in the Bank is reflected in the fair and equal employment of employees from all aspects of Israeli society, regardless of religion, race, gender, geographical location, or any other aspect. No complaints regarding discrimination were filed in the FIBI Group in 2021. 12.6% of the employees hired by FIBI this year are from populations that are under-represented in the labor market.

### Promoting Employment in the Ultra-Orthodox Sector:

PAGI specializes in serving the ultra-Orthodox and religious communities. As part of seeking to hire ultra-Orthodox employees, the Bank adjusts the educational requirements in the hiring process, while maintaining the high level of the hired employees. The bank uses media targeting this population segment to place job ads in ultra-Orthodox newspapers and make proactive efforts to hire suitable employees in cooperation with ultra-Orthodox education institutions and job placement companies - such as Maftach or "Jobs and Bread" - specializing in this segment. Even after hiring ultra-Orthodox employees, the FIBI Group continuously works to adapt the work environment to the employees' needs, both professionally and through various welfare activities, as well as intra-organizational communication.

As at the end of 2021, the Bank estimates that 200 employees from the ultra-Orthodox sector are employed in its services, of which 57 are in management positions. The Bank makes adjustments to accommodate the needs of the ultra-Orthodox sector by providing food with strict kosher certification, customized vacations, special adjustments of its dialogue with ultra-Orthodox employees, and adjustments to the communication platforms between the Bank and the employees. To ensure an appropriate work environment for ultra-Orthodox employees, there is a dedicated officer at the Group's headquarters who coordinates the human resources aspects of PAGI employees, while providing a targeted response to the sensitivities and unique requirements of ultra-Orthodox employees.

## Promoting Employment in the Arab Sector:

About one third of the Bank Massad's branches and agencies operate in geographic areas where the majority of the population are from the Arab sector. Accordingly, the Bank hires many employees from the Arab sector. Hiring is made through ads in media outlets which cater to this sector (newspapers and the internet), through partnerships with various parties in the education system and Israel Teachers' Union, and through cooperation with job placement companies specializing in this sector. As at the end of 2021, 18% of Bank Massad employees are from the Arab sector, of which 17% are executives, representing 8% of all executives at the Bank.

## Hiring People with Disabilities:

The Group attributes paramount importance to integrating people with disabilities, providing them with equal opportunities, and hiring them with an equal, respectful, and non-discriminatory outlook, while providing them with a work environment adapted

to their needs. The FIBI Group invests heavily in making the work environment accessible to diverse populations, adapting it to employees with disabilities and allowing the absorption of new employees with disabilities at the Bank. The Group regularly complies with the Expansion Order for the Encouragement and Increased Employment of People with Disabilities, adapting the work environment for their needs in the following ways:

- The Group keeps contact with entities specializing in hiring employees with disabilities in order to fill vacant positions, with priority given to this population.
- The First International Bank has appointed officers responsible for hiring persons with disabilities. These officers were trained and took part in events and activities related to the employment of people with disabilities, in cooperation with organizations specializing in this field, such as Access Israel, Esek Shave, the JDC, and the Ministry of Economy and Industry.
- The Bank is careful to provide a suitable work environment for employees with physical disabilities or employees who undergo a change in their medical condition.
- If needed, the Group strives to identify a role suited to employees with disabilities, in terms of distance from their place of residence, work hours and type of position.
- If necessary, screening processes are adapted to the needs of job candidates or the Group's employees in managerial or professional career tracks. The Group's human resource departments cooperate with placement and screening companies to provide maximum adaptations in screening and placement tests.
- Once a year, the Bank holds a survey to raise awareness of the rights of employees with disabilities, including the report of an employee of being a person with a disability.

Furthermore, the Human Resources Department performs processes to increase awareness among its employees through appropriate training and lectures, with the aim of maintaining an accepting work environment for employees with disabilities. Furthermore, the Group cooperates with NGOs specializing in empowering and integrating diverse population groups in the labor market. The Group estimates that 3.7% of its employees have disabilities.



### Equal Rights:

All employees in the FIBI Group, irrespective of gender, are eligible for maternal or paternal leave by law. Parents returning to work enjoy a considerate attitude in the period following their return to work and understanding of their need to balance their personal and professional lives. The Group takes into consideration the needs of employees with newborn babies by allowing them to work flexible hours and giving them more sick leave and vacation days as well as higher convalescence pay than in the market. In addition, the banks in the Group provide new parents with work conditions that exceed those prescribed by law, such as eligibility for "parenting time" for up to one year from the date of birth, compared with the four months prescribed by law. In 2021, 133 female and male employees went on parental leave, and 129 employees returned to work from parental leave.

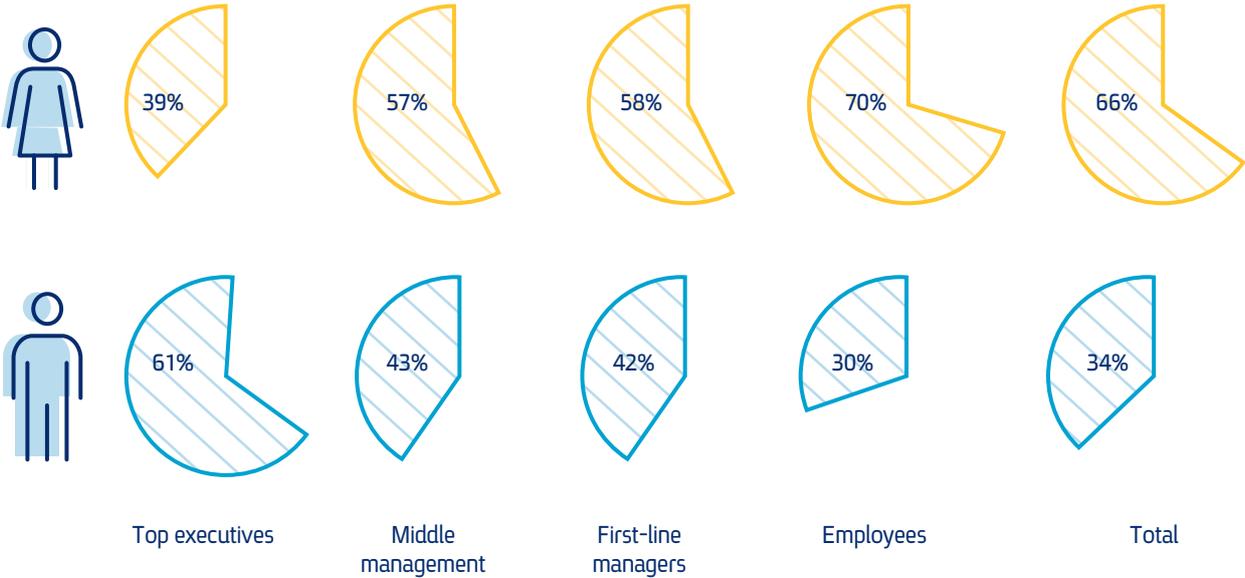
### Gender Equal Opportunity:

The FIBI Group makes an effort to realize women's potential in the workplace. The Group maintained a high proportion of women at every level, appointing them to key positions. Women constitute 65% of all employees in the Group - 57% of first line managers, 57% of mid-managers, and 39% of senior managers. In total, women represent 55% of employees on the highest salary level in the Group.

Parental leave in 2021

	Men	Women	Total
Went on parental leave	5	128	133
Returned from parental leave	5	124	129
Returned from parental leave and remained in the workplace for another 12 months <sup>1</sup>	2	120	122

Breakdown of management levels by gender in 2021



31.This figure does not include MATAF employees.



## Prevention of Sexual Harassment:

The FIBI Group takes cases of harassment seriously and each of the Group's banks and MATAF have appointed a sexual harassment prevention officer; each Group unit has detailed rules and regulations outlining how to file a complaint with the officer. Group employees receive relevant information with the aim of avoiding sexual harassment incidents. In this context, every three years employees are required to refresh their familiarity with the regulations and the desired workplace culture, and are required to undergo training in the subject through a mandatory tutorial. In 2021, to increase the effectiveness of learning on the subject, a seminar was held for the Bank's employees and managers. 3,675 FIBI Group employees and managers completed the seminar.

In 2021, a few complaints of sexual harassment were filed in the Group; these were investigated in accordance with the law. In accordance with the results of the investigations, appropriate actions were taken to prevent recurrence of the incidents in question.

## Fair wages

The base salary of each manager and employee at the Bank is according to his/her role and rank, regardless of the employee's gender. There are differences in wages paid to different employees, in line with the employees' personal characteristics, such as seniority, education, and professional experience, etc.

In 2021, the highest salary paid to a First International Bank employee was 13.25 times the median salary at the Bank (excluding the highest salary, in order to calculate the median salary). In 2020, this ratio stood at 14.53. As at 2021, the minimum wage paid to a FIBI Group employee was 38% higher than the minimum wage in Israel; in 2020, this ratio was 17.7%.

The chart below shows the ratio between women's and men's wages by rank (men's wages divided by women's wages minus 1). It should be noted that the ratio was calculated according to the gross monthly wages for each rank.

Ratio of men's and women's average wages per rank

Rank	2021	2020
Top management	-4.26%	19.35% -
Middle management	12.89%	7.8%
First line management	5.63%	10%
Tellers	8.95%	10.71%

**In other words, the average wage of women is 4.26% higher than men in the Group's senior management**

At first-line management levels, men's salaries are 5.63% higher than that of women, in middle management, men's salaries are 12.89% higher than that of women, and male tellers' salaries are 8.95% higher than that of female tellers, due to the different characteristics of each employee.

# Investing in the Community

The FIBI Group sees itself as under an obligation to be actively involved in society and the community, with an emphasis on the participation and involvement of the group's employees. In line with the vision, strategy, and values of the FIBI Group and its substantial role and leadership in the Israeli economy.

The Group has diverse and extensive economic activity, including regular strategic cooperation with social organizations. The activity is led by a steering committee dedicated to community investment, headed by the Chairman of the Bank's Board of Directors. The committee's members other directors, and those with roles in contribution to the community at the Bank. The steering committee outlines policy on investment in the community, guides and directs the Group's fields of activity in this area, and monitors its performance. The existing policy guidelines focus the Group's efforts on three main social areas - support for the IDF and security forces, at-risk youth, and female business entrepreneurship. The activity is managed day to day by the Investing in the Community unit in the Bank's Resources Division, and with the support of the "Matan - Investing in the Community" organization. Once a year, a discussion of community outreach activity is held by Board of Directors Technology, Innovation and Administration Committee. A discussion is also held by the Group's management to approve the budget and work plan.

Each community program is drawn up after the NGO's needs are clarified. The character and method of the investment and its goals are developed in cooperation with the organization, and the effectiveness of the activity is examined, with the aim of maximizing the positive impact of the resources invested. Besides the Bank's traditional activities, further needs and opportunities for additional collaborations are constantly being examined. The new social outreach initiatives come to the Bank from both employees and civil society, and are reviewed from time to time by the professionals at the Bank and the Steering Committee.

The Group's community investment is conducted on two levels: social involvement of employees, and donations to social organizations. The FIBI Group does not donate money or cash equivalents to political parties, politicians, or political institutions. The Group's collaborations with social organizations are subject to certification of each organization as properly administered, as well as to an examination of the quality of its activity, with the clear objective that the activity will have a significant impact on Israeli society in general and on the beneficiaries of the activity in particular.

As part of its social activities, the Bank works to make available the unique professional knowledge of its employees to the beneficiaries of the activities and the organizations with which the Bank cooperates. Thus, volunteers from First International Bank provide financial education in the framework of some of the volunteer programs.

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## Community outreach

The Group banks' donations policies (the main focal points of which are outlined above) are approved annually by the Bank's board of directors. The First International Bank's management, through the bank's Resource Division, is responsible for managing the donations budget.

Applications for general donations are referred to the donations committee, along with a reasoned recommendation. The committee is responsible for collecting all the requests and issuing recommendations. Donations are approved only to lawfully managed NGOs (with all required certificates, approvals, exemption clauses, and with no political affiliations). Each donation that meets the above criteria is evaluated and considered by the Donations Committee. Support is provided to the many entities supported by the Group in accordance with a clear policy that reflects its vision. The donation process is structured and regulated, with an assessment of the need and the necessary approvals. The donations committee considers, inter alia, the following: donations to the needy (children and youth at risk, children and youths with special needs or illnesses, etc.), how effective the donation will be, and gives priority to employees' requests in order to encourage their involvement in the community outreach efforts.

In 2021, FIBI Group donated NIS 3 million to various social causes, in accordance with the Group's policy. 15% of the donations went to charities and activities that support children and youth at risk, 25% of the donations went to support students through Open University scholarships, and 10% of the donations went to charities that promote entrepreneurship of women. The remaining 50% of the donations budget was used in projects and collaborations that support the security forces, such as the Adopt a Soldier project and HaBayit shel Benji, which provides a home for lone soldiers.

## Our key partnerships in promoting children and youth at risk:

In 2021, the Bank continued to support for at-risk youth was expanded through the development and implementation of programs and frameworks for dropout prevention and vocational training, with an emphasis on technology, including professional training for at-risk youth in the geographical and social periphery of the State of Israel. The programs offer a solution for young people who have dropped out of formal education, and who are also in difficult financial situations and are looking for ways of obtaining professional training and a livelihood. The programs equip these young people with skills and prepare them for the transition to the world of work, with the aim of raising their chances of integration into the labor market. Donations to the programs amounted to NIS 450,000.

## Unistream

Unistream is an association that provides training to youth and young people aged 14-18 from underprivileged and populations from the geographic periphery and exposes them to the world of business and entrepreneurship, and to concepts of leadership and excellence, enabling them to break through and recalibrate their life path towards mainstream society as contributing citizens and to become social and economic leaders.. The Bank supports six Unistream centers around the country, which it advises on the development of the business venture over the course of the year. The Bank's support comprises volunteering by employees, together with involvement by senior bank representatives as judges on committees, at rehearsals and at competitions. In addition, the support includes hosting the groups at the Bank, for sessions on subjects from the basics of business administration, the capital market, financial literacy, marketing and advertising, and writing a business plan, up to business tools and skills such as business presentation, negotiation, and business communication. In 2021, the scope of the Bank's contribution to the program was NIS 350,000.

## Shetlatem Nigunim

Shetlatem Nigunim is a social initiative focusing on educating young people, who are the growth engine for Israeli society. The Bank, in collaboration with the association, participates in a program for prudent economic management in which employees give lectures to at risk youth. The program aims to increase the financial awareness of young people and to provide practical banking tools to promote their independence and financial well-being, at the age when they are permitted to open a bank account for the first time.



## The Group's main partnerships in the promotion of women's entrepreneurship:

As part of the Bank's flagship project for business entrepreneurship for women, the Bank collaborates with 3 major associations in the field of women's business entrepreneurship:



### Vozmot Atid

A women's NGO from the Israel's economic, social and geographical margins participated, owners of start-up businesses or existing small businesses requiring development and upgrading. In 2021, a support system was established with online courses and training content targeted at the Covid-19 crisis, options for additional mentoring by leading business executives, a wide network of consultants and experts that provide telephone support, including proactive contact with our entrepreneurs to identify needs and maintain constant contact.

A total of 10 online courses were opened in 2021. At least 20 women attended each meeting [a total of more than 200 women over the year].

### Your Own Business

The NGO for Financial Empowerment of Women - An NGO offering a comprehensive and thorough program for women who want to start an independent business as a source of livelihood, or who own an independent business that is starting out. In 2021, FIBI's donation was used for 26 meetings of 15 women in the program, in addition to 10 training and enrichment meetings for 20 women business-owners from the Arab sector.



### Movilot

Occupational Leadership for ultra-Orthodox Women: an association that promotes diversity and inclusion processes for the optimal integration of ultra-Orthodox women in high-quality employment, and in particular in advanced positions. The program operates in ultra-Orthodox communities all over the country and supports the appropriate integration of ultra-Orthodox women who are interested in developing a meaningful career. Over the years, more than 240 ultra-Orthodox women of various ages and occupations have been trained in the program, in a variety of training tracks; their average salary has increased by 206% and 95% of them have been promoted.

The goal of the selected organizations is to reduce the social gaps in the State of Israel, by empowering women and providing tools that will help them establish, develop and promote small businesses. The organizations build the infrastructure and provide the tools and methods to facilitate the expansion of business entrepreneurship among women, in the geographical and social periphery of Israel. The annual activity includes broad support of the Bank for women's entrepreneurship programs and courses in the three NGOs, building a network for the Bank's volunteers to take part as lecturers, mentors and business analysts in the various programs, branding and to create broad public awareness of the activity through which the Bank leads and supports the empowerment of women and the development of small businesses, as a flag-bearer for the social cause of women's advancement in the business world. Since the start of the Covid-19 crisis, small businesses make up the highest risk group. The crisis hit these businesses hard and a large part of the entrepreneurs that are supported by the associations were in danger of closing their doors and getting back into financial difficulties, including their children and family members who are also at risk. The associations, with the support of the Bank, provided immediate help with the technology for remote working and learning, online guidance and training, and the entire system of courses, training, support and mentoring was redirected via Zoom enabling all the entrepreneurs to be reached and assisting them during this challenging time and preventing their businesses from collapse.

In 2021, the Bank donated an amount of NIS 300,000 to encourage business entrepreneurship.

## Additional community outreach programs:

### Adopt a Fighter

A project that aims to support the IDF's regular combat troops by connecting business entities with combat units. The adopted unit receives a "welfare basket" which is given directly to the battalion to finance welfare activities in accordance with the "Adopt a Fighter" directives. The Bank has adopted the 411th Battalion of the Artillery Corps and has supported it for several years at the various events held by the battalion, including for the recruitment of new soldiers, distribution of certificates of honor, distribution of trophies to outstanding soldiers, and participation in social events held by the battalion, etc.

