

2020 The FIBI Group

# Corporate Social Responsibility Report



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# A Word from the Chairman and Chief Executive Officer

## Dear Stakeholders,

The Corporate Social Responsibility Report of the FIBI Group, which is published for the eighth consecutive year, describes the Group's comprehensive commitment to social and environmental values, as part of its business and operational activities.

2020 was characterized by the Covid-19 crisis, which caused immense upheaval and changed life in Israel and the entire world. Covid-19 was an important opportunity to examine how the health systems, the business and finance world, and society as a whole address crises. For the FIBI Group, it was an opportunity to test the reflection of responsibility towards customers, employees, the environment, and the community in which the Bank operates. In this test, the Group demonstrated business continuity, rapid development of a digital service to provide an effective response, and no less important - financial support for customers whose activities were affected by the crisis.

The FIBI Group believes that integrating corporate social responsibility as an essential part of business activity produces business value alongside social value for stakeholders, serving the Bank in navigating its business activity and in supporting its stakeholders during the Covid-19 crisis. In this context, the Bank took steps to assist its private and corporate customers from all sectors, to address the crisis and its difficult financial consequences. The Bank took steps to ensure operational and business continuity, to continue to create value for customers, and to ensure a safe work environment for employees. As a leading bank in Israel, FIBI is committed to providing a high-quality and professional response for its customers, to promote proper financial management of the public, and is committed to acting responsibly and in accordance with sustainable practices, also on the background of the Covid-19 crisis.

In 2020, there has been a significant leap in digital and technological innovation, which the Bank has been developing intensely in recent years, and which is at the forefront of technology, Due to lockdown and social distancing, customers turned to digital channels, significantly increasing their use. The Covid-19 crisis demonstrated that the Group's investment in advanced technological

developments and digital services paid off for customers in the moment of truth. The fact that the Bank's website, as well as the app, provide advanced and innovative services, resulted in high usage rates and reports of high customer satisfaction. At the same time, the Group rapidly and effectively developed a range of other services to provide an appropriate response to its stakeholders. The digital innovation and transformation allowed continuity in the Bank's services, both during lockdown and for customers who sought to maintain social distancing. Thus, the Group could continue to support its stakeholders and address their needs during this challenging period.

Alongside the digital and technological development of banking services, and due to Covid-19 restrictions and social distancing requirements, the Bank continued to provide its customers with personal service. This, with special focus on customers who find it difficult to use digital channels. For this purpose, the Bank provided a range of unique services for these customers, making it easier for them to cope with the crisis.

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 of the Group, with their unique characteristics, make FIBI Group a central entity among the financial corporations contributing to the economic empowerment of diverse populations in Israel. Each brand in the Group knows the unique economic needs of its customers, providing them with competitive value propositions.

As a leading financial institution, the smallest of the five largest banks in Israel, competing with the major banks and serving as a competition generator in Israel, FIBI 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.

Ron Lebkowitz  
Chairperson of the Board



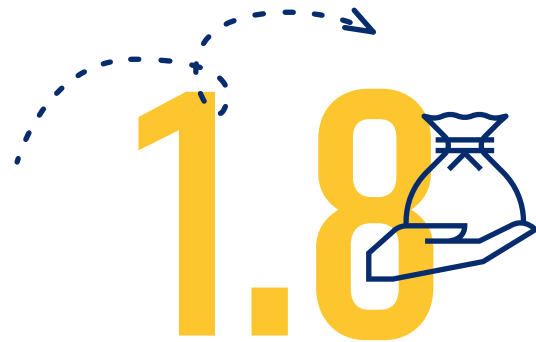
Smadar Barber-Tzadik



# The FIBI Group's Key Performance Indicators for 2020

## Investing in stakeholders during the Covid-19 crisis:

- FIBI provided loans amounting to NIS 1.8 billion to business customers during the Covid-19 period
- FIBI is ranked first among the banks in the rate of approvals and in the amount of the average loan provided by the State-guarantee Fund for Businesses.
- No Group employee was sent on unpaid leave during the Covid-19 crisis.
- FIBI was ranked first among banks in customer satisfaction with quality of service during the Covid-19 period.



FIBI provided loans amounting to NIS 1.8 billion to business customers during the Covid-19 period



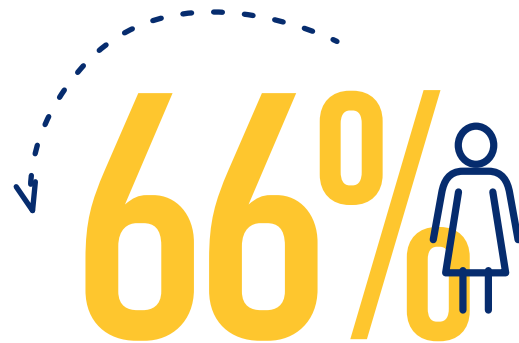
40% of Bank Massad branches are dedicated to the Arab sector

## Investing in our customers:

- The Group operates 145 branches, of which 34% are located in Israel's geographic periphery
- The Group operates 18 branches dedicated to the ultra-Orthodox sector, located in ultra-Orthodox population centers
- 40% of Bank Massad branches are dedicated to the Arab sector
- Fifteen of the Group's branches offer a dedicated service to Russian-speaking people from the former USSR
- 100% of the Group's branches are accessible to people with disabilities

## Investing in our employees:

- 15% of Bank Massad employees are from the Arab sector
- 6.1% of the Group's employees are from the ultra-Orthodox sector
- 66% of the Group's employees are women (compared with 59% in the labor market)
- 56% of the managers in the Group, including the CEO of the First International Bank, are women (compared with 34% in the labor market)



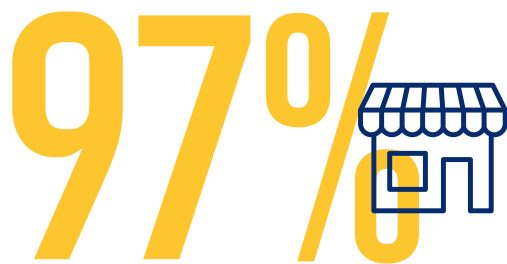
66% of the Group's employees are women (compared with 59% in the labor market)

## Investing in Israel's economy:

- 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 2.65 billion.
- In 2020, the total credit provided by FIBI for projects promoting environmental sustainability amounts to NIS 469 million.
- The outstanding credit provided by the First International Bank to ultra-Orthodox social organizations is NIS 988 million
- The Group signed 2,218 debt settlement agreements with customers in difficulty and allowed the deferral of loan and mortgage payments



In 2020, the total credit provided by FIBI for projects promoting environmental sustainability amounts to NIS 469 million.



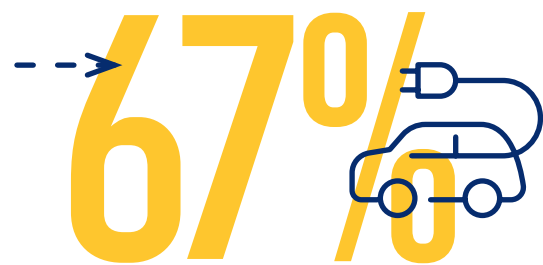
97% percent of the suppliers are local

## Investing in our suppliers:

- 97% percent of the suppliers are local
- 42% of the Group's suppliers are small suppliers, and 60% of the new suppliers in 2020 are small enterprises

## Investing in Our Environment:

- 81.5% of the power consumed by the Group was generated using natural gas and a variety of clean fuels
- 67% of the vehicles in the Group's fleet are fuel-efficient



67% of the vehicles in the Group's fleet are fuel-efficient





# 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>



## 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.



### 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 generating fees and commissions 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.
- Assistance to Israeli Exporters and Importers
- 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 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 coordinates the entire range of retail banking services, focusing on private banking customers and the security forces and the ultra-Orthodox sector, as well as services for small businesses. The service is tailored to the customers' needs and is provided by front office staff at the Bank's branches, through digital means via the app, on the bank's website and through the 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 automated services on the app and the bank's website. The Bank also operates mortgage counters, which assist and advise customers through the process of obtaining mortgage loans.
- The Customer Assets Division coordinates the Bank's capital market activity and deposits, including the dealing rooms specializing in working with the branches, professional customers and institutionals.

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.

In 2020, the Bank acted in accordance with the new 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 the new program, 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 Covid-19 pandemic, for which the Bank is highly prepared due to the focus on digital technology in recent years.

## Ownership Structure

FIBI Holdings Ltd. owns 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). There are no other entities with material holdings in First International Bank. 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. The current controlling shareholders have various arrangements with regard to their holdings in FIBI Holdings Ltd. and, accordingly, in the FIBI Group, as detailed in the "Details regarding the Bank's Controlling Shareholders" section in the 2020 Annual Financial Statements.

According to FIBI's report, as of the date of the 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%.

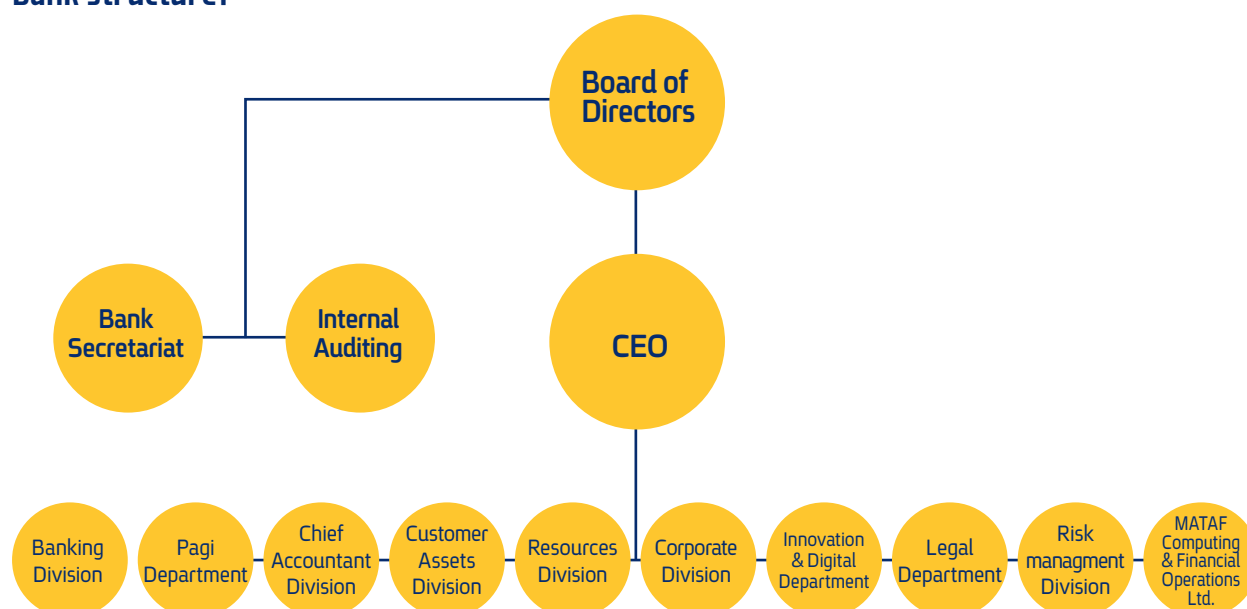
### The FIBI Group's Major Investee Companies in 2020:

Company	Equity	Voting rights
<b>Bank Massad Ltd.</b>	51%	51%
<b>Israel Credit Cards Company Ltd.</b>	28.2%	21%

## The FIBI Group's Organizational Structure

At the end of 2020, FIBI operated through six divisions and three departments, after integrating the logistics department into the resources division during the year, as part of the Group's general streamlining measures, and the innovation and digital department. Each division and department is headed by a management member (a total of 10 board members, including the CEO). 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.

### Bank structure:



# Creating Economic Value for Stakeholders

As a key leading financial organization, the FIBI Group has major economic impacts reflected in the value it creates for its various stakeholders. The Group's activities generate direct economic value for its shareholders and investors: for the State of Israel - through the payment of taxes, creation of jobs nationwide, purchase of locally-produced ("blue and white") goods, and more; for the Group's employees - by employing them and paying their salaries; for its customers, suppliers and business partners - by advancing their business activities; and for the community - by support and outreach through financial donations and volunteer work by the Group's employees. Above all, the Group banks have a significant contribution to economic activity in the country, and through its different services, it encourages business entrepreneurship, trade, consumerism, investment, and savings. As of December 31, 2020, credit granted to the public by the Group totaled NIS 92.25 billion.

In addition to the direct impact of the FIBI Group on the Israeli economy, it also contributes to the development of the Israeli economy in indirect ways. Thus, for example, the Group's branches are deployed nationwide, providing access to financial activity in remote communities and regions. About a third of the Group's branches are located far from Israel's center. In addition, the Group's various brand names provide professional services customized to the specific needs of diverse populations in Israeli society: The ultra-Orthodox; the Arab community; 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 and corporations. Each of these population sectors has different financial needs, and the unique specialties of the various brand names in the Group allow it to render financial services accessible and tailor them to all sectors and population groups in Israel, providing dedicated value-added services and products. In doing so, the Group banks boost their customer's financial independence and help them manage their financial

**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 generate 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")**

activity on an ongoing basis. The Group's banks also proactively promote small and medium enterprises 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	66	22	33%
PAGI - First International	17	4	24%
U-Bank - First International	4	0	0%
Otsar HaHayal - First International	35	14	40%
Massad	23	10	43%
Total	145	50	34%

2. North of Hadera or south of Gedera

## Economic Performance:

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



# About the report<sup>3</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 Bank's stakeholders to obtain an overall picture of its activities in the field of corporate social responsibility**



The FIBI Group's eighth corporate social responsibility (CSR) 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 2020 in areas of corporate social responsibility 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 field of corporate social responsibility. In this context, the content of the report refers to all the different stakeholders of the Group, and different sections of the report are relevant 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 U-Bank, which were merged into the First International Bank in 2015 and the Otsar HaHayal brand name, which was merged into the First International Bank on January 1 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 2019, was published at the end of 2020. The data included in this report corresponds with the information presented in previous reports and there have been no material changes in the way the data is presented compared with the previous report<sup>5</sup>.

3. 48-102, 46-102

4. 54-102

5. 49-102

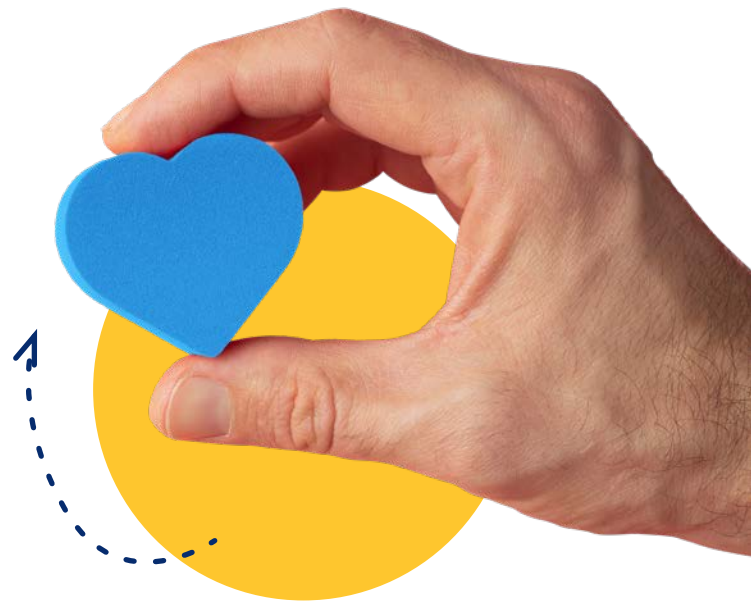
6. For the Materiality Disclosures Service, GRI Services reviewed that the GRI content index is clearly presented and the references for Disclosures 40-102 to 49-102 align with appropriate sections in the body of the report. The service was performed on the Hebrew version of the report.

The Report presents the topics that are material to the corporate social responsibility 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 due diligence by an independent third party - the Corporate Responsibility Report Quality Assurance Center (see the full due diligence version 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 corporate social responsibility. 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 2019) 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 corporate social responsibility in the Bank, and for their investment in creating long-term value for all its stakeholders.





## Corporate Social Responsibility in the FIBI Group

Corporate social responsibility 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 corporate social responsibility, 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 for the shareholders.

Corporate social responsibility is managed in a systematic and orderly manner. The executive-level party responsible for corporate social responsibility in the Group is the Head of Resources Division at the First International Bank, a vice president and member of the Bank's management. The Bank has also appointed a CSR manager, who is responsible for integrating, implementing and liaising with subsidiaries on all matters related to the field.

Corporate social responsibility 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 presents the Bank's Corporate Social Responsibility Report to the 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 invite all stakeholders to contact us regarding the report, and to comment on our activities in corporate social responsibility. For

further information about the report, please send an e-mail to the address in the GRI index at the end of the report.

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# Material Topics<sup>7</sup>

This CSR Report was written in accordance with the Global Reporting Initiative (GRI) standards - the accepted local and global framework for reporting on CSR. The reporting process begins by identifying and defining the material topics, according to which the issues to be reported on are decided. The material topics are the key corporate social responsibility domains 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 topics that are material to the organization - taking into account the expectations of the organization's external stakeholders - towards the preparation of the CSR Report.

Material topics are corporate social responsibility issues (economic responsibility, socioeconomic development, corporate governance) in which the organization has a major impact on its stakeholders or which impact the organization. Material topics 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 topics is of great importance - these are the issues that the Group promotes in the areas of corporate social responsibility, 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 topics, and informs the organization in reporting on the Management Approach and annual performance on any material topic.

In 2019, the Group carried out a comprehensive process to revise and validate its list of material topics related to the Group's corporate social responsibility. The process included revising, validating and re-prioritizing the FIBI Group's material topics 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 topics and prioritized them according to the preferences of their stakeholder group. Based on this process, the Group's materiality matrix was revised. The matrix was validated and revised again in 2021, in the process of preparing this report. In this context, the priority of the material topics was validated and revised, based on the Group's ongoing dialog with its key stakeholders. The revised prioritization explicitly addressed the changes in stakeholder preferences in view of the Covid-19 crisis, which had significant implications on the different needs of key stakeholder groups. The main changes relevant to prioritization are:

**Material issues are corporate social responsibility 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 materiality level of the following issues was increased:**

- Business Continuity
- Service and product innovation
- Quality of service
- Incorporating sustainability and social considerations in credit provision and investment decisions
- Effective communication with stakeholders

**The materiality level of the following issues was lowered proportionally:**

- Serving and promoting diverse populations in Israeli society
- Effective corporate governance
- Ethics and anti-corruption
- Creating economic value for stakeholders

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





## The FIBI Group's Material Topics for 2020

<ul style="list-style-type: none"> <li>• Privacy and information security</li> <li>• Business continuity</li> <li>• Innovative services and products</li> <li>• Quality of service</li> </ul>	<ul style="list-style-type: none"> <li>• Fairness of products and services</li> </ul>	<ul style="list-style-type: none"> <li>• Equal opportunity, fairness and employment diversity</li> </ul>	
	<ul style="list-style-type: none"> <li>• Environmental and social considerations in financing and investments</li> <li>• Effective communication with stakeholders</li> </ul>	<ul style="list-style-type: none"> <li>• Ethics and prevention of corruption</li> <li>• Employee training and development</li> </ul>	
<ul style="list-style-type: none"> <li>• Creating economic value for stakeholders</li> <li>• Regulatory compliance</li> </ul>	<ul style="list-style-type: none"> <li>• Accessibility for people with disabilities</li> </ul>	<ul style="list-style-type: none"> <li>• Promotion of financial knowledge</li> <li>• Effective corporate governance</li> </ul>	<ul style="list-style-type: none"> <li>• Investing in the community</li> </ul>
		<ul style="list-style-type: none"> <li>• Addressing and promoting diverse populations</li> </ul>	<ul style="list-style-type: none"> <li>• Responsible supply chain</li> <li>• Efficient management of resources and energy</li> </ul>
Very high	Significance for the FIBI Group		high

Significance for stake-holders

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

#### Privacy & information security

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

#### Ethics and anti-corruption

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.