### Bayit Cham

The Bank acts in favor of the security forces and places emphasis on meeting the needs of IDF combat soldiers with no family in Israel. In collaboration with the Together for the IDF Soldiers organization, the Bank provided 18 fully-equipped apartments for soldiers throughout the country, allowing them to maintain a comfortable daily routine with the sense of a warm home. Each home has an adoptive branch, with employees who accompany the soldiers living in the apartment and are in constant contact with them, providing support and a response to the soldiers' routine needs.

### Leading for Success

The Bank places emphasis on the reduction of gaps in the population and on providing an opportunity to integrate low-income soldiers and veterans into society. The Bank formulated a scholarship program to fund academic courses at the Open University for these students, to provide them with a key to financial independence, allow them to change the course of their life, increase their earning capacity, and lead them to optimal integration in society. The program will be implemented in 2022.



### Community Outreach by MATAF:

This is the sixth year of volunteering for MATAF employees at NAMAT Technological High School in Rishon LeZion. Boys and girls from difficult backgrounds who have dropped out of the various education frameworks study at this high school. The school aims to enable its students to realize their personal potential, and serves as a "last chance high school" for them. The school enables its graduates to continue studying after high school, for a practical engineering degree as part of the curriculum, later to be drafted into one of the IDF's computer units. The integration of young people in technological roles in the IDF has a great impact on their later lives, and enables them to acquire quality professional experience relevant to the labor market in a field for which there is high demand. MATAF employees mentor the school's students in various fields of study: English, mathematics and ICT. In addition, MATAF employees provide students with mentoring and technological instruction aimed at assisting them with projects, in delivering lectures, in operating in the advanced virtual environment, and more.

### Community outreach at Massad:

As part of Bank Massad's extensive social involvement, that focuses on assisting teachers, teaching students and in education in general, the Bank awarded scholarships to help pay tuition fees at several teaching colleges across the country. At the same time, the Bank continued to support and assist multiple non-profit organizations that dealt with providing solutions and tools that could help teaching staff with remote learning, placing emphasis on the special education population. Furthermore, the Bank supported lectures on this topic through Alumot Or and the Israeli Organization for ADHD.

Bank Massad is a strategic partner in the Laptop for Every Teacher program led by the Athena Foundation. The aim of the program is to empower teachers and advance their professional status, including in online lessons. As part of the program, about 3,000

laptops are provided to teachers across Israel every year, as well as a 120-hour training program to improve knowledge and add tools and skills for using the laptop for teaching purposes.

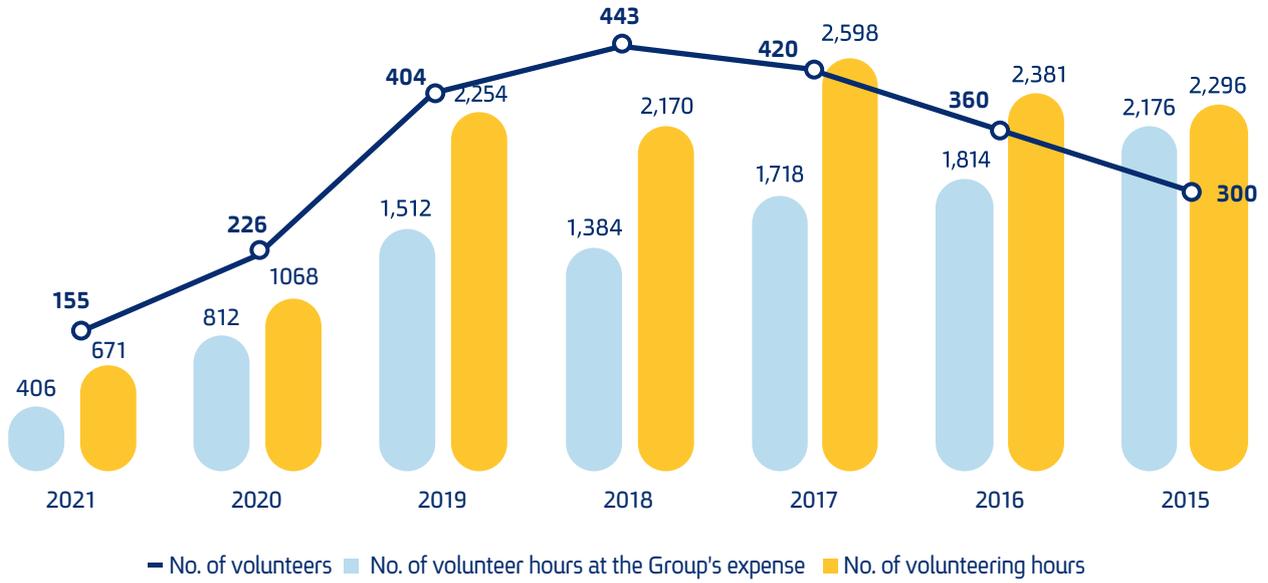
### Volunteering of employees in the community

In 2021, 155 employees volunteered, contributing 671 volunteer hours to the community, of which 406 hours (about 61%) were at the Group's expense. The relatively low number of volunteer hours and the number of volunteers this year was mainly due to the consequences of Covid-19 and social distancing requirements.

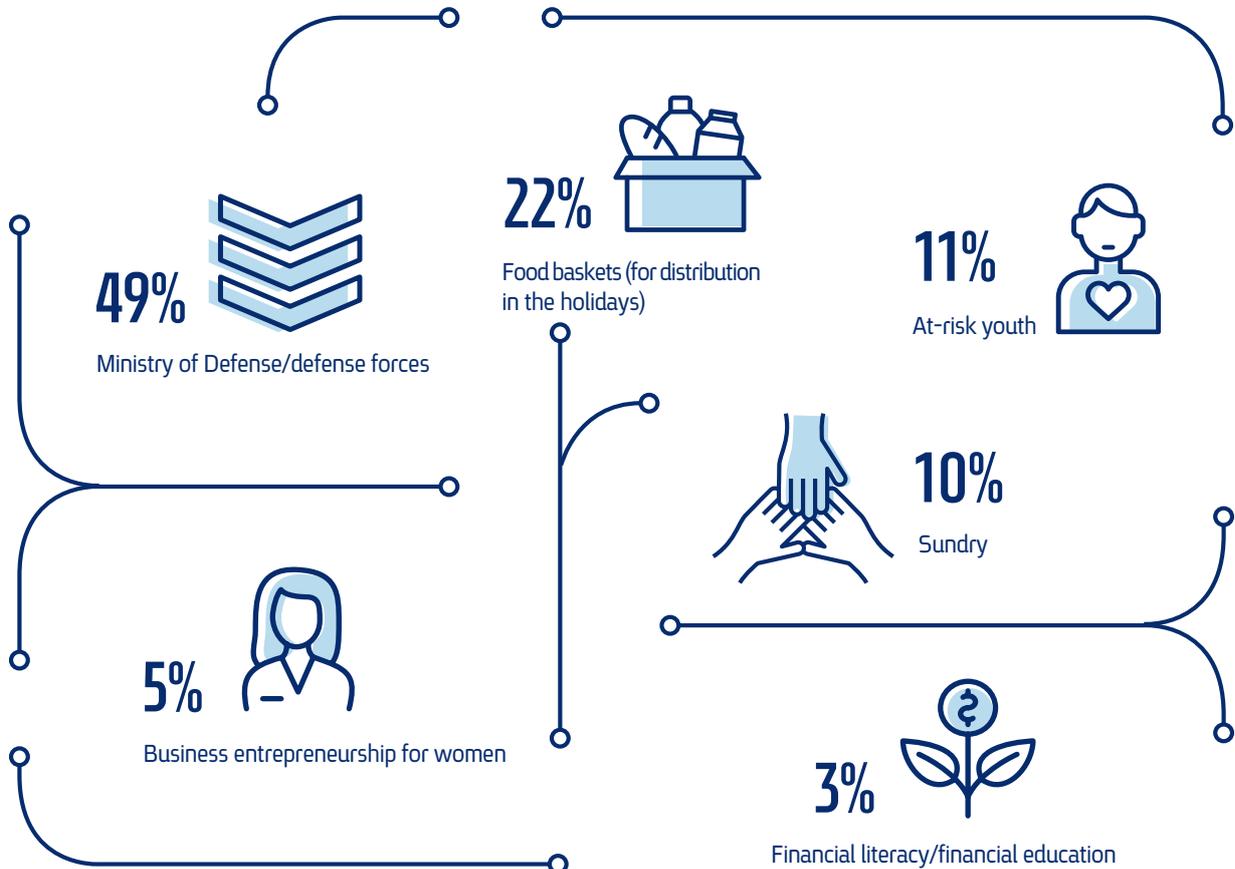
The employees' volunteering is takes place as part of the Group's flagship program for community outreach - "We Believe in You". The program works in collaboration with the "Matan - Investing in the Community" organization. The program focuses on teenagers from areas that are socially and geographically on the margins of society; the program's goal is to integrate them into society through educational and social programs, social and business entrepreneurship, financial literacy, technological training for integration into the labor market in an advanced technology environment, and business English; this is combined with the provision of tools to develop leadership skills, excellence, empowerment and the inculcation of values that reinforce the sense of capability, and of a positive self-image, while strengthening the inter-generational connection. The Group regards support for youth and children at risk as an extremely important tool for their growth, out of responsibility for improving their future, and for equal opportunity in Israeli society. Another flagship project in the FIBI Group's "We Believe in You" program supports the promotion and development of women's entrepreneurship in Israel's geographical and social periphery to promote women's economic independence and accompany women to success, raise and promote women's status in Israel, and produce strong female economic leadership from all sections of the population.

## Volunteering by employees 2015-2021

The decrease in the number of volunteer hours and the number of volunteers in 2020 and 2021 was mainly due to the consequences of the Covid-19 crisis and the social distancing requirements.



## Breakdown of the group's volunteering hours in 2021 by social cause







# Corporate Governance





As a leading Israeli financial group, the corporate governance practices of FIBI Group and its banks play an important role in the Group's ability to generate value for its customers, the Israeli economy, and the Group and the banks' interested parties. As a core activity of the Group, banking activity is greatly affected by the Group's ability to effectively apply its corporate governance practices, in accordance with the provisions of the law and based on appropriate professional ethics.

In order to ensure compliance with the provisions of the law, the appropriate professional ethics and the desirable threshold of effectiveness set by the corporate governance organs, we in the FIBI Group take a broad range of steps in order to enhance our corporate governance practices. Among other things, we take steps to ensure that our relationships with our customers and other stakeholders are based on principles of fairness and professional ethics. We use innovation and various technological measures to increase the efficiency of the Bank's activity, and improve the services it renders its customers. We make efforts to ensure that our customers' data is kept private and protected from any third parties. We do so with the aim of enhancing the Group banks' status as banks that operate in a fair, effective and ethical manner.

## Corporate governance structure

As part of managing the corporate governance function of the FIBI Group, each of the Group banks' corporate governance functions is headed by the Board of Directors that is in charge of outlining the Bank's policy and oversee its implementation. In accordance

with Proper Conduct of Banking Business Directive 301 - Board of Directors, the Group banks' boards of directors are charged with setting the banks' business strategy, and their risk strategy and appetite, approving policies that guide their current activities, and overseeing the banks' managements, and the extent to which their activities are in line with the policies. In addition, the board of directors of each of the banks also approves the bank's Code of Ethics, ensures that the bank complies with the provisions of the law and regulations, and outlines proper professional practices as part of the bank's organizational culture. The various boards of directors operate through sub-committees that specialize in specific topics that fall within the scope of the board of directors' responsibilities.

Oversight of bank's management by each of the banks' board of directors is also achieved by defining the CEO's powers and duties. In order to achieve this, the boards of directors define methods for reporting and information delivery between the CEO, management and the board of directors. The CEO is charged with guiding, managing and coordinating the activity of all other members of management and through them the activity of all units of the bank.

## The Board of Directors' Activity and Composition

FIBI Group has two key Board of Directors - the Board of Directors of the First International Bank, and the Board of Directors of Bank Massad. The managements of the banks in the Group are directed and guided by the Board of Directors and the committees of each bank with regards to the business strategy and policy of that bank, with Bank Massad operating in line with the policy of the Group as set by First International Bank. In this context, two members

of First International Bank's management serve as directors in Bank Massad; one of these directors serves as the Chairman of the Board of Directors. The Board of Directors approves the objectives, qualitative and quantitative targets, the Bank's areas of activity, and the allocation of resources to the various domains.

The Boards of Directors of First International Bank and Bank Massad operate in accordance with the corporate governance guidelines set in law, and serve as the guiding hand for the bank's management, including setting risk management policies and a risk appetite in all areas of the bank's activity, including: strategy, credit, financing, compliance and operational risks, including business continuity, cyber and information security, reputation risk, models, prohibition of money laundering, including cross-border and collection risks, internal enforcement plan regarding the securities laws, antitrust law, etc. The Board of Directors of the Bank has a critical role in outlining the business strategy and risk appetite of the Group. On the basis of the Group's multiyear strategic plan, management submits to the Board of Directors annual work plans and the bank's budgets, including qualitative and quantitative details of the mix of income, expenses, and investments that management has set as long-term targets and specific targets for the current working year. As part of this function, once a year, the Board of Directors approves the annual work plan and risk management policy of the Bank in the material risk areas, and sets out standards for the management, measurement, control, monitoring, and reporting of exposure to the various risk.

Among other things, the Board of Directors and the various committees also discuss ESG issues which are material to the Group. In this context, the Head of the Resources Division presents the Bank's annual ESG Report to the plenum of the Bank's Board of Directors. Various social and environmental topics managed by the Bank are supervised by the Board of Directors and discussed in several forums, both by the Board of Directors' plenum and by the various committees. The topics discussed by the Board of Directors include, among others, responsible employment, control mechanisms in the Bank, regulatory compliance aspects, providing credit for environmental projects and managing environmental risks in the credit domain, mitigating environmental impacts, donations policy, etc.

The Board of Directors also has an important role in supervising the Bank's senior executives, so as to ensure that they comply with the organization's policies. The Board of Directors appoints the CEO and determines the nature of his/her work and duties toward the Board of Directors, and approves the appointment of senior officers and other officers, and their compensation. The Board also discusses the performance of these factors.

The Board of Directors of each bank in the Group is responsible for: setting the vision, values, strategy, and objectives in the bank's areas of business; outlining the organizational culture and standards of professional conduct and a plan for instilling them at all levels at the bank; ensuring the presence of clear areas of accountability and reporting with regard to compliance with laws and regulation; and reporting any exceptional incident and any matter of material importance to the activity of the bank or supervision and control of its management. The members of the Board approve the capital planning, periodically discuss the bank's financial position, and are also responsible for approving the financial statements. Once a year, the Board of Directors reviews the internal control system and procedures for capital assessment. Furthermore, the Board's areas of responsibility also cover the appointment and functioning of the internal and external auditing and control parties; contracts and activities requiring approval by law or by decision of the Board of Directors; making changes in the structure of the Group; raising capital and investments, including the disposal of permanent investments,

**The Board of Directors and the various committees also discuss ESG issues which are material to the Group. In this context, the Head of the Resources Division presents the Bank's annual ESG Report to the plenum of the Bank's Board of Directors. Various social and environmental topics managed by the Bank are supervised by the Board of Directors and discussed in several forums, both by the Board of Directors' plenum and by the various committees. The topics discussed by the Board of Directors include, among others, responsible employment, control mechanisms in the Bank, regulatory compliance aspects, providing credit for environmental projects and managing environmental risks in the credit domain, mitigating environmental impacts, donations policy, etc.**

issuing securities, and periodic review of the capital adequacy of the bank, and more.

The Board of Directors is responsible for approving the public grievance policy and the Service Charter of the Public Grievance Officer. The Board of Directors discusses the periodic reports of the Public Grievance Officer at least once each year, shortly after they have been filed. In this context, the Board of Directors ensures that the Public Grievance Function is properly staffed and has the resources and powers necessary to carry out its duties.

Additional functions of the board include supervision over the effective implementation of the bank's risk management policy. Once a year, the Boards of Directors of First International Bank and Bank Massad and/or their committees approve the annual work plan and risk management policy in the various material risk areas, such as credit risks, market risks, liquidity risks, and operational risks; every two years, the said Boards of Directors approve the policies pertaining to other areas. The work plan and policy set standards for the management, measurement, control, and reporting of exposure to the various risks, which includes, inter alia, the risk appetite, risk frameworks, and permitted exposure limits in the different areas of business and sectors. In this context, the Board of Directors adjusts the exposure policy for the various risks to changes in the bank's financial markets and business environment. In addition, the Board of Directors approves the work plans of the Compliance Department and ensures that the plans are soundly based and risk-oriented and will provide an effective response appropriate to the Bank's risk appetite. Every year, the Board of Directors examines the definition of appetite and tolerance for compliance risk, and supervises the



effective handling of compliance findings by the Bank's management.

In accordance with the Board of Directors' procedures at the banks in the Group, if and when it is necessary to raise an urgent matter before the Board of Directors' plenum, an urgent meeting may be convened, including a conference by way of communication means or decision in writing, in order to make the decision as needed, all pursuant to the terms set in the Board of Directors' procedures and according to law. The Board of Directors' procedures at each of the banks in the Group establish the provisions that regulate a director's right to receive the information he/she needs in order to fulfill his/her duties as director and, if necessary, to consult with various parties as part of fulfilling his/her duties, pursuant to the provisions of the law (including the Companies Law, 1999) and pursuant to Proper Conduct of Banking Business Directive 301 regarding the board of directors.