#### Fairness of products and services

Implementing the principles of transparency and fairness in the FIBI Group's products and services and meticulously adapting products 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.

#### Creating economic value for the stakeholders

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.

## Regulatory compliance

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

## Equal opportunity, fairness, and employment diversification

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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.

## Quality of service

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

## Making our service accessible to people with disabilities

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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 various handicaps to obtain equitable service, like any other customer. In addition, service through direct channels (telephone, the Bank's website, applications, etc.) meets all customers' needs, prevents unnecessary use of paper, and results in cutting down emissions of pollutants caused by driving to branches.

## Employee training and development

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

## Business continuity

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

## Serving and promoting diverse populations in Israeli society

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The FIBI Group comprises 5 brand names - the First International Bank, Otsar HaHayal, PAGI, Massad, and U-Bank), 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.

## Corporate governance and compliance

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Activity and structure of the board of directors (with regard to corporate social responsibility) and the compliance units at the banks are two key factors forming the basis of the FIBI Group's regular activity, pursuant to the laws, provisions, and rules binding the Israeli banking system.

## Effective communication with stakeholders

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

## Investment in the community

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

## Product and service innovation

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

## Incorporating sustainability & social considerations 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. The Bank considers environmental risks when making decisions about significant investments and providing financing to business entities.

## Providing financial knowledge

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

## Efficient management 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 corporate social responsibility 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.

## Effective communication with stakeholders<sup>9</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

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9. 43-102, 42-102



# Communication



# Key Dialogue Channels in 2020<sup>10</sup>

## Customers

**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 direct dialogue between the employees and the customers.



**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.



**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.



**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.).



**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 types of customers.



**Business customers** - First International Bank maintains direct contact with its business customers through 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.

## 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 workshops** - 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** - To update the investors and shareholders about First International Bank immediately and with full transparency.
- **Financial statements.**
- **Investor relations website** - Allows full access to reliable information and supports decision-making.
- **The shareholders' general meeting mechanism.**
- Dialogue (conference calls, meetings) with analysts and investors on a regular basis.

## 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 as Matan Investing in the Community, Unistream, Pitchon Lev, Adopt a Soldier, Fathers and Sons on the Court, etc. The FIBI Group runs various programs with these organizations. As part of its contribution to the community, 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, fuel and 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.

# 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 its corporate social responsibility, the FIBI Group takes part in advancing Sustainable Development Goals in Israel.

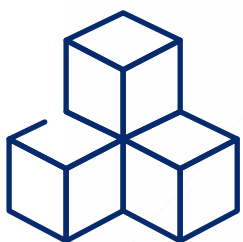
As a member of the organization, the State of Israel is obligated to report on the processes it carries out in order to advance its goals and meet the international SDGs. To realize the goals, the public, business, and voluntary sectors in Israel need to cooperate long-term, with a large portion of the work dependent on 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.

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.

FIBI Group is proud to be one of the first entities in Israel to incorporate the UN's Social Development Goals into its CSR report and is committed to continue to promote the goals which are consistent with the Group's strategy, as part of its business activities.



# Development Goals



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

<p><b>4</b> Quality Education</p> 	<ul style="list-style-type: none"> <li>• Promoting financial understanding: The FIBI Group invests heavily in promoting activities to make professional financial knowledge accessible to customers and the public, so as to allow long-term informed financial decisions. This year the Bank held frontal and digital financial education workshops with over 2,800 participants.</li> <li>• Employee training and development: The FIBI Group empowers its employees through ongoing face-to-face training in content areas that are relevant to employees both personally and professionally.</li> <li>• Community outreach: The Group's employees volunteer with at-risk youth in diverse educational settings, as part of the Group's community outreach programs.</li> </ul>	
<p><b>5</b> Gender Equality</p> 	<p>Equal opportunity and diversity in employment: Women account for 66% of the workforce at the FIBI Group (compared with 59% of employees in the Israeli economy as a whole). Women account for 56% of the Group's managers - more than half (compared with 34% of the managers in the Israeli economy). Women account for 42% of executives (management and senior managers) in the FIBI Group, including the Bank's CEO. 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. All of the Group's companies take significant actions to prevent sexual harassment.</p>	
<p><b>7</b> Affordable and Clean Energy</p> 	<p><b>6</b> Clean Water and Sanitation</p> 	<p>Environmental considerations in financing and investment decisions: The Group attaches importance to granting credit to environmental projects that contribute to a cleaner environment and, in this context, finances various renewable energy projects. In 2020, the outstanding loan balance provided by the Bank for such projects was NIS 1,113 million, compared with NIS 687 million in the prior year.</p>
<p><b>8</b> Decent Work and Economic Growth</p> 	<ul style="list-style-type: none"> <li>• Assistance for small and medium-sized businesses: The Bank provides state-guaranteed loans to small businesses. In 2020, the volume of credit provided by the Bank through the state-guaranteed small and medium enterprises business fund was NIS 848 million and another NIS 1.8 billion through the Covid-19 Business Loans Fund.</li> <li>• Employment environment: The FIBI Group provides high-quality employment conditions and work environment for employees, and is considered one of the 40 preferred employers in the Israeli economy (according to a BDI survey).</li> <li>• Equal opportunity and employment diversification: The Group adheres to strict equal opportunity practices and ensures full representation of the Israeli population across the recruitment, onboarding and employment processes.</li> <li>• 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.</li> </ul>	
<p><b>9</b> Industry, innovation and Infrastructure</p> 	<ul style="list-style-type: none"> <li>• 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.</li> <li>• 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.</li> </ul>	
<p><b>10</b> Reduced Inequalities</p> 	<ul style="list-style-type: none"> <li>• Addressing and promoting diverse serving 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. PAGO 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 expanding its deployment in, and 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 Former Soviet Union (FSU) citizens and senior citizens.</li> <li>• Accessibility for people with disabilities: all the Bank's branches are accessible to the public and the Group continues to make its range of services accessible using different measures.</li> </ul>	
<p><b>12</b> Responsible Consumption and Production</p> 	<p>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.</p>	
<p><b>13</b> Climate Action</p> 	<ul style="list-style-type: none"> <li>• Environmental considerations in financing and investments - managing borrowers' environmental risks as part of the credit granting process.</li> <li>• Management of environmental aspects - 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 2020, the Group's carbon footprint was 9,114 CO2eq.</li> </ul>	
<p><b>16</b> Peace, Justice and Strong Institutions</p> 	<ul style="list-style-type: none"> <li>• Fairness of products and services - 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. In 2020, the Bank did not receive fines for breaches of information disclosure or marketing.</li> <li>• Ethics and anti-corruption: The Group 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 takes a reliability test before starting to work in the Group. 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.</li> </ul>	







# Investing in Our Customers



# 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.

The banks and functions of the FIBI Group 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.

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: the ultra-Orthodox sector, the Arab sector, the FSU sector, senior citizens, students and youth, 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 financial tools and services to fit the target group's way of life: loans on easy terms, crisis solutions, and tools adapted to the customer's financial ability.
- Cooperation with, and support for, a variety of social groups and organizations: supporting 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.

**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**





## Support for Customers in the Covid-19 crisis

The Covid-19 crisis forced Israeli society to adapt to a different reality. The FIBI Group has invested great effort in helping customers address Covid-19 in the best possible way. For this purpose, the FIBI Group adapted service channels to the needs of customers in this period, to allow continuous and regular service. This expanded options for transactions using direct channels (such as opening an online account, uploading check deposits in the app, and increasing the amounts of transfers). 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.

The Group also took steps to assist customers, many of whom encountered financial difficulties due to the Covid-19 pandemic. This allowed the deferral of loan and mortgage payments according to the customer's needs, based on the outline published by Bank of Israel. In addition, all pension recipients who do not have a credit card and who withdraw cash from their branches were sent a debit card to their homes by courier, free of charge, allowing them to withdraw cash and carry out transactions. Even during lockdown, the Bank's teller service in all branches remained open on days annuities were distributed.

The Group adapted the unique response to customers from different sectors of Israeli society to their unique needs, based on the different way they have been affected by Covid-19.

**Ultra-Orthodox sector:** The ultra-Orthodox sector has been particularly affected by the Covid-19 crisis, since it is characterized by relatively low use of direct channels. Accordingly, FIBI (through PAGI) invested considerable effort to ensure that its customers from this sector are aware of the changes in services and the unique opportunities offered by the Bank, with widespread advertising campaigns on media dedicated to the ultra-Orthodox sector to explain options for contacting the Bank, and by personal conversations with customers. In addition, a manual for carrying out digital transactions was distributed, and steps were taken to simplify the process of joining digital channels. Moreover, due to the high infection rate in the sector, and to protect the Bank's employees and customers, hermetic shields were installed in PAGI branches for complete separation of customers and employees.

**Arab sector:** To continue providing frontal service in the Arab sector, 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, allowing customers to carry out transactions during lockdown. Immediately after the end of the first lockdown and with the gradual opening of the country, Bank Massad launched a unique campaign for teachers and educators from the Arab sector, offering special benefits and loans for the Ramadan period, taking into consideration the difficulties in the period.

**FSU:** FIBI provided Russian-speaking service representatives in a range of service channels for its customers from the FSU sector, to help these customers address the challenges in this period, with special attention to the language requirements of the sector.

**Customers with disabilities:** The Group 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 the pandemic, the Group continued to operate teller services at defined core branches, with priority given to people with disabilities, with emphasis on days when there is greater activity of customers with disabilities, while protecting the health of customers at the branches. When the Covid-19 pandemic broke out, the Group called customers who did not have any kind of bank card and who routinely withdrew cash from the branches, and offered them a debit card, to allow them to withdraw cash without having to physically visit the branch. If the customers approved, they were issued a card that was delivered to them by a courier, free of charge.

**Senior citizens:** 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 direct channels is relatively low, had to start using digital channels for essential services. FIBI joined the voluntary service charter formulated by the Ministry of Social Equality, the Banking Supervision Department, the Association of Banks in Israel and the banking system, to make banking services more accessible for senior citizens. The Group called customers over the age of 75, offering banking assistance. In addition, for senior citizens who receive annuities, the Group offered a debit card for withdrawal of cash, delivered to the customer by courier. Customers over the age of 70 received frontal services at the core branches without an appointment and without having to wait in line. A mobile branch also operated for nursing homes in the north of the country, to provide frontal services.

**Customers in financial difficulty:** In view of the Covid-19 crisis, the Group's management and board of directors established a policy of consideration for existing and new portfolios that is easier and beneficial for debtors. The Group continued to act with sensitivity towards customers in financial difficulties, in particular regarding matters related to Covid-19.

**Education and teaching staff:** With the outbreak of the Covid-19 crisis, core branches at Bank Massad were defined to serve the population of education and teaching staff. Bank Massad set up a dedicated call center to provide a response during lockdown for diverse banking transactions, assistance in the direct channels and, of course, scheduling appointments for service at the branch.

**Members of the defense forces:** Throughout the Covid-19 crisis, FIBI (through Bank Otsar HaHayal) 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 the changes and the special products in channels designated for members of the defense forces. Due to the Covid-19 crisis, there were activities to recruit Hever Consumer Club members through a joint telemeeting with the organization, as an alternative to the Hever booth for career soldiers at the Tel Hashomer military base. During the year, the Bank allowed comfortable credit terms for special bank loans for career soldiers and retirees of the defense forces.



## 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 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 workload 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 different 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 increase 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 for

**PAGI focuses on the ultra-Orthodox and religious populations. PAGI is developing new products and services tailored to these communities' unique financial needs.**



the proper management of collaboration with these entities over time, while scrupulously complying with regulatory restrictions.

### Activity in 2020:

- During the year, the designated activity for ultra-Orthodox students was expanded. In this context, collaborations were also expanded to non-academic vocational schools. Activity with the student population includes, among other things, a tuition loan, which also allows low-income students from the sector to acquire education. In this context, FIBI collaborated with the ultra-Orthodox campus of Ono Academic College and with Bet Yaakov Teachers' Institute, an ultra-Orthodox high school for teacher training and technological subjects. As part of these collaborations, conventions were held for students and they were offered a range of dedicated benefits.
- The Bank took steps to increase awareness in the sector for issues related to responsible financial management. In this context, the department held professional lectures on inter-organizational entrepreneurship for entities from the ultra-Orthodox business sector. In addition, Bank staff held frontal lectures on financial education for youth, to increase their financial knowledge. Approximately NIS 350,000 was invested in sponsorships for events and conferences - in various fields - dedicated to the ultra-Orthodox sector. The decrease in the budget is due to the decrease in the number of conferences held during the Covid-19 period.

## Status of Objectives for 2020:

Objectives	Status
Develop collaboration with academic institutions which feature ultra-Orthodox study tracks	Partially done
Launch an informative campaign for the ultra-Orthodox sector on the possibilities of using digital channels	Done
Lectures to strengthen soft skills aimed at helping to remove barriers to entry into the employment market	Not performed, due to Covid-19 restrictions
Lectures on smart finance for the general public	Done

## Objectives for 2021:

- Lectures on financial education in the ultra-Orthodox sector
- Expansion of collaborations with academic institutions
- Development of a program for tuition loans for young ultra-Orthodox women in collaboration with educational institutions

## 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 40% of its branches). The branches' deployment provides customers with easy access to the range of services provided by the bank.

As part of the Bank'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 employ and hire employees from the sector, and currently 8% of all managers and 15% 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 Bank Massad, adjustments are made to the unique financial needs of Arab society, such as by making credit services more accessible and marketing loans

dedicated to the needs of customers in the sector (e.g., dedicated loans for the holidays). In addition, Bank Massad offers unique value propositions for various institutions in the sector, such as colleges or hospitals, depending on the customers' needs.

### Activity in 2020:

- In 2020, the Bank continues to offer products designed for customers from the Arab sector, according to the holidays, including the Ramadan period.
- The Bank continued the strong relationship with leaders of public opinion to reinforce the sense of belonging in this sector. 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 they are entitled. In addition, the Bank established digital infrastructure in teaching colleges: the Alqasemi Academy, the Haifa Academic Arab College for Education in Israel, and Beit Berl College. Concurrently, an annual plan was prepared to expand recruitment and to provide benefits to teaching students on the websites of student associations, on the Facebook wall of the colleges, and in a dedicated newsletter.

## Status of Objectives for 2020:

Objectives	Status
Recruit education students and provide benefits to students in educational and teaching study tracks at the Alqasemi Academy, the Haifa Academic Arab College for Education in Israel, and Beit Berl College.	Performed in part, due to Covid-19 restrictions
Boost recruitment and marketing in medical centers among healthcare professionals, with a focus on people in the sector.	Not performed, due to Covid-19 restrictions

## Goals for promoting the Arab sector in 2021:

- Continued expansion of recruitment activities among teachers and teaching staff.
- Continued recruitment of health professionals, focusing on nurses, doctors, and pharmacists.
- Expansion of digital marketing and promotional activity on social media in Hebrew.



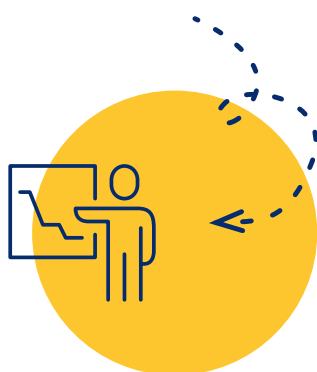
## Investing in the FSU Sector

First International Bank caters to new immigrants from the former Soviet Union. The Bank mapped the needs of its customers from this sector, and selected 15 relevant branches, in which there is a Russian-speaking employee who assists in making the Bank's services accessible to customers in this sector. Such a representative is present at the branches at all times, and assists customers on a regular basis. The representatives are in direct and ongoing contact with the Group's marketing headquarters, and attend dedicated training.

The Bank promotes ongoing marketing activity in the Russian-speaking sector, such as holding lectures on financial conduct in Israel, assisting in organizing conferences for the general public and taking part in events in the community. To provide the optimal response to the segment's needs, the Bank is assisted by external consultants. The Bank also holds special conferences for new immigrants on financial management and the Bank's services.

### Status of Objectives for 2020:

Objectives	Status
Provide support to everything related to service in Russian, employee training, imparting marketing, recruitment, advertising and service skills tailored to the Russian sector.	Done
Hold meetings, conferences, forums on financial and other issues in locales relevant to the Russian-speaking customer sector.	Performed in part due to Covid-19 restrictions



## 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.

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 Braille.

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.

### Status of Objectives for 2020:

Objectives	Status
Continue to maintain accessibility in the FIBI Group's branches, with the support of the Access Israel NGO.	Performed in part, due to Covid-19 restrictions - Completed in 2021

### Objectives for Making Services Accessible to People with Disabilities by 2021:

Automatic access to all online mail documents.





## 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.

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.

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 the retail channels, such as branches and telephone service (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.

First International Bank is a leading factor in the Financial Education Forum at the Bank of Israel. In this context, among other things, the bank's representatives hold conferences for senior citizens related to financial education and digital orientation. These conferences provide senior citizens with the knowledge, tools, and skills required for online use and to adapt to the online banking services that have become critical due to Covid-19 social distancing guidelines.





## 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. Thus, the FIBI Group's procedures stipulate that customers must be contacted before initiating legal procedures. In addition, attorneys handling collection cases are instructed to attempt to reach settlements with customers before taking the case to the courts, in accordance with the policy of the board of directors and Proper Conduct of Banking Business Directive 450.

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.

In 2020, 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. As of the end of 2020, there are 22,371 open cases of customers who failed to meet their repayment schedules, addressed by the collection department. The collection department transferred 1,637 cases (only 7.3%) for legal procedures, of which 460 were closed during the year. During 2020, about 2,218 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.

## Investing in Education and Teaching Staff

Bank Massad's target audience is teaching staff. Bank Massad offers financial products and services tailored to this population, including a range of special plans and benefits. Bank Massad continues to learn about the needs of this population and adapts its services accordingly. Bank Massad'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 the Israel Teachers' Union and the Athena Foundation.

**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 the Teachers' Federation and the Athena Foundation.**





### Special activities in 2020

- As in previous years, at the beginning of the year, Bank Massad continued its targeted promotional activities in schools and at conferences for teachers. At the same time, cooperation with the Israel Teachers' Union was expanded, including messages to teaching staff indicating the unique benefits and loans for members of the Teachers' Union.
- A digital platform was built for advertising in teachers' colleges, with continued collaboration with the various student associations. In addition, Bank Massad reinforced its relationship with teachers' colleges, providing conditional grants for students with easier terms and options for receiving student grants online without visiting the branch.
- Customer recruitment through Massad's telemeeting center was increased, including expanded working hours and hiring of representatives.

### Status of Objectives for 2020:

Objectives	Status
Intensify activity among teachers at schools and kindergartens. 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.	Partially done
Continue to enhance its business activity in the Arab sector and its appeal to teachers and healthcare workers.	Done
Continue community outreach activities to strengthen teachers' status in Israel, including through the Athena Foundation, Teacher of the Year competition, Teachers' Day, Kavim and Machshavot NGO, and more.	Done
Continue cooperation between the members of the Israel Teachers' Union and the bank.	Done

### Objectives for Employees of the Educational System in 2021:

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

### 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 service and after retirement. 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. Furthermore, since 2006, Otsar HaHayal has adopted the Keren Battalion of the Artillery Corps as part of the Adopt a Fighter program.