The Board conducts a comprehensive evaluation of management performance once a year. In addition, the performance of the Board of Directors is evaluated every two years. From these evaluations, goals for improvement and work plans for implementation are derived, in order to strengthen the operation of these bodies and the corporate governance of the Group in general. Furthermore, in order to advance the knowledge and understanding of Board members of the FIBI Group, a dedicated training program is created each year for the directors. The directors participate in professional

courses on business and other issues throughout the year, in order to increase the effectiveness of their oversight of the banks, and in order to ensure that they are fully informed of new and significant developments and trends in the banking system and financial sector. In 2021, directors of First International Bank participated in six courses focusing on the following topics:

- Trends in financial management and cyber - initiation and management of cyber crises
- Measurement of the provision for credit losses
- Anti-trust laws
- The FinTech domain
- ICAAP
- Changes in the accounting treatment applied to debts following the application of the CECL rules and clarifications regarding TDR

First International Bank's secretariat assists the activity of the Board of Directors and coordinates its activity, in areas such as: holding meetings of the plenum and the various committees, general meetings, recording of the minutes, monitoring decisions of the Board of Directors, monitoring the holding of periodic discussions on regulatory matters, sending various reports to the regulators, managing the shareholders registry, paying compensation to directors, handling transactions with "affiliated persons" and "parties at interest", and payment of dividends.

### The composition of the Boards of Directors of the FIBI Group at the end of 2021 was as follows:

	First International Bank	Massad
The overall number of directors	10	10
No. of independent directors	4	4
Directors with accounting and financial skills	10	8
Directors with accounting and financial skills in the Audit Committee	5	5
No. of women on the Board	2	3
Directors under 30 years of age	0	0
Directors aged 31-50	1	0
Directors aged 51+	9	10
No. of the Board plenum meetings	26	14
No. of the Board's committees' meetings	57	22
Is the Chairman of the Board independent (yes/no)	No	No
What is the age of the youngest director	46	54
What is the age of the oldest director	80	78
Average age on the Board of Directors	64	64.6
Average duration of service in the Board of Directors, in years	6.5	7.5
Year of appointment of the newest director	2021	2021
Year of appointment of the longest serving director	2003	1985



## Board of Directors' Committees

Both the First International Bank Board of Directors and the Board of Directors of Bank Massad have a number of permanent committees. In addition, every Board of Directors in the Group appoints additional committees as necessary, such as a problem debt committee. Bank Massad has a strategy committee (which is active every 5 years). The roles and responsibilities of the various committees are determined by the Board of Directors' procedures and are subject to law. The areas of activity of the committees relate to most aspects of the activity of the Board of Directors, and in many cases a preliminary discussion is held in the committees in advance of discussions by the Board of Directors.

The Audit Committee is responsible for the activities of the Bank's internal and independent auditors, for ensuring the quality of their work, and for appointments. The Committee discusses the Bank's internal and external audit reports, and submits the reports it deems appropriate for discussion in the Board of Directors plenum. The Committee is responsible for identifying deficiencies in the Bank's operations, and proposing to the Board of Directors ways of dealing with them. The Committee is responsible for discussing employee complaints about deficiencies in the management of the Bank's business, and regulates the manner in which the complaints are forwarded and handled, as well as the protection of employees who have complained. The Committee establishes procedures for disclosure of conflicts of interest in the Bank, and acts to prevent activity involving a conflict of interest. The Committee discusses the financial statements and the information disclosure reports to the public. One of the most material risks faced by the Bank is compliance risk. To maximize its ability to assess the effectiveness of compliance risk management and to address the challenges, failures and quality of risk management at the Bank and the Group, the Board of Directors conducts - via the Audit Committee - at least once a year, a meeting with the Compliance Officer only.

The Compensation Committee oversees the activities of the Board of Directors in the area of human capital. The Committee makes recommendations to the Board of Directors on salary policy, the

compensation system and retirement terms and conditions for employees and managers. The discussion in the Committee takes into account the Bank's business situation, the impact of the compensation policy on the corporation's risk profile, Proper Conduct of Banking Business Directive A 301, the Bank's corporate culture, its long-term strategy, and its control environment. The Compensation Committee is responsible for ensuring, inter alia, that the compensation incentives do not encourage risk taking beyond the established risk appetite. The committee also recommends to the Board of Directors which principles to adopt for the compensation agreements of the Bank's employees, and discusses negotiation processes with the bank's workers' unions.

The Information Technology, Technological Innovation and Administration Committee is responsible, among other things, for discussions on the Bank's innovation and technology strategy, taking into account the risks involved. The Committee defines the bank's technological risk appetite. The Committee approves the work plan in the areas of innovation and digital operations, and sees to the appropriate allocation of resources for the realization of these goals. In addition, the Committee deals with other areas related to administration, including the annual work plan of the Resources Division, the Bank's managerial resource plans, the organizational development plan and the annual training program of the training system. In addition, the Committee discusses and approves general and exceptional issues concerning human resources, such as headcount, employee mobility, exceptional vacations and so forth. The Committee receives annual reports on community outreach, and occasionally receives requests for exceptional donations. Every three years, the committee reviews the Bank's Code of Ethics, its means of distribution, as well as the control and enforcement mechanisms.

The Risk Management Committee coordinates the activities of the Board of Directors in the areas of risk management, and creates a basis for discussion of this area for the Board of Directors. The committee discusses the Bank's overall risk strategy, looking at both the present and the future. The committee oversees the manner in which the Bank manages risk, and the activity of the risk management division. Based on the Committee's recommendations, the Board of Directors periodically reviews and approves the various policy papers and the risk management framework that is set out in the policy paper, and verifies - through discussions of the quarterly risk documents brought by the Risk Management Division, as well as through discussions of additional documents brought before the committee, that the risk management policy is implemented effectively throughout the Bank, including oversight by management. The Board is also responsible for establishing a corporate culture of risk management as well as professional conduct and integrity standards, and to ensure that they are instilled at all levels of the bank.

The Loans Committee discusses the Bank's credit management strategy and credit risk management policy and recommends its approval to the Board of Directors. The committee monitors the Bank's compliance with the credit policy approved by the Board of Directors, and discusses as necessary the need for making changes in credit strategy and policy. The committee monitors the credit situation and developments in it, according to reports and parameters set by the committee from time to time. The committee receives industry surveys and discusses them. In certain cases, the committee is empowered to approve credit applications, and to approve cancellation or waiver of debts, debt collection arrangements, and any arrangement in connection with credit-related claims, all in accordance with the terms of the credit policy paper.

In addition to the abovementioned board committees, for several years, the FIBI Group has had a steering committee, with two members who are responsible for community outreach, in an effort to closely monitor, direct, initiate and formulate a group-wide community outreach policy on a regular basis and to bring it to the approval of the Board of Directors.

## Membership in Board of Directors' Committees:

First International Bank:

	Committee	Audit Committee	Information Technology, Technological Innovation and Administration	Risk Management Committee	Loans Committee
No. of directors who are members of the committee	3	5	5	6	6
No. of independent directors	3	4	2	4	2
Percentage of independent directors relative to total number of directors	100%	80%	40%	67%	33%
Is the committee chairman independent	Yes	Yes	No	No	No
No. of the board's committees' meetings	5	27	5	11	9

Bank Massad:

	Credit & Risk Management Committee	Audit, Balance Sheet & Compensation Committee
No. of directors who are members of the committee	5	6
No. of independent directors	3	4
Percentage of independent directors relative to total number of directors	60%	67%
Is the committee chairman independent	No	Yes

## The Directors' Skills and Experience

According to the Bank of Israel's directives (Proper Conduct of Banking Business Directive No. 301 - hereinafter - "PCBB 301"), the Board of Directors must collectively have proper knowledge, qualifications, expertise, and experience corresponding to the bank's strategy and the character of its activity. PCBB 301 also states that at least one third of the directors must have "banking experience," at least one fifth must have "accounting and financial expertise," at least half must have "professional qualifications," at least one director must have proven knowledge and experience in information technology, and at least one director must have expertise and experience in risk management and oversight (as these terms are defined in PCBB 301).

Directors at First International Bank are appointed in accordance with the provisions of the law, the Bank of Israel's Proper Conduct of Banking Business Directives, and with approval from the Bank of Israel. These requirements include:

The Companies Law (Section 57) provides that the appointment of external directors shall be approved by the general meeting, by a special majority.

In Chapter D of the Bank's Articles of Association (hereinafter - the "Bank's Articles of Association"), provisions were set out regarding the process of appointing directors. Accordingly, article 86 of the Articles of Association states that the general shareholders' meeting has the authority to appoint directors. The Articles of Association

nevertheless also allow the Board of Directors to appoint directors, subject to the provisions of the legislative arrangement and conditions set forth in Article 87 of the Articles of Association. In such cases, the appointment is valid until the end of the first general shareholders' meeting following the appointment. Under the provisions of the Banking Ordinance, a vote on the appointment of directors is held at the general meeting, separately for each candidate. In addition, an advance notice should be issued at least 21 days prior to the publication of a notice on convening a general meeting on whose agenda is the appointment of directors (in the form of an immediate report filed with the MAGNA System). The right to request the convening of a general shareholders' meeting and to propose topics for discussion at it, including submitting a candidate for appointment as director, is granted in accordance with the Companies Law (Sections 63, 64, and 66 of the law). For example, the Board of Directors is entitled to propose a candidate for the Board of Directors, and any shareholder with at least 1% of the voting rights is entitled to propose a candidate. The composition of the Board of Directors is subject to the provisions of the Companies Law, the Proper Conduct of Banking Business Directive No. 301, and the Bank's Articles of Association.

Each of the banks in the Group implements all the provisions in accordance with the law and the directives of the Bank of Israel regarding the prevention of conflicts of interest in the Board of Directors. Accordingly, each of the banks has dedicated procedures



for the matter, the objective of which is to set guidelines for situations in which a candidate for the position of director may regularly find himself facing a conflict of interest between his business or ongoing occupations and the position that he is due to fulfill at the bank, in a way that will result in his disqualification to serve as a board member, as well as guidelines in case a director has a vested interest. In addition, there are special procedures for approving transactions in which officers have a vested interest. None of the directors, including the chairman of the board at each of the banks in the Group, serves in another management position at the Bank where he/she serves as director or chairman of the Board of Directors.

### Assessing the Performance of the Board of Directors:

Every two years, the Board of Directors of each of the banks in the Group conducts an internal self-assessment process intended to improve the Board of Directors' work. The assessment process is included in a procedure drafted by the bank pursuant to the requirements of Proper Conduct of Banking Business Directive 301. The process is intended to evaluate the efficiency of the work by the Board of Directors, identify weaknesses, and make changes and adjustments to its work and the work of its subcommittees, as needed. The assessment process focuses on aspects of corporate governance, risk management, and the control and supervision undertaken by the Board of Directors. In December 2021, the Board of Directors of First International Bank conducted a self-assessment process. As part of the process, the directors filled out

a questionnaire on the subject. The Board of Directors' plenum held a discussion regarding the directors' replies and passed resolutions accordingly.

### Mechanisms for Contacting the Board of Directors:

The Board of Directors operates under a normal administrative hierarchy: at each bank, issues, questions, and grievances by employees are submitted to management, and, if necessary, forwarded to the board of directors. Inquiries to the Board of Directors are made through each bank's secretariat. Issues forwarded to the board by the shareholders are presented through the general shareholders meeting mechanism. In 2021, First International Bank held 2 general meetings and Bank Massad held 3 general meetings.

### Employee Compensation Policy:

In accordance with Proper Conduct of Banking Business Directive No. 301A regarding compensation policy in a banking corporation (hereinafter - The "Directive"), the Bank approved in 2020, three years after the earlier approval, a revised compensation policy for all of the Bank's employees, including key employees, and principles for a collective compensation policy. The compensation policy for officeholders constitutes part of this revised policy. At the beginning of each year, the Compensation Committee and Board of Directors approve Key Performance Indicators (KPIs), in accordance with the approved compensation policy, and at the end of each year the proposed compensation is brought for approval by the Compensation Committee and Board of Directors.

# Effective communication with stakeholders<sup>32</sup>

The FIBI Group has numerous, varied stakeholders, who impact, and are impacted, by the Group's activities. The Group maintains contact and dialogue, with each stakeholder group, on various topics which concern them, through direct and indirect dialogue channels. In this context, there are parties in the Group responsible for the dialogue and contact with each stakeholder group. The FIBI Group makes significant efforts to be attentive to the needs of its stakeholders, and to address them in the course of its business activities. The dialogue is carried out through the relevant professional parties in the FIBI Group for each stakeholder group at a frequency and manner arising from the nature of the interface with that stakeholder. As part of its work routine, the FIBI Group combines and incorporates its stakeholders' positions into its activity, insofar as these allow it to mitigate risk and create value for the stakeholders.

## Stakeholder group

### Customers

#### Key Dialogue Channels in 2021<sup>33</sup>

**Branches** - The FIBI Group maintains direct contact with its customers through its many branches throughout Israel. The branches offer customers a wide range of banking services, provided by high quality professionals, to all FIBI Group customers - private banking, capital market and/or business customers. The Group strives to strengthen its relationship with the customers through the branches, while maintaining a unique direct dialogue between the employees and the customers.

**Direct channels** - The FIBI Group relentlessly seeks to promote and instill the use of online channels (including a website, mobile app, Beinleumi Call Center, texting and web-mail services, as well as a marketing website and Facebook page) and open as extensive as possible communications channels with its customers. To this end, among other things, training is provided to customers and bankers, through various means, and diverse channels are being added for the purpose of conducting dialogue with customers and stakeholders, as applicable (using e-mail, texting, push notifications, our Facebook page, etc.).

**Conferences and workshops** - The FIBI Group promotes dialogue with its customers by conducting dozens of training sessions, conferences and workshops each year. Professional conferences are held for the corporate-, capital market- and private customers. In addition, specialized conferences are held for various populations, such as teachers and educational workers, the ultra-Orthodox sector, members of the security forces and former residents of the Soviet Union. These conferences, which include a range of lectures on a variety of topics, are delivered by experts from the Group as well as external experts - according to the needs communicated in the ongoing dialogue with the stakeholders.

**Customer satisfaction surveys** - Each year, the FIBI Group's banks conduct dozens of customer satisfaction surveys, tailored to each bank's unique activity and customers. Surveys were also conducted through direct channels, for new and former customers, and for customers who have switched branches. In addition, the Group conducted qualitative focus groups among various sectors.

**Inquiries and requests** - The FIBI Group's customers can submit proposals, requests and complaints to its Public Inquiries Unit via the website, telephone, in writing or by fax. It is also possible to contact the Bank through "state your opinion" on the Bank's website or through the Facebook page; the Bank strives to provide a quick and efficient response, to its customers' satisfaction.

**Business customers** - First International Bank maintains direct contact with its business customers through regional business branches providing financial support for every business need. The FIBI Group has even retargeted its business customers, by dividing them into three operating segments (according to their business volumes): small businesses, commercial businesses - medium and large. A manager was assigned to each sector, in order to adapt the products and services to the nature of each population and provide adequate solutions to their needs. In addition, the Group maintains direct and ongoing contact with the small and medium business sector through dedicated business units at the branches and teams in the credit units at headquarters. Furthermore, the various digital channels offer services tailored to the needs of business customers, which can also use the services offered through the various digital channels.

32. 102-43, 102-42

33. 102-40

## The FIBI Group Employees

**Direct line to Human Resources** - The Group's employees have a direct line to the employee inquiries officer for inquiries on any subject (and to the sexual harassment supervisor, if needed); there is also an emergency line for internal audit purposes; both channels can be accessed anonymously as well. The Human Resources Department is also responsible for ethics-related inquiries, which may also be submitted anonymously.

**Employee feedback and assessment meetings** - The FIBI Group considers employee assessment one of the key processes in human capital management. An annual assessment process is conducted for the Group's employees through an assessment meeting between the employee and his/her manager.

**Management-employee meetings** - All of the FIBI Group's banks hold management-employee meetings, which include visits by the CEO, members of management and senior executives in the branch network and the various headquarters units.

**Internal communications channels** - Including each bank's enterprise portal and other communication methods.

**Executive conferences and workshop** - A unique activity for executive development and organizational performance improvement. The conferences and workshops focused on enhancing management skills, holding discussions on core banking issues and enrichment on banking topics, as well as current affairs.

**Process improvement teams** - Annual discussions which serve as a means for obtaining information, feedback and suggestions for improvements on a variety of strategic and procedural issues, with the participation of managers and authorized signatories. These discussions allow for a fruitful dialogue between executives from various Group units, branches and headquarters units.

**Streamlining forum** - streamlining proposals by employees on various topics.

**Round tables** - Promoting dialogue through round table discussions, on a variety of professional topics, with various organizations.

## Shareholders and investors

**Stock exchange filings according to law** - To update the investors and shareholders about First International Bank immediately and with full transparency.

**Financial statements.**

**ESG report**

**Risk report**

**Investor relations website** - Allows full access to information.

**The shareholders' general meeting mechanism.**

**Dialogue** (conference calls, meetings) with analysts and investors on a regular basis.

**Contacting the officer in charge of investor relations in the Bank**

## Suppliers

**Periodic meetings** - the FIBI Group holds periodic meetings with all suppliers at a frequency that depends on the substance and scale of activity.

**Direct contact point for complaints and inquiries by contract workers** - The Group's procurement manager serves as a direct contact point for contract workers wishing to file complaints and inquiries on any issue.

## Society and the Community

**A close ongoing relationship with NGOs and social organizations** - the FIBI Group conducts a dialogue with various social organizations, such Matan Investing in the Community, Unistream, Pitchon Lev, Adopt a Soldier, Fathers and Sons on the Court, etc. The FIBI Group runs various community outreach programs with these organizations. In addition, the FIBI Group holds periodic meetings with these organizations and submits reports on the issue to management and the Board of Directors.

## The Environment

**Measuring the FIBI Group's key impacts on the environment** - The FIBI Group works together with relevant professional entities, discussing how to potentially reduce the Group's environmental impact. In this context, the First International Bank conducted a dialogue with the Standards Institution of Israel and various consulting firms, such as when incorporating green building standards in our buildings (the Bank Headquarters and MATAF Building) or other aspects of logistical resource management related to the environment (power consumption, paper consumption, etc.).

## Government Authorities

**Ongoing cooperation and contact** - The FIBI Group cooperates with the relevant government agencies, has regular contact with them, and scrupulously updates them with any relevant information. However, the FIBI Group does not take positions on public issues nor participates in the development of public and/or political policies.

# Risk Management

FIBI Group considers effective risk management an integral part of its responsible business conduct. The banks in the Group are committed to act responsibly and manage all risks they face in accordance with the Group's risk appetite, which was defined by the Board of Directors. We consider proper and responsible risk management a precondition for proper operation of the Group and for the fulfillment of our various goals. The Group's diverse activities give rise to exposure to a range of financial and other risks; the Group manages those risks in accordance with the provisions of Proper Conduct of Banking Business Directive 310 of the Bank of Israel's Banking Supervision Department, and in accordance with the provisions of other Proper Conduct of Banking Business Directives that pertain to specific risks. We update our risk management work methods in accordance with regulatory and business changes on an ongoing basis<sup>34</sup>.



**Management and auditing of the various risks in the Group are conducted through an adequate infrastructure of control, supervision, and auditing, which are implemented by means of three lines of defense:**

## The first line

Of defense is held by the people responsible for creating and managing the risk.

## The second line

Of defense - is held by the Risk Management Division, the legal department, the Chief Accountant Division (except for the planning, streamlining and information function that constitutes part of the first line of defense).

## The third line

Of defense is held by the internal and external audit array.

In order to ensure that the employees of FIBI Group are capable of mitigating the risks that the Group faces, they undergo online courses focusing on risk management-related issues. These courses are conducted mainly through online tutorials in various areas in accordance with the employee's role and rank. Among the issues that employees require training through online tutorials are: information security, money laundering, embezzlement and fraud, competition law, risk management, business conduct, and FATCA and CRS risks. In most of these areas refresher courses are conducted every year to three years, and as required.

## Internal audit:

In accordance with the provisions of the law and regulations, the Bank has an internal auditor, who is in charge of internal audit in the organization and reports directly to the Chairman of the Board of Directors. The Bank's internal audit function follows a multi-year plan for a period of 4-5 years. An annual work plan is derived from this multi-year plan; the annual plan covers all of the Bank's activities and entities, including the subsidiaries. The work plan is based on a risk assessment methodology; it takes into account, among other things, the risk assessment as reflected in the ICAAP document and in assessments conducted by the internal audit function regarding the risk centers arising from the Bank's activity, including risk centers arising from operational risks, embezzlement and fraud, and findings of previous audits carried out by the internal audit function and by external entities. The work plan includes the allocation of inputs and the frequency of

the audit in line with the audited entity/activity's risk level. The work plan is discussed by the Audit Committee, which recommends that it is approved by the Board of Directors; the work plan is subsequently approved by the Board of Directors. Under the work plan, the Chief Internal Auditor has the power to deviate therefrom, and to carry out unplanned audits. Material deviations from the approved work plan are brought for discussion by the Audit Committee.

The work of the internal audit function is carried out in accordance with the various legal requirements, including the Internal Auditing Law, the Banking Ordinance, the banking rules, the directives and guidelines of the Banking Supervision Department, including Proper Conduct of Banking Business Directive 307, and the guidance issued by other regulators. The internal audit function carries out its work in accordance with generally accepted professional standards set by the Institute of Internal Auditors, and the internal auditor was given full access to all of the information she requested, as set out in Section 9 to the Internal Auditing Law, including continuous and direct access to all IT systems of the Bank and the subsidiaries.

The internal audit reports are submitted to those members of management who are in charge of the audited units or topics, in accordance with criteria set out in the Board of Directors' procedures; the said reports are also submitted to the Bank's CEO and Chairman of the Board of Directors. Significant audit reports, as the case may be, are discussed in meetings with the Bank's CEO.

34. For information regarding the material risks and their mitigation see the Risks Report posted on the Bank's website, and in "risk review" chapter in the annual Report of the Board of Directors and Management.

# Business Continuity

Preparation for business continuity is a critical factor in maintaining the Group's financial stability and its ability to survive and function, even in an emergency and under various disasters or failures. This assessment is a result of the Group's commitment to provide service to its customers and to safeguard customers' assets and depositors and holders of the Bank's securities, to provide a safe work environment for its employees even in emergencies, and to comply with Proper Conduct of Banking Business Directives and Basel Committee recommendations.

Pursuant to the provisions of Proper Conduct of Banking Business Directive No. 355 on the matter, the Group prepared for disaster recovery and business continuity during various types of emergencies.

The head of the Risk Management Division at the Bank - who is a member of management - is responsible for coordinating the matter at the Group level. The Operational Risk and Business Continuity Management Unit at the Bank handles preparedness, which comprises several layers:

- Formulation of a policy paper and work framework on business continuity, discussed and approved by each of the banks' managements and by the Technology, Innovation and Administration Committee of the Bank's Board of Directors once a year, and by the Boards of Directors of each of the banks at least every two years.
- Preparation of a working framework document for managing business continuity, which includes details on adequate technological infrastructure, formulation and implementation of comprehensive action plans and a supportive procedures infrastructure. The document is discussed by management and approved by it at least once a year.
- Conducting a Business Process Impact Analysis (BIA) in terms of business continuity, at a three-year frequency or at times material changes.
- Maintenance of a process for improving preparedness for business continuity on an ongoing basis, in which the mapping of all the essential activities and resources required in an emergency, emergency scenarios, and the policy paper, are all

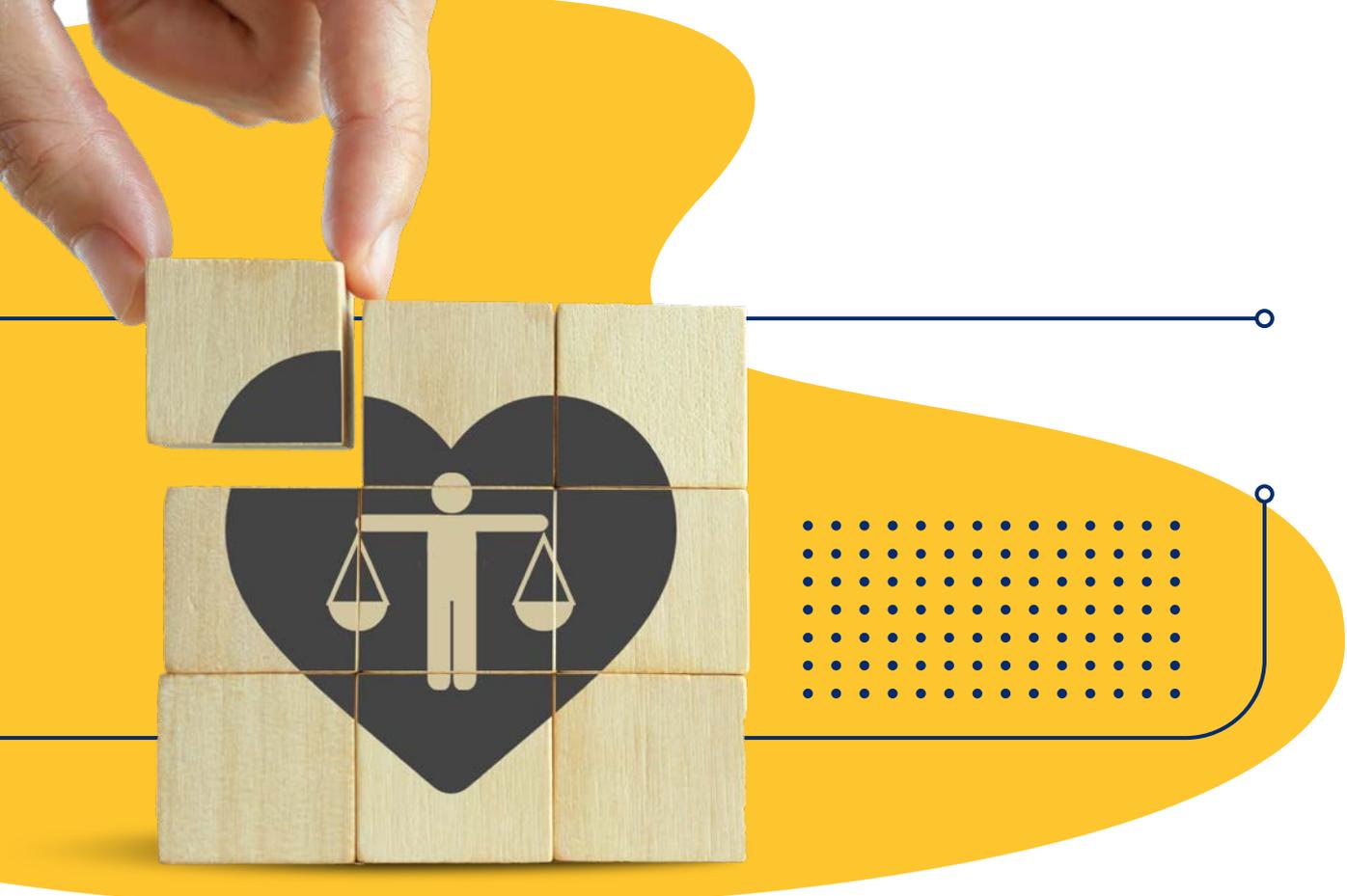
**Preparation for business continuity is a critical factor in maintaining the bank's financial stability and its ability to survive and function, even in an emergency and under various disasters or failures. This assessment is a result of the Bank's commitment to provide service to its customers and to safeguard customers' assets and depositors and holders of the Bank's securities.**

suitably updated. In addition, ongoing maintenance activities are carried out on the action plans and emergency files of the Group units.

- Running a Group-wide emergency assessment forum, headed by the Head of the Risk Management Division, which coordinates the business continuity activities of the entire Group. The forum is responsible for implementing the policy and procedures, and monitoring the Group's preparedness for various types of emergencies. The forum convenes at least once per quarter.
- Management and the Board of Directors receive a quarterly report on business continuity and emergency preparedness.
- Formulation of a multi-year practice drill plan, and execution of drills that simulate various emergencies, as well as conducting training.
- In an emergency, the Bank maintains a Group situation room, headed by the Head of the Risk Management Division, which coordinates the switch to an emergency footing, the emergency routine, the return to regular routine, reporting to various parties in and outside FIBI, and so forth.

In October 2021, the FIBI Group approved a policy paper and work framework to manage business continuity; the policy paper included: The targets and goals and how they are to be applied; areas of responsibility and authority; actions the Group should take to maintain its readiness; a list of emergency scenarios and possible failures; the framework for managing business continuity; the framework of and reporting on business continuity management.





## Ethics, regulatory compliance & integrity

### Ethics - the moral compass of FIBI

The FIBI Group operates and promotes a culture of ethics and social responsibility that constitutes the infrastructure and milestone for all the relationships and circles of influence in the Group vis-à-vis employees, customers, suppliers, competitors, the community and the environment. The FIBI Group Code of Ethics is founded on the values of integrity, fairness, reliability, excellence, responsibility and commitment, initiative and innovation, transparency, openness, and human dignity. The Code of Ethics expresses the spirit of FIBI Group that strives to set a high standard with regard to what is right and what to strive for. The Code constitutes a moral basis for the Group's business operations and serves as the moral compass for all the Group's employees, at all levels, in their day-to-day work.

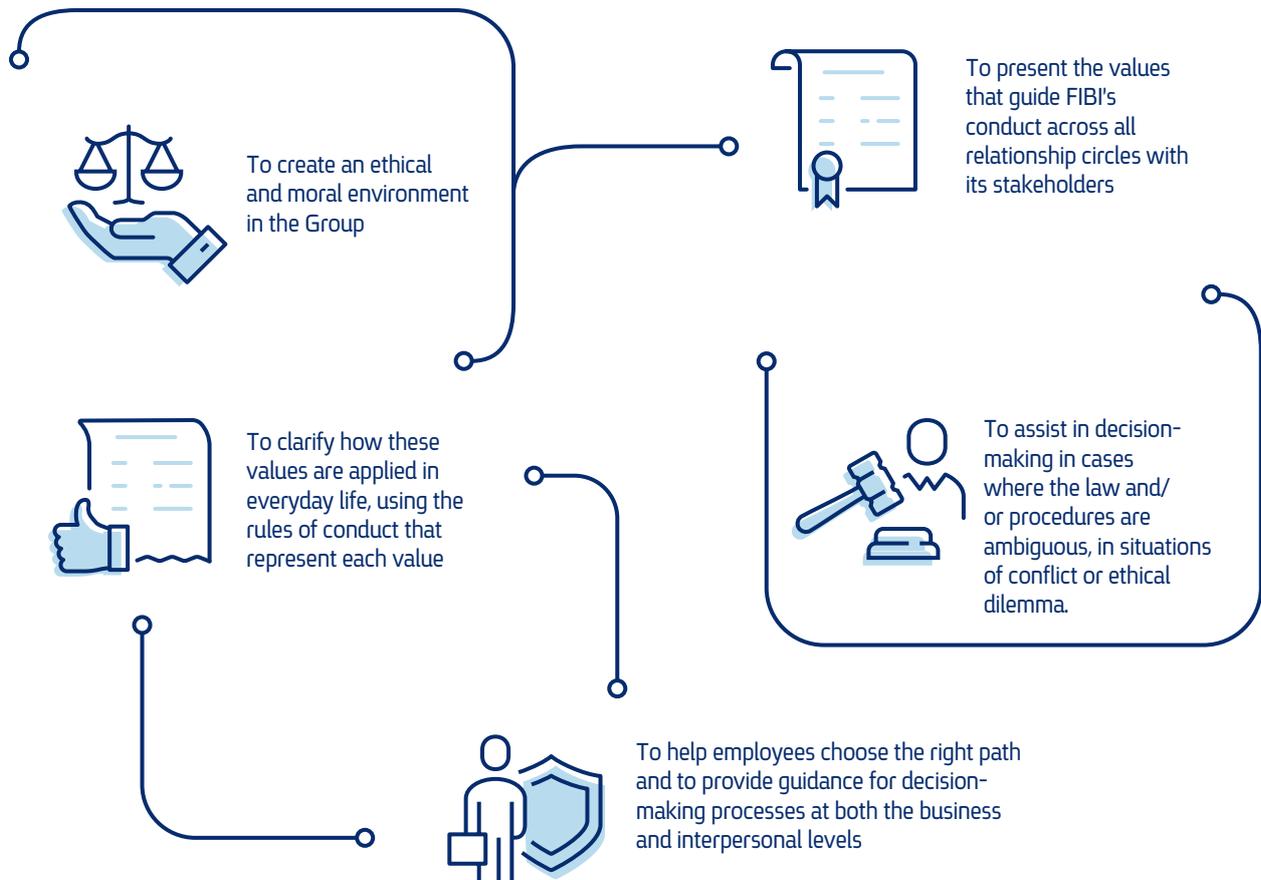
The Code of Ethics is an integral part of the Group's perception of the proper way to conduct itself in the business environment as part of the desire to assimilate ethical and moral behavior in the Group's organizational culture alongside compliance with regulatory provisions and business excellence. The process of writing the Code involves collaboration with the employees and managers of the Group's divisions, and applies to all the Group's employees, of any rank and in all positions, including management and the Board of Directors, that also approved the wording of the Code.

The FIBI Group Code of Ethics is founded on the values of integrity, fairness, reliability, excellence, responsibility and commitment, initiative and innovation, transparency, openness, and human dignity. The Code of Ethics is an integral part of the Group's perception of the proper way to conduct itself in the business environment as part of the desire to assimilate ethical and moral behavior in the Group's organizational culture alongside compliance with regulatory provisions and business excellence.

#### Main Objectives of the Code of Ethics:

- To create an ethical and moral environment in the Group.
- To present the values that guide the Group's conduct across all relationship circles with its stakeholders.
- To assist in decision-making in cases where the law and/or procedures are ambiguous, in situations of conflict or ethical dilemma.
- To clarify how these values are applied in everyday life, using the rules of conduct that represent each value.
- To help employees choose the right path and to provide guidance for decision-making processes at both the business and interpersonal levels.

## Main Objectives of the Code of Ethics



## Activities for implementing the Code of Ethics

As part of the Group's actions aimed at promoting an ethical culture and to implement the Code of Ethics for creating an ethical organizational culture, ethics committees were established at each bank in the Group, as well as in MATAF (headed by a member of management from that bank); each of the committees is responsible for instilling the Code and providing advice and guidance in accordance with its values. The committees hold regular quarterly meetings, as well as additional meetings upon request. The Chairman of the Committee at First International Bank is the Head of the Resources Division, at Bank Massad - the Head of the Banking Division, and at MATAF - the Head of the Methods and Banking Processes Analysis Division. In addition, each bank has appointed an ethics officers on behalf of the FIBI Group's management, who are responsible for the ongoing implementation of the Code of Ethics, as well as for updating it and the accompanying procedures.