### Status of Objectives for 2020:

Objectives	Status
Enhance activities with members of the security forces and their families.	Done

### Objectives for Promoting Activities among the Defense Forces in 2021:

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



# Promoting the Small and Mid-Sized Business Segment

FIBI regards small and medium enterprises as one of the key growth engines in 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 also 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 arising requirements. Accordingly, bankers in branches specializing in responses for business customers can provide advice to find a solution tailored to the specific requirements of each customer. The branch managers have extensive authority to provide credit, allowing the Bank to provide an immediate response to the diverse and urgent requirements that arise.

FIBI works constantly to make more and more services accessible to businesses through the digital channels. This is out of the recognition of the customers' need for 24/7 banking operations, as well as the different preferences of the customers. At the same time, FIBI continues to believe in the importance of personal service, allowing customers to consult with experts and to receive creative solutions tailored precisely to the unique needs of each customer.

As of 2020, credit provided to tax-exempt, small and medium enterprises amounts to NIS 24,261 million.

## The bank regards small and medium businesses as one of the key growth engines in the Israeli economy, and sees them as the economy's backbone. 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.



## 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. Applications 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.



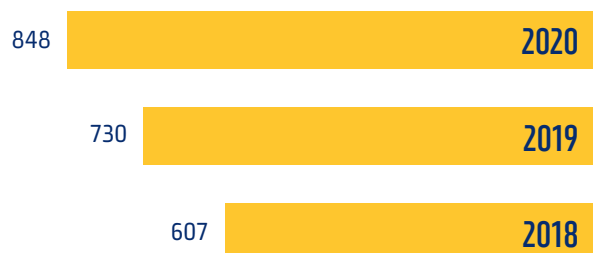
## Financing for Businesses - Factoring:

First International Bank also operates a specialized financing service (factoring), which provides a comprehensive solution for the risks involved in granting credit to 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.

## 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 does not require significant collateral (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 quality business models. 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 2020, the volume of credit provided by the Bank through the state-guaranteed Small and Medium-Sized Business Fund was approximately NIS 848 million.

## Credit Provided through the Small and Medium-Sized Business Fund (in NIS million)



## 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 in this matter, 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 of Ethiopian origin, 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 2020, loans amounting to NIS 7.2 million were provided, and credit amounting to NIS 63 million was provided under the fund.



## 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 1.8 billion, with over 60% 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



## 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 Protection of Privacy Law and its related regulations, and Regulations for Cyber Risk Management at Institutional Entities of the Commissioner of the Capital Market. As a result, the Group's IT Department 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, digitalization enables the FIBI Group to become more efficient and deploy stronger defenses against cyber attacks. 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. The incubator is located at MATAF, the FIBI Group's IT arm, in an effort

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to identify cybersecurity technologies and integrate them quickly 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 Department 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 awareness of employees, customers and suppliers, 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.



## Privacy during the Covid-19 crisis

The Covid-19 crisis has highlighted the importance of cyber risk management, both because of the rapid changes made in organizational IT systems to address the crisis, and because of advantage taken of the population's fear to spread fraudulent campaigns. The significant and rapid changes that the Group was required to make in the Bank's work environment and operating model posed technological and cyber protection challenges.

The most significant change is the shift to remote work in many areas. To support this immediate need, several solutions for remote access were deployed, which are adapted to different usage needs and risk levels. Diverse remote access solutions are adapted to employees at different levels of business or technology authorizations, and for working with customers, suppliers and business partners:

- Remote work for users with business or technology authorization to work on laptops or desktops with software protection provided by the Bank.
- Audio or video conference calls mainly through a secure conference system used regularly by the Bank, only using a public conference service for calls that do not include business or private information.
- Printed information and documents in homes of employees. The guiding principle is to reduce the amount of printed documents in the homes of employees; the remote access systems provided to employees to use in their homes do not allow local printing.



## Status of Objectives for 2020:

Objectives	Status
Implement continuous control over the defense systems.	Done
Prepare for characterizing and implementing a secure open banking environment in accordance with the definitions of Proper Conduct of Banking Business Directive No. 368, Open Banking.	Done
Increase and deepen awareness of employees, suppliers and customers through training, drills, conferences and communication.	Done
Expand innovative protective technological layer by companies in the fifth course of the Cyber Accelerator.	Done
Implement continuous control over the defense systems by incorporating controls using automated technological means.	Done
Adopt a security approach in the development environment - DevSecOps.	Done
Strengthen protection of digital services by boosting identification capabilities and information security for customers by making information related to account transactions more accessible.	Done

## Information Security Objectives for 2021:

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



# Financial Understanding



## Enhancing Customers' Financial Understanding

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 FIBI Group takes a two-pronged approach to promoting its customers' financial understanding - enhancing their financial knowledge, and assisting and accompanying them as they make financial decisions.

### Promoting Financial Knowledge:

The FIBI Group attaches great importance to promoting financial knowledge both among its customers and the general public, out of its sense of obligation to the public and customers, and as part of the Group's risk management approach. The Group understands that the more financially knowledgeable customers are, the smarter they are in managing their money and the better balanced they are in their financial conduct and financial situation. As a result of this approach, dozens of lectures are held each year on a variety of financial topics in the fields of capital markets, retirement consulting, financial planning and family finances. The presentations are delivered by external content specialists and the Bank's experts. The lectures are given at branches, at professional conferences, and in other settings, according to customers' needs. The lectures are provided as a public service, and the Bank's customers are invited to attend. During the Covid-19 pandemic as well, notwithstanding the social distancing imposed by the pandemic, the Group continued to hold these conferences using digital means.

Efforts in this domain are made by the various brands of the FIBI Group for their respective target audiences, out of in-depth

The Group attaches great importance to promoting financial knowledge both among its customers and the general public, out of its sense of obligation to the public and customers, and as part of the Group's risk management approach. The Group understands that the more financially knowledgeable customers are, the smarter they are in managing their money and the better balanced they are in their financial conduct and financial situation.

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 the banks' community outreach, the banks' employees contribute their substantial financial knowledge as part of the volunteer programs in which they are involved. The employees share their knowledge and 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 condition 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.

The retirement consulting process leads to improving customers' retirement savings plans by: reducing management fees; adjusting the savings risk level to the customers' characteristics and age; selection of recommended investments by the rating system; improving insurance coverage and adapting it to the customer's marital status; adjusting the contribution amounts to salaries and tax benefits to maximize retirement savings.

In addition to its retirement investment advisory services, the Group seeks to implement an educational approach regarding the capital market, investing resources in making knowledge accessible and developing tools intended to support sustainable capital market

## To make the services more accessible and easier to use, the bank 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

conduct by its customers. 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 and higher quality transactions in the capital market. 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 by banking experts specializing in the different financial fields.

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. In addition, the Group provides second opinion services, free of charge, to the general public, allowing a second opinion on investment portfolios managed elsewhere.

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.

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.

## Assistance in making financial decisions during the Covid-19 pandemic:

Due to the economic consequences of the Covid-19 crisis, many customers have had to make changes in their financial decision-making processes, and address the economic crisis in an informed manner. This is with the aim of making informed decisions to overcome the difficulties created by the Covid-19 crisis and to ensure the economic wellbeing of customers in the short- and long-term.

To provide an optimal response to the needs of customers during the crisis, in this period, the Group offered customers a range of professional financial services using advanced digital tools. For this purpose, the Group has a team of investment and pension advisors who are available for consultation through digital means, even during lockdown. In addition, the Group initiated the contact of investment advisors with customers, and established a unique center for advisory services that is highly available until late in the evening. In addition, the Group made services and tools for remote financial consultation accessible, including the Advise Me service, telephone consultation, retirement consultation, video-call financial consultation, and digital conferences and professional panels. This made it possible to reach populations at risk and adapt their investment portfolio, pension savings, and insurance coverage to their needs at this time.





## Activity in 2020:

- Notwithstanding Covid-19 restrictions, this year too, the Group held conferences and lectures for customers and the general public to promote financial knowledge in various areas. After the Covid-19 outbreak, most of the lectures went digital. In addition, the Group distributed information sheets with professional tips and tools for responsible financial management in this challenging period.
- The banks adapted the configuration of conferences to the Covid-19 reality, and held 18 frontal and digital conferences on pension savings, with the aim of making these services accessible to the general public. The conferences were attended by more than 2,800 participants.
- The Covid-19 crisis presented the public with new and unknown challenges that require understanding and adaptation to the new situation. Accordingly, the banks have tailored the financial and pension advisory services to allow its customers to prepare for the crisis in the best possible way. For this purpose, the banks have increased the number of proactive calls to customers to provide in-depth knowledge of the new and challenging situation and the processes in the capital market. Where required, the banks invited customers to adjust their financial plans.
- Over the year, the banks launched new tools to assist customers in making informed financial decisions. For further information about these tools, see the section on innovation.

## Status of Objectives for 2020:

Objectives	Status
The FIBI Group will continue developing investment products, supportive systems, and technological tools to help customers in planning their financial future.	Done
Increase the number of customers enjoying retirement consulting services.	Done
Increase awareness of the importance of retirement consulting in preparation for retirement, and expanding access to the service.	Done
Continue to give lectures at additional forums to expand pension education.	Done
Continue to expand the use of digital means in providing retirement consulting services.	Done
Hold conferences for our customers that include professional investment and financial savings topics	Done
Make professional content and financial knowledge accessible to customers through digital means	Done

## Objectives for Enhancing Customers' Financial Understanding in 2021:

- Continue to support our customers in making informed long-term financial decisions in all the available channels, including digital channels reaching a large number of customers.
- The FIBI Group will make financial planning services accessible over digital channels, also allowing the use of these services for a wider population.
- Make digital retirement consulting service accessible for new clients as well - in accordance with the Regulator's approval.
- Launch of the Family Office financial service - financial planning services and life plan for customers.
- Make investment products and other investment areas accessible to customers requiring advice as well as independent customers.