Furthermore, in order to implement the Code of Ethics and its contents among the employees, First International Bank has made the content of the Code of Ethics accessible for managers and employees via the organizational portal. In order to make the Code of Ethics a practical and everyday tool for guiding Bank employees, there is a book of dilemmas on the enterprise portal that describes ways of dealing with and solving possible dilemmas in a

banker's work. The book, written with the help and collaboration of a variety of employees and managers from various business units who have participated in focus groups and round tables on the subject, is available at all times on the Code of Ethics portal. Additionally, A special book of ethical dilemmas concerning the capital market and the trading room has been developed.

Every three years, the Group's employees undergo digital training on the Code of Ethics, as one of the means of refreshing their familiarity with the subject. In 2021, all Bank employees received a refresher memo that covered the Code of Ethics; the memo is used by employees in the normal course of their work. Each Group company chooses the various additional channels by which to promote and instill the Code of Ethics among their employees (as part of their employment agreements, employee conferences, emails, etc.). Each new employee hired by the Group reads the Code of Ethics when he/she begins working. The period during which each employee is required to take a refresher course on the Code of Ethics, using a tutorial, differs for each Group company (ranging between one and three years).

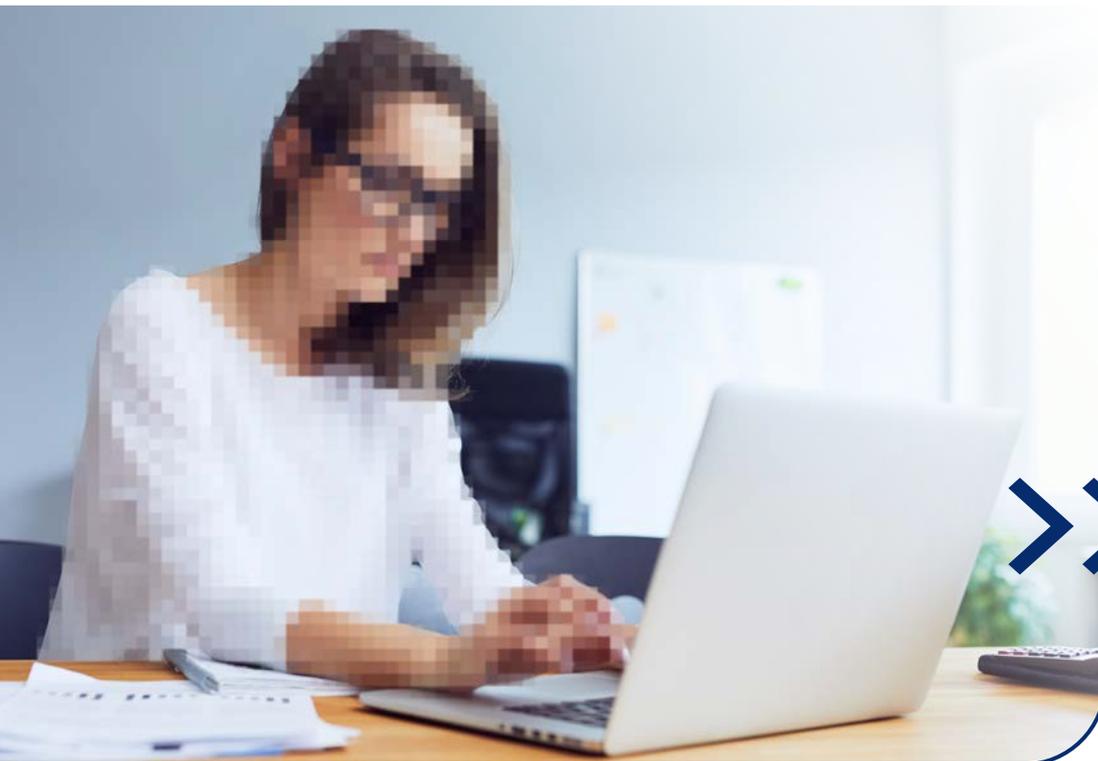
## Reporting Mechanisms and Channels

Employees can regularly seek advice or report ethical issues, including via the corporate portal. In addition, employees have access to additional means for dealing with ethics - they can contact one of the ethics officers (members of the ethics committee, head of ethics, ethics officer) for advice or to report unethical conduct, by word of mouth or in writing, and by one of the following methods: via the ethics portal on the Human Resources website, by the dedicated phone number, internal mail or email or by fax to the person in charge of ethics. The ethics entities can also be contacted anonymously. Names and contact information for Ethics Committee members are published through various channels in the internal communications system, as well as through various implementation devices for employees.

The means available for requesting advice or reporting ethical issues are regularly advertised and available to all of the Group's employees. The Group allows managers or employees who so desire, to remain anonymous when reporting. To ensure that the employees who submit reports are not harmed or injured by reporting, the Group allows employees to report to an objective and independent party in cases of suspected significant irregularities in the conduct of the Bank's business, moral integrity and financial reporting audits. To this end, the Board of Directors of First International Bank and the Board of Directors of Bank Massad have appointed the Head of the Finance and Capital Markets Department in the Internal Audit Division to serve as the Group Employee Complaints Ombudsman. The Head of the Resources Division and the Employee Complaints Ombudsman are responsible for providing protection to the employees who have complained in order to ensure that their rights are not violated as a result of the filing of the complaint. A few ethics-related inquiries were received by the ethics entities in 2021. These inquiries were checked by the internal audit function, and lessons were drawn

**A few ethics-related inquiries were received by the ethics entities in 2021. These inquiries were checked by the internal audit function, lessons were drawn and disciplinary proceedings were instigated against the relevant employees in connection therewith, where the instigation of such proceedings was required.**

and disciplinary proceedings were instigated against the relevant employees in connection therewith, where the instigation of such proceedings was required. In respect of one event, in connection with which there was a suspected embezzlement in one of the Bank's branches, the Group ensured that no damage was caused to customers, and the event was reported to the Bank of Israel, in accordance with the provisions of Proper Conduct of Banking Business Directives 351. The report pertaining to the audit of the event was distributed, and a report summarizing the lessons that were drawn is currently being prepared.





The FIBI Group recognizes the importance of upholding integrity and preventing corruption in the diverse banking activities of the various banks in the Group, from the Board of Directors and management through to the employees. Accordingly, the Group acts to advance mechanisms and work processes for preventing such incidents through risk assessment processes, to control and handle them when necessary, so that these areas are fully covered.

## Compliance with the provisions of the law

Since the FIBI Group is part of the Israeli banking system, it is subject to an extensive legislative and regulatory system that regulates the banking sector. This system forms the main legal basis for the Group's activity. The main particular laws governing the Group's activity are the Banking Ordinance, the Bank of Israel Law, banking laws on licensing and customer service, and more. Pursuant to these laws, the Group's banks are subject to the supervision of the Bank of Israel, specifically that of the Governor of the Bank of Israel and the Banking Supervision Department and to all the provisions, rules, guidelines, and directives promulgated under their authority.

In addition to the banking legislation, our activity is subject to additional legislative systems that regulate the Group's activity in various fields, such as: By virtue of being a publicly traded company, our capital market activity, and mortgages, etc. In these fields as well, the Group is subject not only to legislation, but also to provisions, rules, and guidelines of the authorized government regulators and other entities, including the Israel Securities Authority, the Israel Tax Authority, the Commissioner of the Capital Markets, Insurance and Savings at the Ministry of Finance, the Tel Aviv Stock Exchange, the FATCA and CRS directives, and the directives of the Israel Competition Authority and of the Privacy Protection Authority. Additional laws on special matters impose specific obligations and provisions on the entire banking system, for example, prohibition of money laundering and the financing of terrorism laws, the Credit Information Service Law, privacy protection legislation department, and more.

The Group's compliance function - headed by the Group's Chief Compliance Officer (to whom the compliance officers at the branches report) - is in charge of ensuring the implementation of legal provisions, including with regard to bank-customer relations, is responsible for ensuring the implementation of legislation related to money laundering and terror funding and cross-boarder risks, manages internal enforcement of securities laws and economic competition laws, is responsible for the Code of Ethics, fair banking business conduct with customers, serves as the responsible officer for the FATCA and CRS provisions (identification and reporting on nonresident customers for foreign taxation purposes), and the declared money policy (the objective of which is to address risks derived from the possibility that money deposited in the bank originates from evasion of taxes in the source country), the QI agreement, and is also responsible for privacy protection. The Group's compliance function officer at each bank in the Group participates in drawing up work procedures by approving procedures and circulars, developing new products, systems and processes, and advising on aspects of proper disclosure, proper business conduct, money laundering prohibition and the financing of terrorism, etc. In addition, the Group assumes a conservative policy of low risk with regard to entering into agreements and legal commitments, and conducts its business with customers by proper banking business conduct, using adequate legal advice, while scrupulously complying with any legal provision and regulation and the restrictions and duties derived thereof. Furthermore, the Group has a strict policy toward the Group's managers and employees in all matters pertaining to administrative or criminal violation of the provisions of the law that apply to the Group's activities.

All employees of the FIBI Group, both clerks and managers, at the branches and at headquarters, have free and direct access to the Chief Compliance Officer and/or a representative thereof at the various units of the Compliance Department, in order to obtain expert advice and/or report flaws discovered in aspects of compliance.

Inquiries are made directly by telephone, email, through designated systems, or at various forums concerned with banking issues. Furthermore, FIBI Group employees undergo training on issues of compliance through a range of online tutorials on various topics; tutorials are assigned to Group employees in accordance with their role and areas of responsibility.

In 2021, the banking system returned to normal activity after dealing with the health, civic and economic challenges brought upon as a result of the Covid-19 crisis. As part of the return to normal activity, certain regulatory expedients, which were published during the crisis by the Banking Supervision Department, were terminated, and extensive changes were made to various areas of regulations, alongside enforcement and regulation processes. However, the risk environment has changed in view of the Covid-19 crisis, and in particular in view of the limited access customers had to the Bank's branches during the crisis, and the increased use of various digital means. Thus, during the year there was an increase in cyber fraud, money laundering through digital means and more. As part of our efforts to comply with the provisions of the law, in 2021 we commenced conducting a compliance infrastructure survey. The survey reviews the completeness of the relevant directives and risks, ensures that the directives are properly allocated to the relevant organs or employees, checks the risk level of the directives, and ensures that sufficient infrastructures are in place regarding directives defined as carrying high risk. It is expected that the survey will be completed during 2022. Furthermore, the Bank implemented improvements and changes to existing online compliance tutorials, while constantly checking the need to introduce further training, and expand the groups that are required to participate in such tutorials.

In 2021, a forum was held twice that was attended by compliance risk managers, who are not part of the compliance function; the forum, to which the compliance function is responsible, was led by the head of the Risk Management Division. This forum constitutes a significant meeting between the Group's compliance function and the second line of defense, whose purpose is to deal with compliance risks - the compliance risk managers in the Risk Management Division, the legal department and the Chief Accountant Division. The forum aims strengthen work relations between the compliance function and the compliance risk managers, who are not part of the compliance function, and who are part of the second line of defense.

## Upholding Integrity

The FIBI Group recognizes the importance of upholding integrity and preventing corruption in the diverse banking activities of the various banks in the Group, from the Board of Directors and management through to the employees. Accordingly, the Group acts to advance mechanisms and work processes for preventing such incidents through risk assessment processes, to oversee and handle them when necessary, so as to ensure that these areas are fully and thoroughly covered. These mechanisms are similar in nature to the Group's general risk management mechanisms; they include a first line of defense that includes each Group employee and manager, a second line of defense that is managed by the Risk Management Division, and a third line of defense, which is managed by the Group's internal audit function.

The Group's employees are regarded as public officials for purposes of accepting gifts; the provisions of the criminal code forbidding acceptance of a bribe apply to them. Gifts and discounts beyond the reasonable discounts given by a customer or supplier are therefore liable to be considered a forbidden benefit, with all the relevant implications. As part of each Group employee and manager's commitment to uphold integrity, they are required to acquaint themselves with the

legal provisions that are relevant to their roles and which pertain to integrity, and must comply with those provisions. In that context, we hold training sessions on integrity to our employees and managers.

The Risk Management Division regularly acts to improve the management and prevention of risks associated with integrity and conduct which do not meet the requirements of the FIBI Group's procedures. Before promoting any employee to a first managerial position, to the next managerial rank or to any position, or to a new managerial position (in the same rank) or to the position of a branch manager, the relevant Human Resources Division employee asks for a "no objection" from the Chief Compliance Officer at the Risk Management Division and from the Internal Auditing Unit. This process is carried out in order to verify that there have been no incidents involving the candidate in respect of which his/her promotion should be prevented.

The audits conducted by the FIBI Group's internal audit function also examine exposure to risks of embezzlement and fraud. The internal audit work plan is based on a systematic methodology of assessing various types of risk, including embezzlement and fraud. The internal audit unit reviews the information that it receives regarding suspected embezzlement and fraud, and other ethical integrity incidents, as part of the audits conducted as aforesaid, and through complaints that reach the internal Employee Complaints Ombudsman. If necessary, an audit report is written, which is sent to the management of the relevant bank for the purpose of taking corrective action against those responsible and the incident is reported to the board of directors' Audit Committee. The audit reports are reviewed by a dedicated committee led by the Head of the Resources Division, with the participation of other members of management and senior executives; the committee recommends disciplinary actions against employees who were found to be responsible for the audit report on the subject.

## Preventing Conflicts of Interest:

A key risk of undermining integrity might arise from a conflict of interests. To address this risk, the FIBI Group applies a procedure for preventing conflicts of interest, which specifies what is permitted and what is forbidden in relationships with customers and suppliers. This is a mandatory procedure, applicable to all employees of the Group. The procedure was revised during 2021, and a refresher memo about the new procedure was distributed among all Bank employees. According to the procedure, Bank employees should generally avoid from executing private transactions with the Bank's customers/suppliers, unless such a transaction is executed under certain conditions and was reported. The First International Bank's Ethics Committee discusses exceptional requests, to the extent that they arise, examines them, and approves them as far as possible. The Group places emphasis on accounts of relatives, these are accounts that are defined as such because their owners are related to an employee of the Group and managing them may raise concerns of conflict of interest. Each relevant employee is responsible for declaring and reporting, in the system that was specifically established for this issue, regarding the existence or non-existence of accounts kept by their relatives at the bank at which they work. The Bank invests many resources in ensuring that the Bank's employees are aware that they are forbidden to manage and/or authorize transactions in accounts reported as belonging to their relatives. Furthermore, special procedures and arrangements have been established regarding the prevention of conflicts of interest of officers, which include specific rules regarding the disclosure of related parties and the way the Bank handles this matter.



# Fairness

## Fairness of Products and Services

Out of the belief in the importance of establishing long-term relationships with its customers and regarding the customers' best interests as an integral part of its business considerations, the FIBI Group regards treating its customers fairly as a paramount organizational value. The Group takes care to act fairly and transparently in all the banking products and services it offers.

The FIBI Group is subject to a series of laws and regulations related to the provision of banking services and products (such as: prohibition of deception or taking advantage of distress, making service conditional on another service, the duty of care, fiduciary duty, duty of secrecy, and duty to act in good faith) and various obligations, such as proper disclosure, registration processes, and revocation of liens. The products and services offered by the FIBI Group are planned, developed and offered to customers out of a constant awareness of the duty of compliance and all laws and regulations applicable to the Group. The FIBI Group uses dedicated control mechanisms, which are also subject to control and auditing. The primary mechanism among them is the compliance function, whose role is to ensure that the FIBI Group banks implement the legal provisions which govern them, to conduct an ongoing assessment of the effectiveness of control mechanisms against compliance by the various units in the banks and to prepare for new laws and regulations relevant to the Bank.

In this context, before launching a new financial product or service, an orderly process takes place in which the new product or service is thoroughly tested by parties in the business units, legal department, operational risk management unit, and the compliance officer to ensure that the new product or service meets, first and foremost, legal and regulatory requirements, and that it contains no aspects that deviate from the ethical and fairness principles to which the Group adheres:

The FIBI Group ensures proper disclosure and provides its customers with any information that may be relevant to their case, with the aim of helping them make more informed and better- balanced financial decisions. In addition, the FIBI Group makes sure that the banks' websites feature the Group's Code of Ethics, the price list for products and services, and more.

- The Group works with its customers to ensure compliance with the legal provisions applicable to the FIBI Group. Alongside the obligation to comply with the provisions of the law, the FIBI Group regards compliance with the law as a means to promote the welfare and satisfaction of its customers.
- Each of the banks in the Group notifies its customers about everything related to their assets and liabilities toward that bank in each of the accounts managed with that bank.
- When FIBI Group representatives introduce customers to the range of solutions and products relevant to them, the value proposition includes clear information about the various options available to customers and the pros and cons of the products and services according to the customers' profile and preferences.

In its relations with its customers, the Group takes care to provide full information and comprehensive explanations, and to correct and improve, whenever necessary, deficiencies identified in its products and services. (from the First International Bank's Code of Ethics).

To assimilate the values of fairness and transparency by all employees of the FIBI Group, dedicated training content on the FIBI Group's Code of Ethics is implemented, and tools are provided for coping with ethical dilemmas. Furthermore, this topic was integrated into the checks conducted by the internal audit function. Thus, during the course of 2021, the internal audit function conducted checks pertaining to fairness and the manner of disclosing information to customers.

## Instilling Proper and Fair Business Principles and Values Across All of the Group's Banking Endeavors

Conduct risk arises from non-transparent and unfair conduct or lack of proper disclosure by bankers and Bank employees towards the customers, investors, suppliers and employees (hereinafter - the "Stakeholders") of these corporations. Conduct risk is a cross-organizational risk that derives its normative framework from the entire set of regulations applicable to the FIBI Group and which is based on fundamental values of fairness and transparency, that are reflected in the FIBI Group's ongoing conduct and Code of Ethics. In recent decades, the global banking industry has undergone several significant crises. An analysis of these crises shows that one of the main factors in the occurrence and intensity of these crises was conduct risk.

Conduct risk is one component of the overall risk management approach. This approach guides the FIBI Group, under the leadership of its managing bodies, to instill and assimilate proper and fair business principles and values across all its banking activities. Risk management in the FIBI Group, and conduct risk management in particular, affect the way the FIBI Group develops and offers products while ensuring proper disclosure to customers as well as to other stakeholders. Its high awareness to conduct risk leads the FIBI Group to transparently present the risk components inherent in its financial products and to develop solutions tailored to customers' needs and changing market needs. As a leading banking group with a diverse customer base, the FIBI Group makes sure to provide a solution to each and every customer in a professional, caring and responsible manner. For every complaint, the Group conducts an in-depth inquiry, according to well-defined procedures, with an emphasis on fairness and objectivity. Where required and depending on the circumstances, in certain cases, the Group provides a response beyond the strict letter of the law.

## Fairness in Investment Consulting

The approach of the FIBI Group to investment advisory services places the benefit of the customers and their financial future as primary goals. The FIBI Group's investment consulting is tailored to the characteristics and needs of its customers. Investment consulting in the FIBI Group, which has a wide range of customers, is based on an orderly methodology developed by the Group. The methodology involves adapting defined milestones for investment consulting and adaptation of the risk level to the needs and personal characteristics of each customer. Alongside the value that the FIBI Group sees in meeting the needs and personal preferences of each customer, the Group regards as no less important instilling financial understanding in its customers that will allow them to make smart investment decisions, with a sense of confidence. The advisory process is carried out in full transparency with the customers, and in compliance with relevant regulation, including avoidance of conflicts of interest.

## Fairness in Marketing, Advertising and Sales

As a direct derivative of the Group's professional liability and its obligation to comply with the law, the FIBI Group adheres to proper disclosure practices, responsible marketing and compliance with

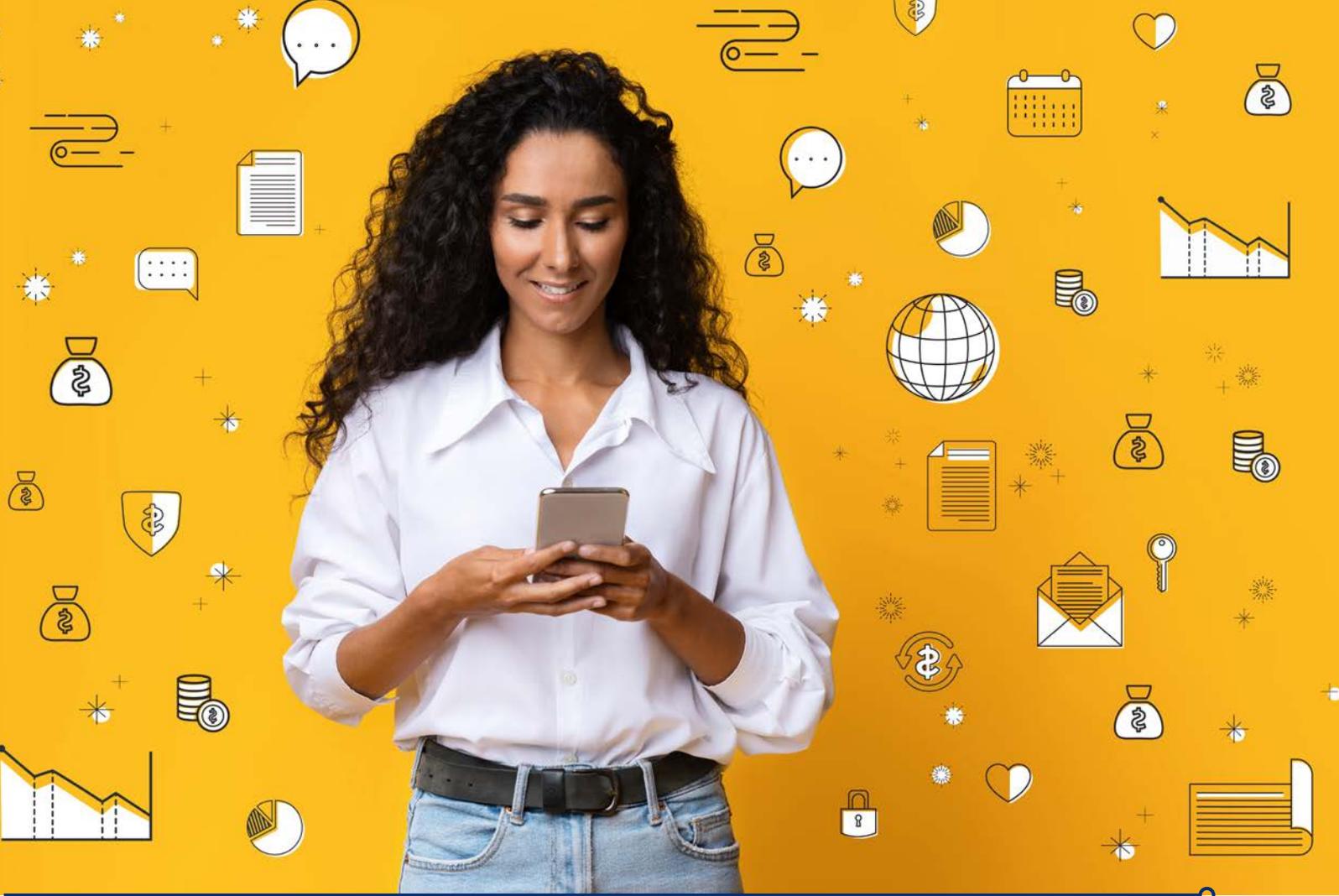
accepted ethical principles. The FIBI Group believes that the key to forging long-term relationships with customers is to provide professional, fair, courteous, and efficient service, while exercising constant control, such that customers of the different banks in the FIBI Group receives added value from the products and services offered by the Group.

To ensure that all marketing and advertising messages issued on behalf of the FIBI Group meet the requirements of the law and are free of any semblance of unfairness, and out of a desire to manage and maintain the positive brand image and reputation of the FIBI Group, the Group takes extra precautions when launching a marketing campaign, applying several layers of screening and control. The advertising policy is set by the management of each bank in the Group, in line with its business strategy, paying close and constant attention to the characteristics of the bank and target audience. In addition, if the need arises, the Group consults external specialists and consultants.

All content published by the FIBI Group (the Bank's website, marketing brochures, banners, ads, etc.) undergo an orderly approval process by the legal department and compliance officer in each bank in the Group. The banks in the Group ensure that their publications are clear and understandable and include all the fine print of which the customers should be aware. As befits a banking FIBI Group well known for its compliance with the law and fairness towards its customers, in 2021 too, no fines or other sanctions were imposed on the Group for non-compliance with marketing and marketing communications laws and regulations.

In order to ensure that the design of the messages included in the publications is direct and to avoid a situation whereby the design diverts customers' attention from the information that is material to them or misleads them, the Group's publications are issued in accordance with clear rules defined in the Bank's style guide by an external company that specializes in this field. The brand rules were designed with the view to ensure that the publications are clear and visually agreeable; publications are shown with a white background, and there is a clear distinction between the text and various other elements. The text in the various publications is worded after consulting an external expert in the relevant area, and subject to the Group's compliance officer's ensuring that the wording is clear.





## Innovation

### Product and Service Innovation

The past decade brought extensive technological changes to the banking sector, including the launching of new channels of communication with customers, automation of processes, and information management technologies. FIBI Group plays a significant role in this trend. The Group's strategic plan includes the development of innovation across the entire Group, and the integration of innovative technological services and capabilities in accordance with the specific needs of the Group's customers. The FIBI Group invests substantial resources in leveraging the possibilities inherent in developing technologies. We believe that the technological developments in the financial sector offer us an opportunity to adapt services and empower customers.

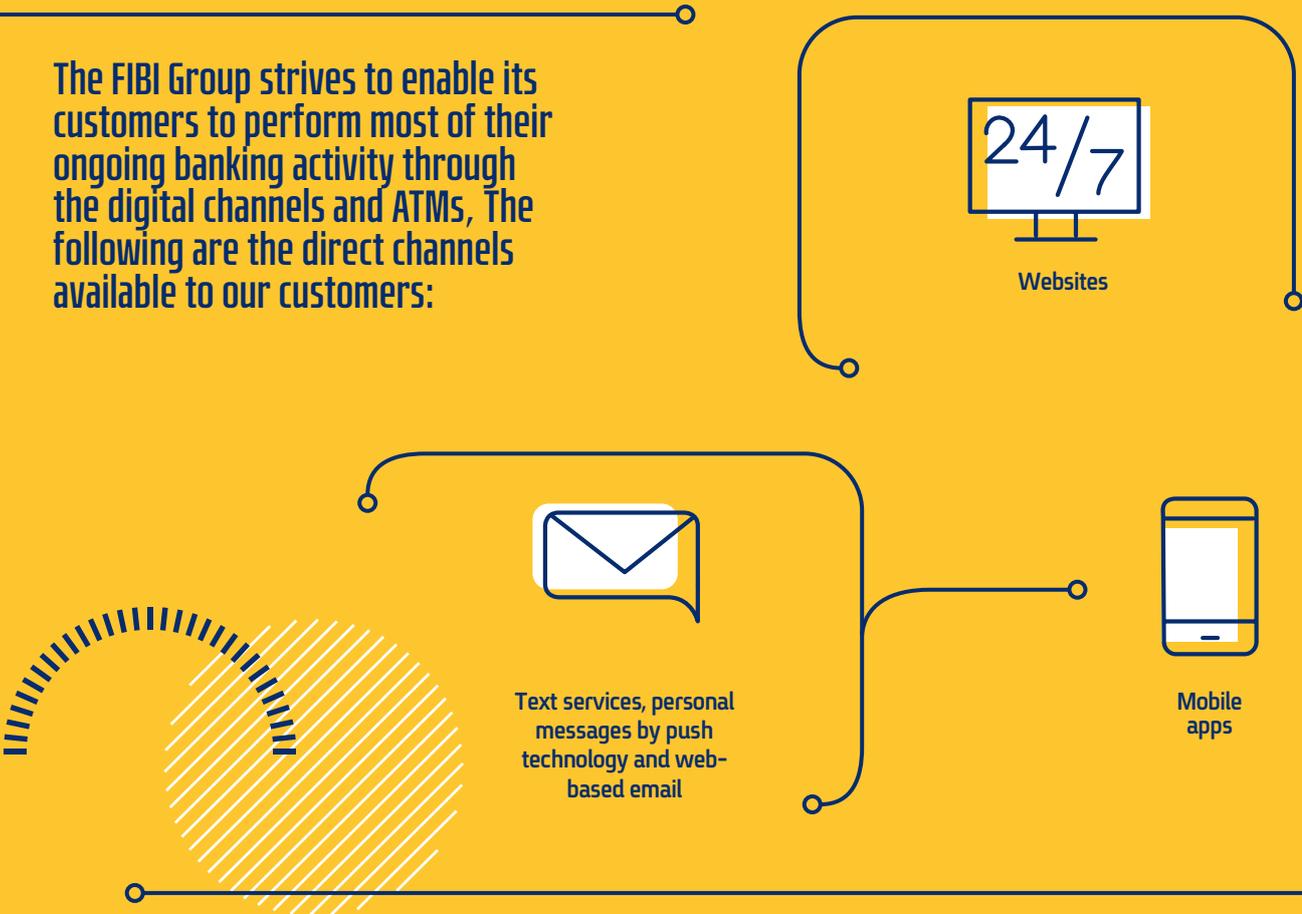
Innovation at the Group is focused on creating value for the Group's customers. To achieve this, the Group conducted a comprehensive process of mapping available technological options to empower customers and provide a high-quality response to their needs; in addition, it defined focal points for investing in technological developments. Among other things, these focal points include improving the customer experience and dialogue with customers, capital market products and consulting services, tailoring services to the unique needs of customers, and world-class information security.

To meet its strategic objectives in innovation, the Group takes a two-pronged approach. On the one hand, the FIBI Group develops in-house advanced technologies and IT infrastructures for high-quality digital banking services. On the other hand, the Group works to identify innovative and relevant technologies outside the

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organization - in technology companies - and facilitates strategic collaborations with various FinTech companies. Through these collaborations, the Group also contributes to the development of the local high-tech industry, the main driver of the Israeli economy. Among the FinTech companies with which the Group cooperates are Fininvest, Scanovate, Levent, Transmit Security and Personetics. One of the focal points in the Group's innovation endeavors is to boost the availability of digital banking services, in order to enable customers to carry out transactions and manage their financial lives quickly and efficiently, anytime, anywhere, without needing to physically reach branches.

The FIBI Group strives to enable its customers to perform most of their ongoing banking activity through the digital channels and ATMs, The following are the direct channels available to our customers:



Each of the FIBI Group banks or brand names has its own application, in which a wide range of banking transactions can be performed, in addition to viewing the customer's personal financial information. Transactions that can be performed through the apps include: depositing a check, ordering checkbooks, paying bills, viewing comparative information and advanced information analyses, locating branches, making deposits, credit card transactions, standing orders, withdrawal from daily deposit accounts, bank transfers, deposits, loans, mortgage applications, forex and securities trading, and more. The transactions that can be performed in the apps can also be performed on the FIBI Group's banking websites.

While continuing to develop digital services, the Group maintains a high level of service and human response. The banks' branches have service representatives in place, as needed, who explain to customers how to use self-service machines and train customers on using the tools on the banks' websites and applications. The representatives are allocated to various branches according to the needs, as communicated by the branches and customers, especially in cases where there are changes in the services provided by the branches. Customers who fail to execute an online transaction (a transfer, loan, checkbook order, etc.) are invited to chat with, or write to, a banker, who will then get back to them.

### Activity in 2021:

#### First International Bank

In 2021, the world moved from dealing with the coronavirus crisis to a new normal that combines traditional work practices and advanced digital tools used for working remotely. Covid-19

accelerated a new culture of adopting and applying technologies, making ??? an essential and integral part of routine work processes; at the same time, many people still prefer human interaction when consuming banking services. Accordingly, FIBI moves towards banking that allows the use of advanced digital tools for executing banking transactions, whilst at the same time retaining physical services provided to customers in branches.

Thanks to the extensive investment in innovation in recent years, the FIBI Group is well prepared for the shift in customer preferences and the accelerated adoption of digital tools. The accelerated increase in the use of digital services following the Covid-19 pandemic continued in 2021, with the adoption of digital tools reaching record highs. For example, in 2021 more than 80% of banking transactions, and more than 90% of money transfers were executed through the Bank's website and app.

During the Covid-19 crisis as well, the Bank continued to expand the digital services offered to its diverse customers. In this context, additional innovative capabilities were implemented in existing services, interfaces in existing services were improved, and new, additional digital services were launched:

- The launch of FIBI Pay - the digital wallet in the Bank's app, that allows customers paying using their mobile phone. The service supports both Apple Pay and Google Pay's digital wallets.
- The launch and activation of "FIBI WISE" that allows customers to receive digital retirement consulting.
- Expansion of the MultiBank service that allows aggregation of the Group's accounts as part of the open banking reform, which aims, among other things, to allow multi-bank aggregation, including current account data (and later also other data) of other banks.



**FIBI PAY - a digital wallet in the Bank's app**



**Beinleumi Call - a call center available on flexible hours**



Correspondence with the banks - a digital correspondence service with a banker through the banks' websites and apps, in which customers can receive information and send instructions for carrying out transactions anytime, anywhere and without the need to visit their branch or wait for a call center representative.



**ATMs/check deposit kiosks/cash deposit kiosks/self-service information terminals**



**Automated response via chat services**

- Extending the option to open a bank account online using face recognition technology to shared accounts. This service increases the accessibility of the Bank's services for those who wish not to arrive at branches, such as the disabled, people living in the periphery and young persons.
- Launching a range of digital services that make banking services accessible and arriving at branches unnecessary. The services that were launched include: Allowing installments as part of transfers from one NIS account to another, swift digital approval of loans for SMEs, opening an online account using advanced authentication technologies, switching banks via the Bank's website and app, joining a digital investment consultancy service, visual monitoring of foreign currency transfers and more.
- Integrating a chatbot into the Bank's website and app, and upgrading the capital market website, and the capital market feature in the Bank's mobile app.

#### Bank Massad

In 2021, there was a significant increase in the number of customers using the direct channels, due to Bank Massad's focus on digital services on the one hand and Covid-19 on the other. Over the year, Bank Massad continued to increase activity in the direct channels, and to assimilate the Group's advanced technological solutions in its app.

Over the year, customers were contacted directly to increase their awareness of the new services and to encourage populations that had found it difficult to use the newly developed platforms to try and to benefit from them. Furthermore, in September the bank launched a system for switching banks, in order to encourage open banking and a switch with a click.