# 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. The FIBI Group plays a significant part in this trend, and under the Group's strategic plan, it was decided to develop innovation across the entire Group and implement 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 organization - in technology companies - and facilitates strategic collaborations with various fintech companies. Through these

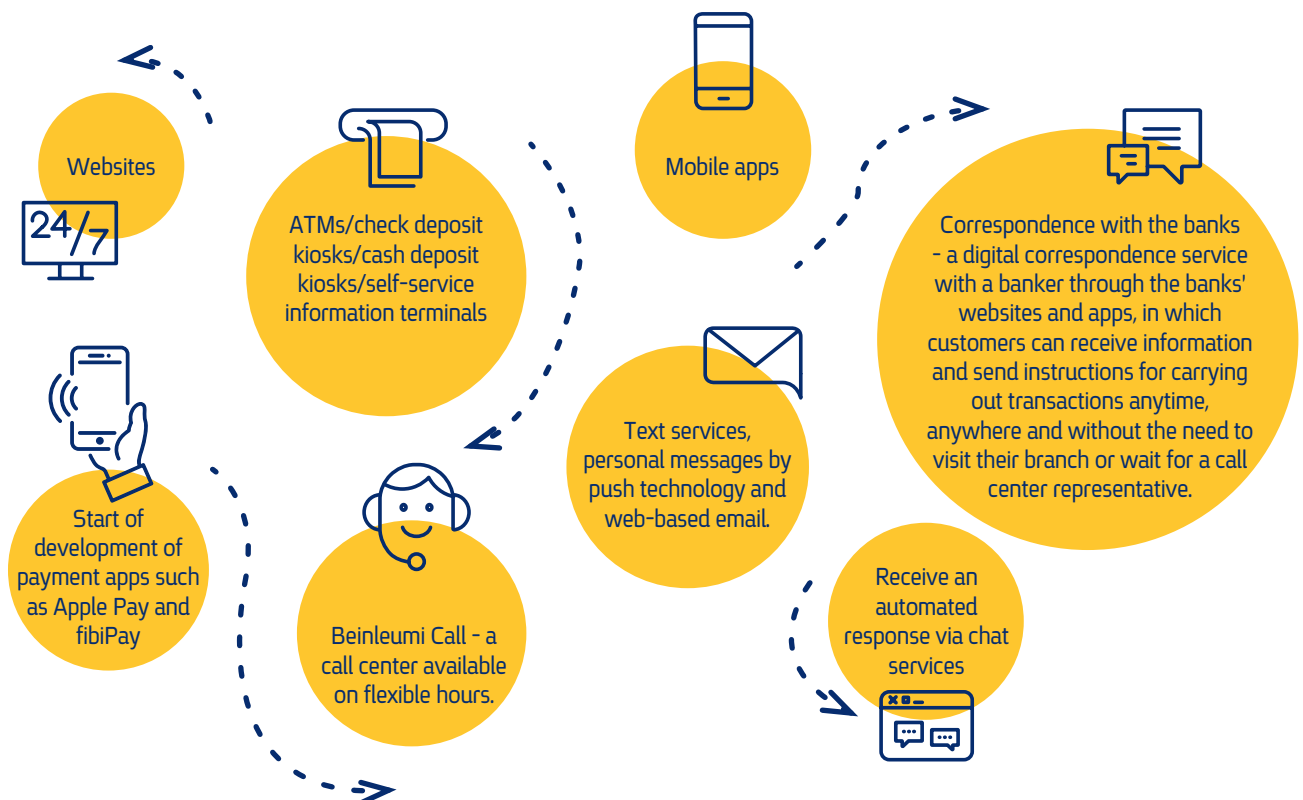
## Innovation at the Group is focused on creating value for the Group's customers. To achieve this, the Group conducted a comprehensive process of mapping available technological options to empower customers and provide a high-quality response to their needs; in addition, it defined focal points for investing in technological developments



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 Finnovest, 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 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 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.

In a MarkTest survey for 2020, it emerged that all FIBI customers who contacted the Bank through the traditional service channels also use digital channels (the Bank's website and app). FIBI is the only major bank whose customers participating in the survey use digital channels, indicating their quality and convenience of use.

## Activity in 2020:

### First International Bank

In 2020, when the Covid-19 crisis affected the mobility of our customers due to lockdown and social distancing, the great value of the Group's digital strategy was demonstrated. Thanks to the high investment in innovation in recent years, the FIBI Group was well prepared for the crisis. Covid-19 accelerated a new culture of adopting and applying technologies, making digital services an essential and integral part of routine work processes. In 2020, there was a significant increase in the use of digital services, with over 80% of the transactions carried out on the website or in the app. In particular, it can be seen that the extent of digital use has increased among populations that did not previously make extensive use of these channels. During the crisis, the Bank worked hard to encourage customers to use digital channels, through advertising campaigns, and directional and training activities were held at branches and call centers.

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:

- An option has been added to open a bank account online using face recognition technology.
- The FIBI WISE service was launched, allowing bank customers to independently join retirement consulting services and receive digital pension advice.
- API was launched for Hashavshevet Ltd. to withdrawing information and make transfer drafts for payment.
- Banking services were added for carrying out transactions through the website and app, including definition of beneficiaries for digital transfers, joining the investment advisory service in the app, withdrawing a deposit at an exit station, adding a lump sum to a deposit and savings account, and freezing a monthly deposit in a deposit/savings account.
- Work on the FibiPay digital wallet project started, in collaboration with Antelope. The project was launched in 2021.

### Bank Massad

- In 2020, there was an increase in the number of users connected to the direct channels, due to the Bank's focus on digital services on the one hand and Covid-19 on the other. Over the year, the Bank continued to increase activity in the direct channels, and to assimilate the Group's advanced technological solutions in the Bank's app.
- Over the year, customers were contacted directly to increase their awareness of the new services and to connect populations that had found it difficult to benefit from the newly developed platforms. The Bank also produced a simple and clear document for the positions of bankers, summarizing all the existing developments, so that they can assist customers.

## Status of Objectives for 2020:

Objectives	Status
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

## Objectives for innovation activity in products and services by 2021:

Implementation and integration of advanced digital innovation was boosted, and significant collaborations with fintech and technology companies and launching of activities in an open banking era were expanded for the benefit of all Group customers.





## 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 product 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 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.
- The Group notifies its customers about everything related to their assets and liabilities toward the FIBI Group in each of the accounts managed by the Group (each of the Group's banks may provide customers with information on their liabilities and assets in that bank only, rather than in the Group).
- 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. (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.

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

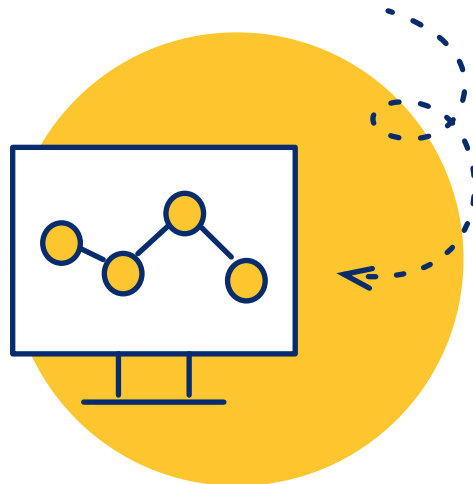
Conduct risk arises from non-transparent and unfair conduct or lack of proper disclosure by bankers towards the customers, investors, suppliers and employees (hereinafter - the "Stakeholders") of these corporations. Conduct risk is a cross-organizational risk that derives its normative framework from 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 includes defined milestones in investment consulting. The methodology involves adapting 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.

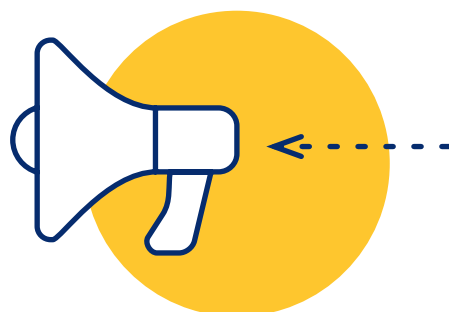


## Fairness in Marketing, Advertising & Sales

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 bank's management, 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 2020 too, no fines or other sanctions were imposed on the Group for non-compliance with marketing and marketing communications laws and regulations.



# Quality of Service<sup>11</sup>

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.

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' ethical codes, 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 response provided to customers reflect the values of professionalism, care, and responsibility, and emphasis is placed on the values of fairness 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 approach is common to all its employees it 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 2020, 627 FIBI employees attended advanced customer service training courses, which were integrated into fair banking training or held as dedicated service training.

In the past year, FIBI has taken steps to build a new model for measuring service quality. The model considers a range of parameters related to customer satisfaction collected from 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 assessment of the branch. The service measurement processes, in which the Bank invests many resources, are intended to allow the Bank to identify opportunities for improvement and to ensure continuous improvement in its customer service.

## 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.



11. 43-102, 44-102

## Activity in 2020:

### First International Bank

- The First International Bank invests heavily in providing professional service and regularly monitors satisfaction indices both proactively and internally by participating in external customer satisfaction surveys of the Bank of Israel and Marketest Institute.
- The bank emphasizes service excellence in professional conferences held for branch managers and heads of the personal and retail departments. At conferences and 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 2020, 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.
- FIBI is ranked first among the major banks in Israel, in a number of aspects of service quality, according to a Marketest survey. The parameters in which the Bank ranked first include:



Customer satisfaction with the service level and willingness to continue to provide service during the Covid-19 pandemic



Degree of customer loyalty  
Satisfaction with value for price



Willingness to assist and address the unique requirements of the customer

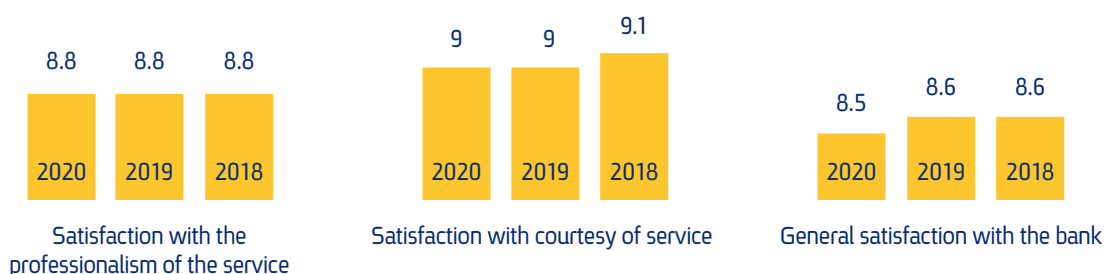


Experience of waiting for a banker



Satisfaction with the Bank's website (together with other banks)

## First International Bank, 2018-2020



In a telephone customer satisfaction survey conducted in September and October, 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 the Bank retained its high score for customer satisfaction; in 2020 as well, FIBI succeeded in maintaining a high level of service and customer satisfaction with the service level.