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## Privacy and Information Security

The FIBI Group attaches great importance to safeguarding its customers' information, and implements a clear information security and cybersecurity policy that is approved by management and the boards of directors of the various banks and companies of the FIBI Group. The Group's information security and IT policy reflect management's commitment to information security, and to the availability, secrecy, integrity and reliability of the information assets and system of the Group and its customers, while safeguarding customer privacy, banking secrecy and robustness, as well as functional continuity. In this field, the Group complies with strict regulatory requirements for information security, issued by the Bank of Israel (Directives 357, 362, 361, 363, 367, and 368) and other relevant authorities, including international entities, the Privacy Protection Law and its related regulations, and Regulations for Cyber Risk Management at Institutional Entities of the Commissioner of the Capital Market. The Group's IT function is ISO 27017, ISO 27001 and ISO 27032-certified in information security and cybersecurity, requirements which are mostly included in mandatory regulations.

Accelerated technological development both poses challenges to the Group and provides it with opportunities. Cyber attacks, which are increasing worldwide, especially in the financial sector, are posing more sophisticated threats of increasing magnitude and frequency. This fact requires the Group to take action to ensure banking stability and protect its customers. At the same time, digitization enables the FIBI Group to become more efficient and deploy stronger defenses against cyber attacks. In order to ensure that the most up-to-date security methods are applied, the Group cooperates with the stakeholders relevant to this sphere, is updated on a regular basis and informed of all technological innovations in this domain both in Israel and around the world. In addition,

**In order to make sure that the most up-to-date security methods are applied, the Group cooperates with the stakeholders relevant to this sphere. In addition, in order to be at the forefront of technological developments in this field, First International Bank operates a cybersecurity incubator for start-ups engaged in boosting cybersecurity capabilities.**

in order to be at the forefront of technological developments in this field, First International Bank has been operating, for the past five years, a cybersecurity incubator for start-ups engaged in boosting cybersecurity capabilities. The incubator is located at MATAF, the FIBI Group's IT arm, in an effort to identify cybersecurity technologies and integrate them into the Group's systems.

Policy implementation combines a proactive strategy to safeguard information, defend IT infrastructures, and protect the Bank's online presence. The Bank's Information Security and Cybersecurity Manager is responsible for implementing the policy, issuing instructions, requirements and procedures to the various units, including the Development Unit and the Computer Infrastructure Operations Unit, with control over the periodic performance and reporting to the managements and Boards of Directors of the Group's banks.

The strategy is applied through a supportive organizational structure that includes the Information Security and Cybersecurity Defense Unit and the IT Department. The Information Security and Cybersecurity Unit's duties include coordination, instruction, enforcement, supervision, and reporting on these matters in cooperation with the relevant business and operations units. The IT Department installs and operates defensive lines and technological tools for preventing and monitoring information security incidents in real time and providing a response to information security incidents through the cyber defense center.

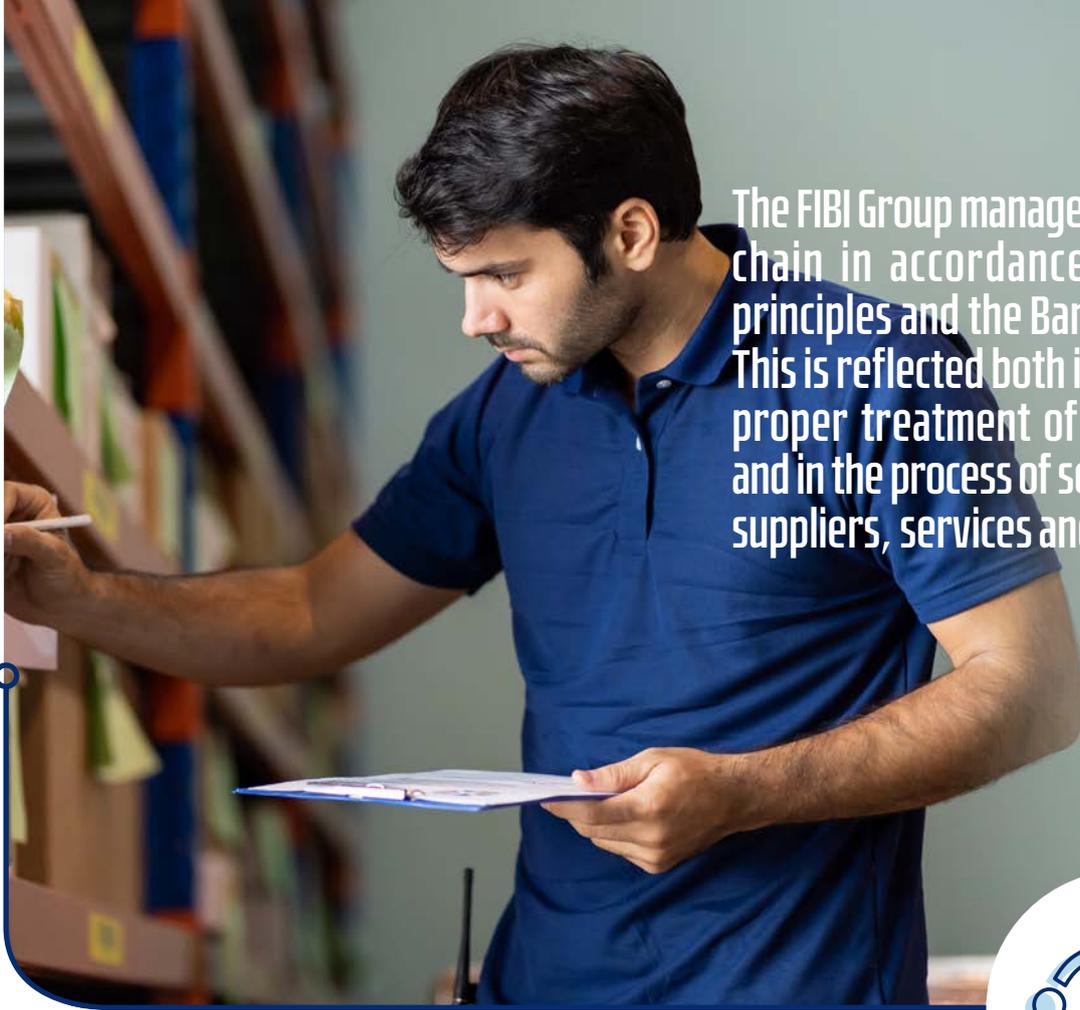
In this framework, the overall risks are mapped, reviewed, analyzed, managed and evaluated, including processing of intelligence and implementation of processes and technologies to hedge and mitigate risk and detect unusual access attempts. The Group also attaches great importance to training people through a Group-wide effort to increase the employees' and suppliers' awareness, involvement, and commitment by way of tutorials, training seminars, and exercises. The employees' training is adapted to their various roles and is especially targeted at populations characterized by higher exposure to cyber security risk.

To validate its level of information security and cybersecurity defense mechanisms, the Group conducts regular drills and tests designed to test the level of defense for the existing systems and thorough tests before activating new services. These drills test the technological and human aspects of defense. Realistic drills are conducted, as well as simulation drills based on actual incidents that occurred in various organizations in Israel and elsewhere.

According to the Group's lawful disclosure requirements, the Group and its employees are bound by secrecy and the duty to safeguard the customers' privacy, whether they be individuals or corporations. The details and data about the customers and others related to the account (whether given by them or obtained through other sources), including account information and balances, are stored in whole or in part in the Bank's databases or of anyone acting on its behalf, or by other entities engaged in information processing for the Bank or providing other services to the Bank, in relation to the existence or management of the account. The stored information serves the Group for decision making purposes on relations with the account holders and/or others related to the account and for providing various banking services.

The Group does not provide the information in its possession to others unless providing the information is mandatory under law and/or required in order to uphold a vital public interest or if the customer has agreed to have his information provided to another entity.





The FIBI Group manages its supply chain in accordance with ESG principles and the Bank's values. This is reflected both in a fair and proper treatment of suppliers, and in the process of selecting the suppliers, services and products.



## Responsible supply chain

The FIBI Group manages its supply chain in accordance with ESG principles and the Bank's values. This is reflected both in a fair and proper treatment of suppliers, and in the process of selecting the suppliers, services and products. The FIBI Group maintains long-term, fair and responsible relationships with suppliers and service providers with which the Group works, and expects the highest administrative and social standards to be met on the part of suppliers.

The Group operates in accordance with a sustainable procurement policy. The policy sets out the principles for carrying out responsible procurement, managing procurement processes, and maintaining mutually beneficial and long-term relationships between the Bank and its suppliers. In addition, the policy stipulates that ESG considerations must be part of procurement processes and the selection of suppliers, in line with the Group's material issues. The Group takes care to work with suppliers and service providers that act responsibly, and with which it can cooperate in such a way as to create added value for the Israeli economy. When contracting suppliers, we take into account service quality considerations and compliance with quality and reliability standards, experience, meeting the requirements, and quality of the service or product, in addition to cost considerations. In addition, the Group takes into account certain social considerations in assessing the conduct of suppliers (such as compliance with legal requirements, fair tax payment and proper terms of employment); these considerations help to guide the selection of the most appropriate suppliers for the Group. The procurement process at the FIBI Group is transparent, and includes notifying the suppliers and bidders about the Group's practices vis-a-vis suppliers. Procurement is based on principles

of fairness, integrity, upholding employees' rights, and reciprocity.

The Group strives to create reliable, long-term relationships with suppliers, based on our belief that true partnerships provide business value to both parties in the long term. Such relationships are achieved by behaving responsibly and considerately and practicing true give and take with our suppliers, as well as maintaining an ongoing dialogue between the Group and the suppliers through various channels.

All of the FIBI Group's procurement activities are managed by the Group's Procurement Department, which is responsible for all procurement and the Group banks' interfaces with suppliers and bidders, in accordance with the Group's procurement procedure.

Before signing any contract, the Group's Procurement Department conducts a thorough review of the market and relevant suppliers. The aim of this review is to allow the FIBI Group to select the most suitable suppliers. To be entered in the Group's procurement systems and to begin working with the Bank, each new supplier must submit, inter alia, a declaration in which it undertakes not to accept any undue benefits and a CPA's approval that all its employees are paid salaries and given social benefits according to law, in addition to other certifications concerning prevention of sexual harassment, maintenance of security and safety, keeping secrecy, promotion of equal opportunity, environmental protection and the use of environmentally friendly materials.

As part of the Bank's policy to encourage competition and efficiency, the maximum term of a contract with any supplier is limited to 7 consecutive years or 7 non-consecutive years within a period of

10 years, except for extraordinary cases defined in the Group's contract procedure. This procedure encourages new suppliers to enter the market, accumulate unique experience in working with the banking sectors, thus supporting their ability to grow. In addition, the Group takes care to continually add new suppliers and service providers to its roster, which we consider to be a mutual opportunity that allows the Group to learn about new products, services, and ideas, and, of course, to be exposed to new work methods.

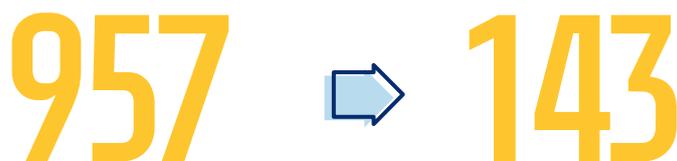
As part of its activity, the FIBI Group arranges the payment schedules with suppliers upon first contracting them. This agreement is based on the FIBI Group's awareness of the financial capabilities of small suppliers with limited credit capacity. Thus, the Bank tries to transfer payments to suppliers as soon as possible from the time of receipt of a payment demand; and indeed, more than 50% of the payments to suppliers are made within no more than 15 days from the invoice issuance date. Furthermore, the FIBI Group shows empathy and support for suppliers in times of crisis, while exercising judgment.



In 2021, the Group worked with 2,454 suppliers.

(approximately 9.3%) of the suppliers with which the Bank worked in 2021 were new suppliers with which the Bank had not worked before.

The Group's portfolio of suppliers allows it to contribute to the development and activity of the Israeli economy. The Group maximizes its purchase locally-sourced goods and services; therefore, this year too, most suppliers (97%) were Israeli.

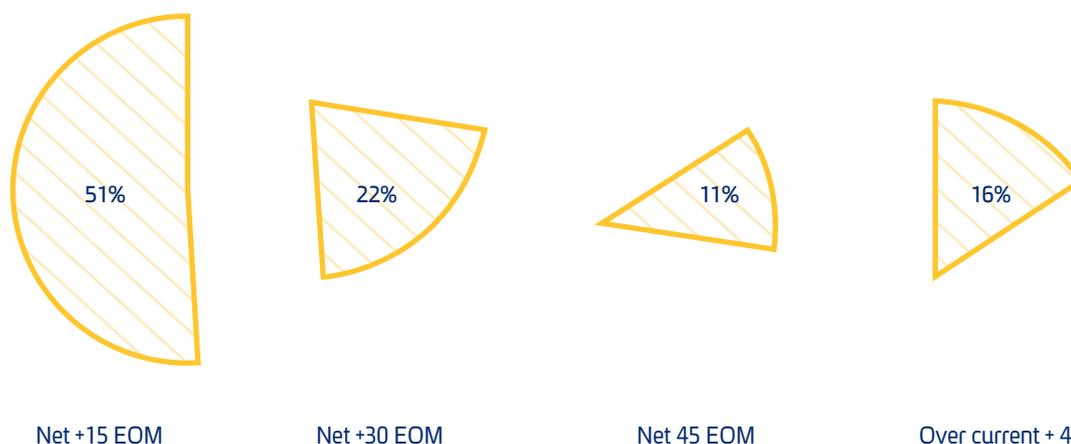


Furthermore, as part of the Bank's efforts to boost the small business sector, 957 suppliers (39%) were small suppliers.

Of the new suppliers with which the Bank began working in 2021, 143 (62%) were small suppliers.

In certain areas, such as gifts to employees and customers, the Group gives preference to socially-oriented suppliers. During the year, the Bank continued to strengthen its collaboration with NGOs employing people with disabilities by placing large orders for employee gifts and for workshops conducted by the Bank.

### Payment of invoices by period (from the invoice issuance date):



## Social procurement

As part of our commitment to social responsibility in the procurement process, we act to increase the volume of procurement from social associations and organizations, and specifically from organizations that employ people who are disabled. Procurement from organizations that employ people who are disabled has a direct and significant effect. Beyond the direct effect of procurement from those organizations, such procurement increases the exposure of Bank employees and their family members to the activity and products of those organizations. We encourage this exposure by communicating the said organizations' activity and products to Group employees. This activity, together with the direct exposure to the said organizations through the consumption of those organizations' products by employees and their family members can potentially have a further social-economic impact. This year, we increased the scope of our procurement from associations and organizations that employ people who are disabled as part of the procurement of our HR function and Banking Division, with an emphasis on gifts to employees and customers.

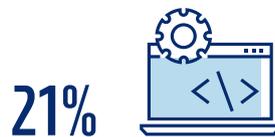
## Profile of the Bank's Suppliers

- In 2021, the Group worked with 2,454 suppliers.
- 228 (approximately 9.3%) of the suppliers with which the Bank worked in 2021 were new suppliers with which the Bank had not worked before.
- The Group's portfolio of suppliers allows it to contribute to the development and activity of the Israeli economy. The Group maximizes its purchase locally-sourced goods and services; this year too, most of the suppliers (97%) were Israeli. Furthermore, as part of the Bank's efforts to boost the small business sector, 957 suppliers (39%) were small suppliers. Of the new suppliers with which the Bank began working in 2021, 143 (62%) were small suppliers.
- In some areas, such as gifts for employees and customers, there is a preference in the Group for socially aware providers. During the year, FIBI continued to strengthen collaborations with non-profit organizations that employ people with disabilities by purchasing from them gifts for employees and for workshops given on behalf of the Bank.
- The Group's procurement function is divided into four main categories: technological procurement, personnel-related procurement, general procurement, and procurement in the construction and real estate domain. In 2021, as in previous years, the main procurement categories (86% of all Group procurement) were:

In 2021, the key procurement groups (86% of the total group procurement) were as follows



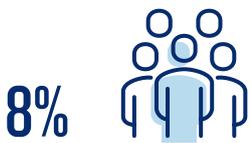
Construction, real estate, building maintenance



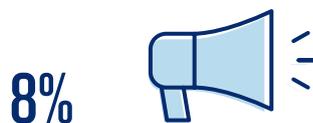
IT, technology and communications infrastructures



Printing, mailing, telephony, office supplies, archiving, and transport



Personnel, training, professional and consultancy services



Advertising and marketing



Legal counsel and banking insurance



Refreshments, travel and board



Other

## Protecting the Rights of Contract Workers

In 2020, the Group contracted with 14 manpower providers in the areas of cleaning, guarding and security (10 cleaning providers and 4 guarding and security providers) who provided a total of 247 workers (this excludes workers employed by the management companies of the properties in which the Group's offices are located). The Bank does not contract with manpower providers in other areas. Manpower providers constitute approximately 0.5% of all active suppliers in the FIBI Group.

Pursuant to the Law Enhancing Enforcement of Labor Laws, 2011, which applies to engagements with contractors for cleaning, security, and catering services, and in view of the Group's principle of fairness and the preservation of workers' rights, the Group has drawn up an enhanced enforcement procedure to regulate the handling of relations with contractors and contract workers. Under this procedure, the Group Procurement Department verifies that relevant contractors employ their employees pursuant to the provisions of the law. The Group Procurement Manager is the person responsible for complying with and instilling the provisions of the procedure, and also serves as the direct contact for contract workers to file complaints and other inquiries on any matter. As every year, in 2021 too, the Bank carried out a periodic inspection of all cleaning and maintenance companies through a certified payroll inspector. Such inspections ensure that the contractors safeguard the rights of their workers, comply with the relevant expansion orders and labor laws, and is carried out, among other things, by sample inspection of pay slips.

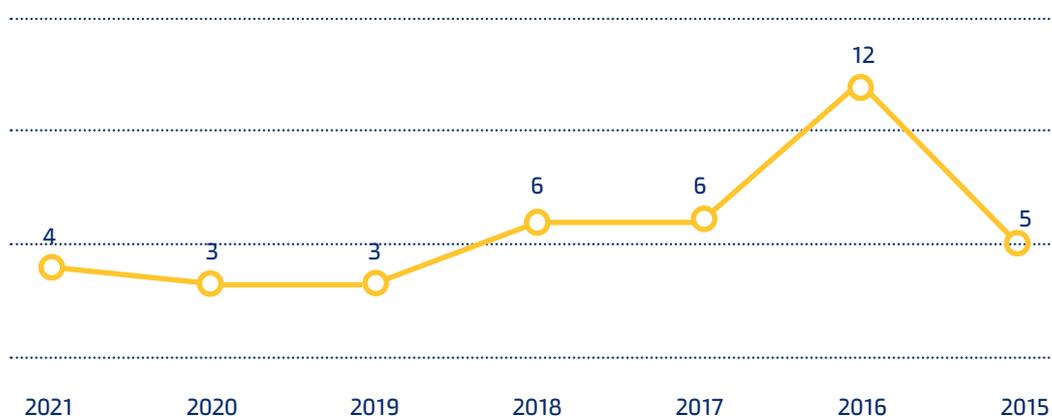
Once a supplier begins working with the FIBI Group, it is required to inform all its employees who work at the Bank's premises about the direct contact details for filing an inquiry or complaint about the terms of their employment. The Procurement Department may be contacted in writing or by telephone. In addition, under the procedure, when a complaint is received by the Group Procurement

**As every year, in 2021 too, the Bank carried out a periodic inspection of all cleaning and maintenance companies through a certified payroll inspector. Such inspections ensure that the contractors safeguard the rights of their workers, comply with the relevant expansion orders and labor laws, and is carried out, among other things, by sample inspection of pay slips.**

Department, the relevant supplier is notified, and the subsequent review and handling of any complaint is carried out according to the timetable set out in the procedure. The Group is legally obligated to document the complaint, examine it thoroughly, contact the contractor in writing, and, of course, respond to the complainant.

During 2021, four complaints were received about the terms of employment of contract workers. All complaints were looked into, and one complaint was found to be justified. The complaints were reviewed with the contractors, and the handling of all the complaints was concluded to the satisfaction of the complainants. Furthermore, currently, there is one pending lawsuit that is being assessed and reviewed.

No. of documented complaints, 2015-2021



# Appendices

## Appendix A - Status of 2021 Objectives by the FIBI Group<sup>35</sup>

### The Environment Managing Environmental Aspects

Objectives	Status
To continue replacing the light fittings in the Group's buildings with economical lighting	Done
To continue replacing old air conditioning units with cost-effective air conditioning systems	Done
To significantly reduce the USE of disposable utensils in the Bank's premises and at Group events	Not performed, due to Covid-19
To replace the infrastructure in toilet cubicles in ORDER to save on water consumption and cleaning products	Executed as part of the transfer of branches and current structural changes
To replace the uninterruptible power supply (UPS units) in the branches of U-Bank	Executed in the U-Bank building

### Company Education and financial advise

Objectives	Status
Continue to support our customers in making informed long-term financial decisions in all the channels available to us, including digital channels reaching a large number of customers.	Done
The FIBI Group will make financial planning services accessible over digital channels, also allowing the use of these services for a wider population.	Done
Make digital retirement consulting service accessible for new clients as well - in accordance with the Regulator's approval.	Pending regulatory approval
Launch of financial planning services and Life Plan for customers.	Financial planning was executed; "Life Plan" will be launched in 2022, due to a delay caused by the design company
Make investment products and other investment areas accessible to customers requiring advice as well as independent customers.	Done

### Adapting the services to the ultra-Orthodox sector

Objectives	Status
Lectures on financial education in the ultra-Orthodox sector	Replaced by alternative initiatives due to the Covid-19 pandemic
Expansion of collaborations with academic institutions	Not performed, due to Covid-19 restrictions
Development of a program for tuition loans for young ultra-Orthodox women in collaboration with educational institutions	Not performed, due to regulatory restrictions

### Adapting the services to the Arab sector

Objectives	Status
Continued expansion of recruitment activities among teachers and teaching staff.	Done
Continued recruitment of health professionals, focusing on nurses, doctors, and pharmacists.	Executed at a limited scope due to Covid-19 restrictions
Expansion of digital marketing and promotional activity on social media in Hebrew.	Done

### Making Services Accessible to People with Disabilities

Objectives	Status
Automatic access to all online mail documents.	Done

35. Following the setting of long-term objectives as part of the Group's ESG policy, which is currently being formulated, and which is expected to be published in 2022, as from that year the Group conducts the activity in this area based on those objectives, rather than on the basis of annual objectives as published so far.

## Adapting the Services to Education and Teaching Staff

Objectives	Status
Intensify activity among teachers at schools and kindergartens and in special education.	Done
Provide banking benefits to spouses and family members of teachers	Done
Enhance collaboration with educational colleges across Israel and provide banking benefits to students studying education.	Done

## Making Services Accessible to Servicemen and Servicewomen

Objectives	Status
Continue to enhance services for members of the security forces and their families.	Done
Reinforcing ties with members of the security forces through dedicated conferences.	Done

## Quality of Service

Objectives	Status
Maintain a high level of service and customer satisfaction, in general and compared with customers of competitors in particular	Done
Prepare service videos to avoid the need to physically attend training in situations such as the Covid-19 period	Done

## Work environment

Objectives	Status
First International Bank	
Upgrading the annual performance review process so as to allow quality, significant and empowering dialogue between the managers and employees	Done
Completing the upgrade of the employee inquiry system with the aim of optimizing and strengthening internal communication	Done
Completing the upgrade process of the Bank's portal in order to strengthen the sense of connection and transparency in the Bank	Done
Upgrading the performance review system	Done
Team building and enrichment activities that promote content in line with the Bank's vision	Done
Expansion of the scope of welfare and team building activities in the FIBI Group	Done
Holding regular meetings between management and employees at round tables.	Done
Implementation of processes to improve internal services within the organization.	Done
Outstanding Employees Recognition ceremony.	Done
Conduct an award ceremony for outstanding and veteran employees.	Done
Conduct a work plan conference for all of the Bank's employees.	Done
Holding team-building trips for employees abroad and in Israel.	Not done due to Covid-19
Massad	
Conduct an award ceremony for outstanding and veteran employees	Done
Conduct a work plan conference for all of the Bank's employees	Done
Holding team-building trips for employees abroad and in Israel	Not done due to Covid-19

## Investing in the Community

Objectives	Status
To continue the We Believe in You community program in collaboration with the association, Matan - Investing in the Community, on the key topics that it supports and with the key associations that the Forum continues to collaborate with, while complying with all the Green Tag regulations.	Done
Development of a new community program for the FIBI Group for the coming years.	Done

## Corporate Governance

### Ethics, regulatory compliance and integrity:

Objectives	Status
Group	
Conducting an infrastructure survey regarding compliance is being conducted, which includes reference to Massad and other subsidiaries	The process started in 2021 and will end in 2022
The race condition system - updating and improving the controls under a changing regulatory environment	Executed on a current basis
First International Bank	
Issuing a refresher memorandum to all employees and managers of the Bank on ethics	Done
Quality service provided by each of the ethics institutions, which includes advice, guidance and direction	Done
Setting up a permanent column on the subject of ethics in the organizational portal for the ongoing availability of information and its assimilation	Done
Massad	
Refreshing the values of the Code of Ethics for all Bank employees through an "Ethics Challenge Quiz"	Done

### Privacy and Information Security:

Objectives	Status
Improve the mechanism for managing complex passwords and password strength on the website and in the app.	Done
Increase & deepen awareness of employees, suppliers & customers through training, drills, conferences & communication.	Done
Expand the system of innovative technological protection continuously by start-up companies or as part of a cyber accelerator.	Done
Implement continuous control over the defense systems by incorporating controls using automated technological means.	Done
Identify, review, and test automation technologies for the testing processes of the open banking services and the API.	Done
Continuation of monitoring and control of systems for cloud solutions to be approved in a work plan as well as entry into cloud-based protection systems.	Transferred to 2022
Assess the expansion of secure remote access solutions to existing equipment environments from unmanaged environments.	Began in 2021 and continues in 2022
Reinforce the identification system for employees and add authorization profiles.	Began in 2021 and continues in 2022
Drill for employees, managers, and managements in significant cyber incidents.	Done

### Product and service innovation:

Objectives	Status
<b>First International Bank</b> Implementation and integration of advanced digital innovation was boosted, and significant collaborations with FinTech and technology companies were expanded for the benefit of all FIBI Group customers.	Done

### Responsible Supply Chain:

Objectives	Status
Expanding purchases from social organizations and associations that employ people with disabilities, by presenting their activities and products in the organizational website for all employees.	Carried out by the Resources Division and Banking Division
Conducting professional conferences for suppliers in accordance with the restrictions and guidelines of the Ministry of Health.	Not performed, due to the Covid-19 Crisis
Boosting relationships with suppliers through personal meetings with them and tours of their businesses, and creating a dialog to understand the changing needs	Partially executed, to the extent possible during the Covid-19 crisis

### Business Continuity:

Objectives	Status
Updating the benchmark scenario document (such as: war, earthquake and pandemic)	Done
Conducting a business impact analysis (BIA) regarding business continuity aspects at MATAF	Done
Conducting business continuity drills in accordance with an established multi-year drill plan.	Drills were conducted. Some according to a different format in view of the Covid-19 crisis.

## Appendix B - GRI Index

For the Materiality Disclosures Service, GRI Services reviewed that the GRI content index is clearly presented and the references for Disclosures 102-40 to 102-49 align with appropriate sections in the body of the report. The service was performed on the Hebrew version of the report.

The GRI's assurance services reviewed the GRI index as part of the Materiality Disclosures service. In this context, it was checked that the index is written correctly and clearly and correctly refers to disclosures 102-40 to 102-49. The review was performed on the Hebrew version of the report.

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	102-48	Restatements of information	15
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	102-51	Date of most recent report	15
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Standard	Disclosure	Description	Page
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GRI 205: Anti-corruption 2016	205-1	Operations assessed for various types of corruption	87-91
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GRI 301: Materials 2016	301-1	The materials used by the company, by weight or volume	30-34
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GRI 302: Energy 2016	302-1	Energy consumption within the organization	27-28
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	302-3	The organization's energy consumption intensity	27-28
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GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its boundary	27
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GRI 305: Emissions 2016	305-1	Direct emissions of greenhouse gases (Scope 1)	29-30
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	305-3	Other indirect (Scope 3) GHG emissions	The disclosure is irrelevant to FIBI's activity
	305-4	The organization's GHG emissions intensity	29-30
	305-5	Reduction of GHG emissions	29-30
	305-6	Emission of ozone-depleting substances	The disclosure is irrelevant to FIBI's activity
GRI 305: Emissions 2016	305-7	Other significant air emissions	The disclosure is irrelevant to FIBI's activity

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GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its boundary	53
	103-2	The management approach and its components	53
	103-3	Development of the management approach	53
GRI 401: Employment 2016	401-1	New employee hires and employee turnover	54-55
	401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	60-62
	401-3	Parental leave	68-69
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its boundary	53
	103-2	The management approach and its components	53
	103-3	Development of the management approach	53
GRI 402: Labor Management Relations 2016	402-1	Minimum notice periods regarding operational changes	62
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its boundary	53
	103-2	The management approach and its components	53
	103-3	Development of the management approach	53
GRI 403: Occupational Health and Safety 2018	403-1	Occupational health and safety management system	61
	403-2	Identifying and managing work-related health and safety risks	61
	403-3	Occupational health services	60-61
	403-4	Worker participation in occupational health and safety	The disclosure is irrelevant to FIBI's activity
	403-5	Worker training on occupational health and safety	The disclosure is irrelevant to FIBI's activity
	403-6	Promotion of worker health	60-61
	403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	The disclosure is irrelevant to FIBI's activity
	403-8	Workers covered by an occupational health and safety management system	60-61
	403-9	Work-related injuries	56
	403-10	Work-related ill health	56
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its boundary	63
	103-2	The management approach and its components	63
	103-3	Development of the management approach	63
GRI 404: Training and Education 2016	404-1	Average hours of training per year per employee	63
	404-2	Programs for upgrading employee skills and transition assistance programs	63
	404-3	Percentage of employees receiving regular performance and career development reviews	59
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its boundary	67
	103-2	The management approach and its components	67
	103-3	Development of the management approach	67
GRI 405: Diversity and Equal Opportunity 2016	405-1	Diversity of governance bodies and employees	67-69
	405-2	Ratio of the basic salary and compensation of women to men	69
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its boundary	67
	103-2	The management approach and its components	67

Standard	Disclosure	Description	Page
GRI 103: Management Approach 2016	103-3	Development of the management approach	67
GRI 406: Non-discrimination 2016	406-1	No. of discrimination incidents and corrective actions taken	67
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its boundary	60
	103-2	The management approach and its components	60
	103-3	Development of the management approach	60
GRI 407: Freedom of Association and Collective Bargaining 2016	407-1	Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	60
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its boundary	70, 40
	103-2	The management approach and its components	70, 40
	103-3	Development of the management approach	70, 40
GRI 413: Local Communities 2016	413-1	Operations with local community engagement, impact assessments, and development programs	70-73
	FS13	Service points for disadvantaged populations by geographical area and type	40-44
	FS14	Initiatives for making financial products more accessible to disadvantaged populations	40-44
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its boundary	70
	103-2	The management approach and its components	70
	103-3	Development of the management approach	70
GRI 415: Public Policy 2016	415-1	Political contributions	70
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its boundary	92-93
	103-2	The management approach and its components	92-93
	103-3	Development of the management approach	92-93
GRI 417: Marketing and Labeling 2016	417-1	Requirements for product and service information and labeling	92-93
	417-2	Incidents of non-compliance concerning product and service information and labeling	92-93
	417-3	Incidents of non-compliance concerning marketing communications	92-93
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its boundary	97
	103-2	The management approach and its components	97
	103-3	Development of the management approach	97
GRI 418: Customer Privacy 2016	418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	97
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its boundary	90-91
	103-2	The management approach and its components	90-91
	103-3	Development of the management approach	90-91
GRI 419: Socioeconomic Compliance 2016	419-1	What is the total monetary value of significant fines? What are the non-monetary sanctions for non-compliance with laws and regulations?	90-91
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its boundary	24, 11
	103-2	The management approach and its components	24, 11
	103-3	Development of the management approach	24, 11
Financial Services Sector Disclosures	FS6	The value of the organization's products/ service portfolio	24, 11
	FS7	Value of products designated for promoting social causes	11
	FS8	Value of products designated for promoting environmental causes	24

החלק הזה מופיע בוורד באנגלית ולא בקובץ pdf של העיברית האם הוא שייך?

## Appendix C - External Quality Assurance Statement

### The FIBI Group, 2021 ESG Report

#### Introduction

Shibolet ESG is a consultancy firm that operates under the subsidiary, Shibolet Consulting Services Ltd. of the Shibolet & Co. law firm. In May 2022, the FIBI Group commissioned the firm to conduct quality assurance for its 2021 ESG Report. It is hereby declared that the company receives payment to cover the time invested in this process. In addition, it is hereby noted that neither the company nor Dr. Liad Ortar (who performed the work), who heads the company, have business relationships with the FIBI Group and that the quality assurance process was independent. During the quality assurance process, the draft report was reviewed, comments were made and the foregoing quality assurance statement was formulated.

#### Methodology

The aim of the quality assurance process for corporate social responsibility reports is, first and foremost, to improve the final reporting product by providing professional feedback. In the process, we examine whether the report is in line with three key principles:

1. Inclusiveness - full coverage of the topics from the reporting process and reporting parties and inclusion of a wide range of stakeholders in the report.
2. Materiality - coverage of the topics material to the company's activity.
3. Responsiveness - reporting on issues raised by stakeholders.

#### Findings

This FIBI Group report is the ninth ESG report to be published and constitutes an integral part of current trend among the entire banking sector in Israel, in accordance with the requirements of the Banking Supervision Department. The report adopts the latest GRI SRS guidelines, while complying with the comprehensive reporting framework.

I hereby declare that the FIBI Group is in compliance with the scope of disclosure and reporting required of it for this level and represents compliance with the three foregoing principles. This, the eighth report, continues to represent a remarkable level of professionalism.

Notes to the report:

- Addressing the material issues - a long list of diverse issues arose as part of the analysis of the issues that are material for reporting. Not all issues are properly addressed in terms of reporting (whether through the GRI guidelines or through other guidelines). It is important to ensure that every material issue is addressed in terms of reporting; it is also recommended that this is reviewed more thoroughly in future reports.
- The Sustainable Development Goals (SDGs) - in the past year, the Central Bureau of Statistics published a comprehensive paper that shows that the State of Israel complied with the 169 targets set by the United Nations, which are included in the 17 ultimate goals. This roadmap should outline the reference to the way corporations conduct themselves; it is recommended that in future reports the way corporations conduct themselves will be specifically referred to, instead of providing a general reference to objectives.

Well done on a good job

Dr. Liad Ortar

CEO of Shibolet ESG