### Bank Massad

Bank Massad considers customer satisfaction as a substantial basis for its business with customers, and accordingly invests considerable efforts in this field. The service approach at Bank Massad is based on the customer's holistic personal experience with the service. Accordingly, 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 2020, due to the Covid-19 pandemic, Bank Massad did not conduct a service satisfaction survey, as was customary in previous years.

## 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 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 addressed, the findings and conclusions are described, including remedies, as relevant, and the customer is sent a detailed response addressing the claims raised in the complaint, 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. 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.

In addition, the Public Inquiries Unit draws lessons from the inquiries received. Public inquiries make a great contribution to the Group's ability to map the issues that are material to its stakeholders, for the purpose of drawing lessons and setting objectives.

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

12.

- 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" (at the First International Bank only) 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.

### Inquiry

Received: 1981  
Handled: 1981  
Percentage of inquiries/complaints handled:  
**100%**

### Complaint

Received: 2987  
Handled: 2980  
Justified complaints: 512  
Percentage of inquiries/complaints handled:  
**99.7%**

### Total

Received: 4968  
Handled: 4961  
Percentage of inquiries/complaints handled:  
**99.9%**

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.

In terms of response times to complaints, the FIBI Group seeks to provide a quick and efficient response, with the vast majority of inquiries finalized in less than 30 days. This is despite the 45 days permitted under Proper Conduct of Banking Business Directive No. 308A.

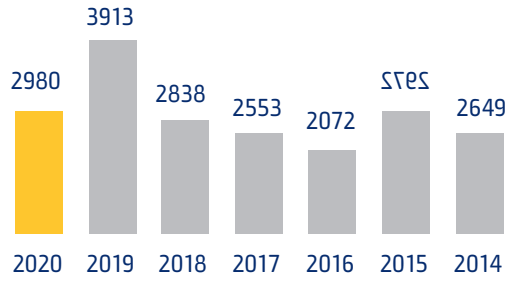
#### Complaint response time:<sup>12</sup>

1-15 days	16-30 days	31-45 days	46 days or more
39%	32%	26%	3%

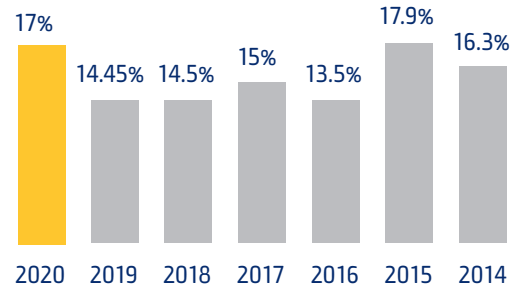




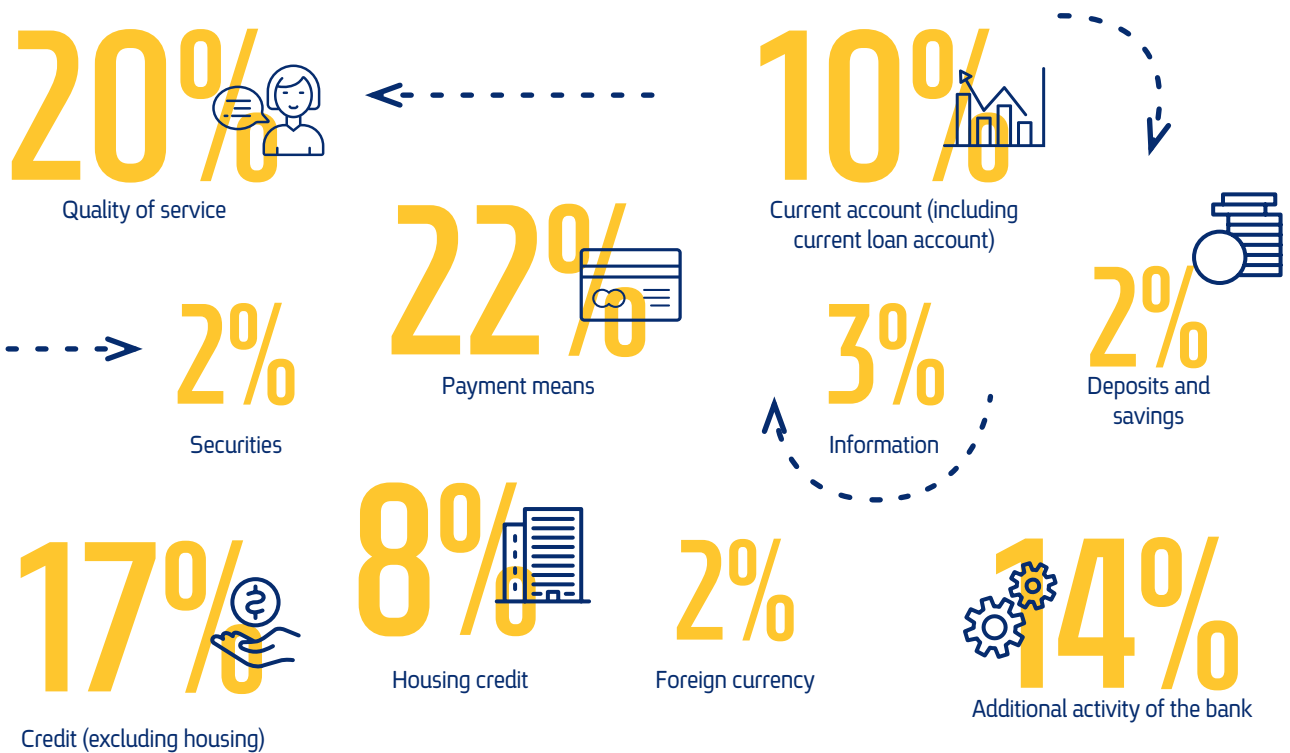
### Total No. of Inquiries Processed During the Reporting Period Requiring Reporting to the Bank of Israel



### Percentage of justified complaints filed with the FIBI Group



### Breakdown of Inquiries by Subject



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.

### Status of Objectives for 2020:

Objectives	Status
Adjust of the measurement of customer satisfaction in Otsar HaHayal branches to the measurement model used for First International Bank's branches.	Done

### Service Objectives for 2021:

- Maintain a high level of service and customer satisfaction, in general and compared with competing banks in particular.
- Prepare service videos to avoid the need to physically attend training in situations such as the Covid-19 period.

# Incorporating Sustainability & Social Considerations in Financing Decisions

As a leading financial institution, the FIBI Group recognizes its significant role in encouraging market activity through credit provision. As part of the activities of some of the entities that receive credit from the banks in the FIBI Group, there may be an impact on the environment and society, therefore, the group works to find the right balance between all the various considerations - economic, business, environmental and social. In light of this, and due to business considerations, the FIBI Group expresses environmental and social aspects as part of its credit risk management process.

The environmental risk, which is part of the credit risks, is one of the risks to which the Group is exposed as part of its business activities. 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.

At the same time, the FIBI Group sees great value in funding and enabling 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.



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## Environmental risk policy in provision of credit

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 and financing activity. The level of environmental risk is analyzed individually for each borrower in accordance with the Bank's work methodology. 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 is the responsibility of the Corporate Division, and is approved annually by the Group's Board of Directors as part of the credit policy papers. 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 increasing importance of these risks following from developments in the climate crisis, as well as applications from the Banking Supervision Department on the subject. The Bank's risk management policy, as well as its credit policy, defines a methodology and regular work processes for monitoring environmental risks in credit provision, and which include identification of high-risk borrowers and material risks, assessment of the borrowers' risk level and quality of risk management, and supervising transactions identified as embodying high environmental risk. The policy sets guidelines for enlisting external environmental consultation, and defines the risk assessment and decision-making processes.

The risk level is based both on the business sector in which the borrower operates, and on how the borrower actually manages the environmental risks. To determine the individual risk level (based on how the risk is managed by the customer) the Group collects information directly from the borrower (through a questionnaire or interview), and is also based on relevant open environmental information. In this context, among other things, there is a review of the borrower's management of environmental aspects, environmental contamination caused by the borrower, and lawsuits filed against the borrower. To analyze the information, the Group is assisted by professional environmental consultants where required.



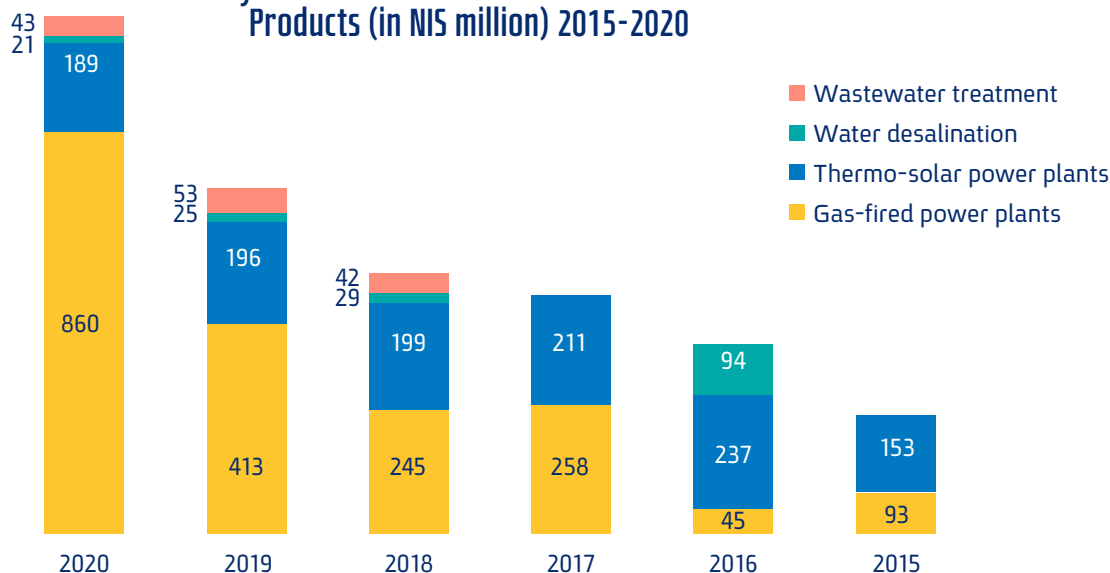
For loans anchored in collateral for unbuilt real estate, where there is evidence of soil or water contamination (or for which the loan is material), the Group often uses an official opinion of a certified environmental consultant. The environmental consultant helps borrowers to improve their environmental 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 will be reconsidered. In some cases, the consultant will monitor the project 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.

## Environmental Credit in 2020:

- In 2020, the FIBI Group granted loans to projects promoting sustainability for a total of NIS 469 million (vs. NIS 206 million in 2019). This includes a total of NIS 467 million in loans granted for gas-fired power stations, and NIS 2 million for wastewater treatment plants.
- In 2020, the FIBI Group granted a total of NIS 1,113 million in loans to projects promoting sustainability, compared to NIS 687 million in the previous year, as follows:
  1. Gas-powered power plants - NIS 860 million.
  2. Thermo-solar power plants - NIS 189 million.
  3. Water desalination - NIS 21 million.
  4. Wastewater treatment (including industrial wastewater) - NIS 43 million.

### Multy-Year Credit Extended to Environmental Products (in NIS million) 2015-2020



## Social Credit in 2020:

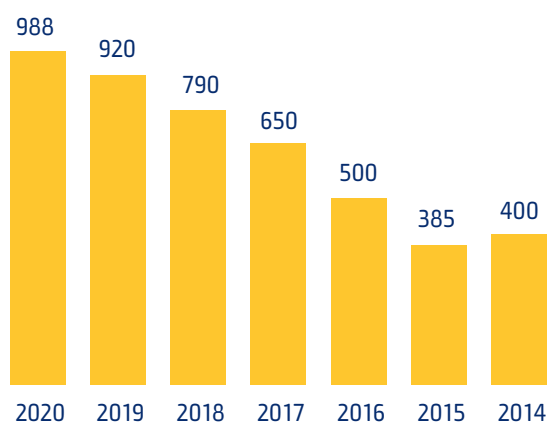
The FIBI Group is constantly developing products and services tailored to special groups, in the realization that Israeli society has diverse social and cultural features. These groups have unique financial needs requiring tailored solutions in order to encourage their integration into Israeli society.

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.

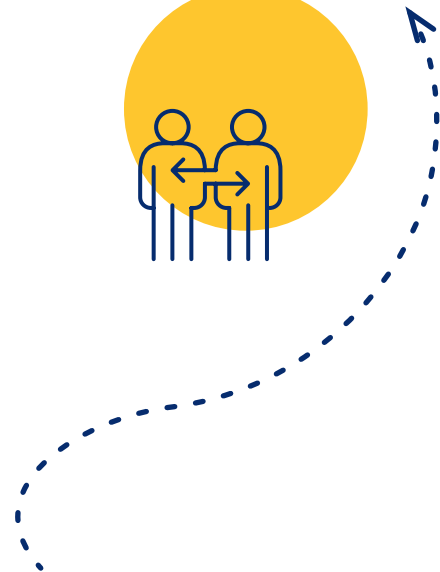
A leading example of social credit provided by the Group is the credit provided by the Bank (through PAGI) to organizations in the ultra-Orthodox sector. At the end of 2020, the balance of credit granted by the Bank to social organizations in the ultra-Orthodox community (in the areas of education, welfare and assistance services, social community organizations, religious services, etc.) was NIS 988 million.

### Credit Granted to Social Organizations in the Ultra-Orthodox Sector (in NIS millions)





# Investing in Our Employees



# Employment Environment

The Group's human capital is one of its most important growth engines. The employees are full partners in the Group's business success, and represent one of the most significant factors 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:

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## 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.



## 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 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.



## Organizational culture

Supporting a culture that strengthens the Group's values and goals with an emphasis on excellence in every area, ethics, corporate social responsibility, and community outreach.




## 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.

## Profile of the FIBI Group Employees in 2020:

3826 

In 2020, the FIBI Group had 3,826 employees

96% 

Of the FIBI Group's employees work full-time, with the rest working part-time

97.9% 

Of employees are directly employed by the Group, while the remainder are contract workers

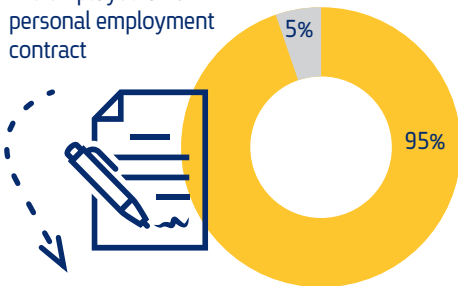
46.6 

The average age of the Group's employees, and their average seniority is 17.5 years

70% 

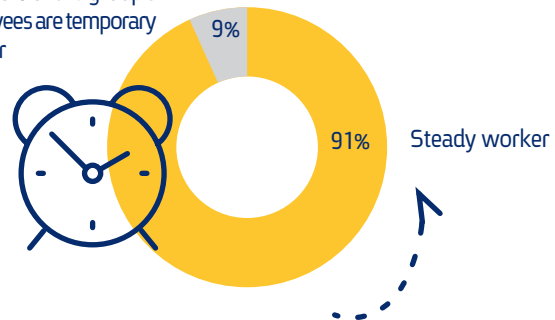
About 70% of the employees in the FIBI Group are college graduates

Are employed on a personal employment contract



Of the group's employees are employed under a collective employment agreement

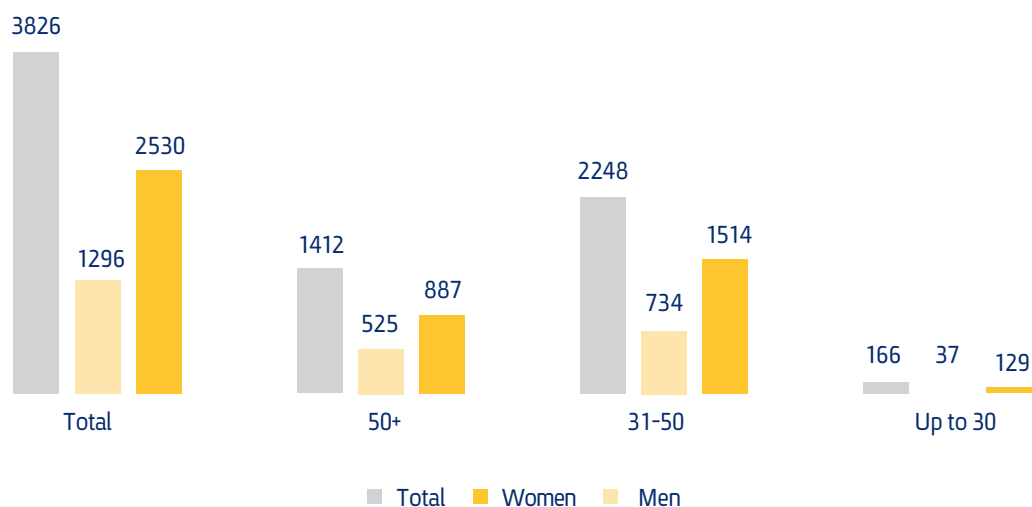
About 9% of the group's employees are temporary worker



Steady worker



## The FIBI Group's Employees by Age and Gender in 2020:



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

### Employee Turnover in 2020

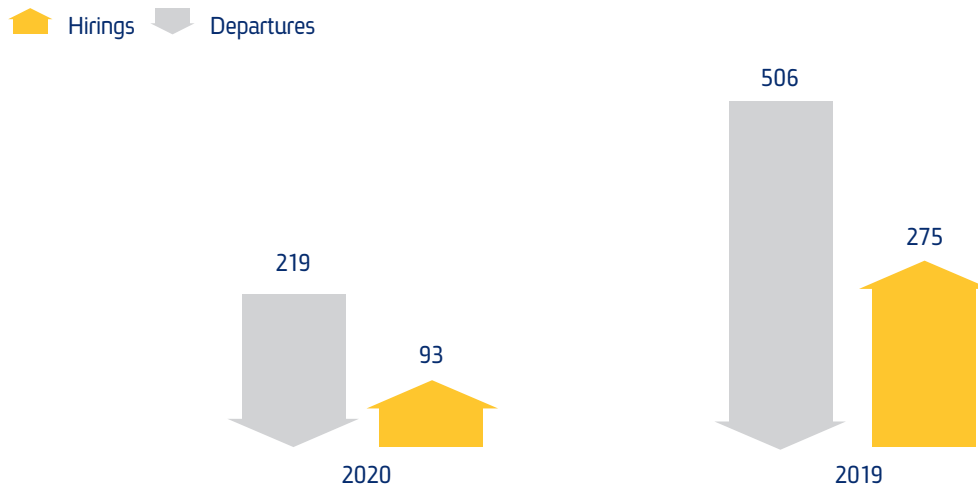
Age	Hired				%	Exited		
	Men	Women	Total	Men		Women	Total	
Up to 30	5	12	17	18%	12	20	32	15%
31-50	36	30	66	71%	39	54	93	42%
50+	6	4	10	11%	37	57	94	43%
Total	47	46	93	100%	88	131	219	100%

### Employee Turnover in 2019

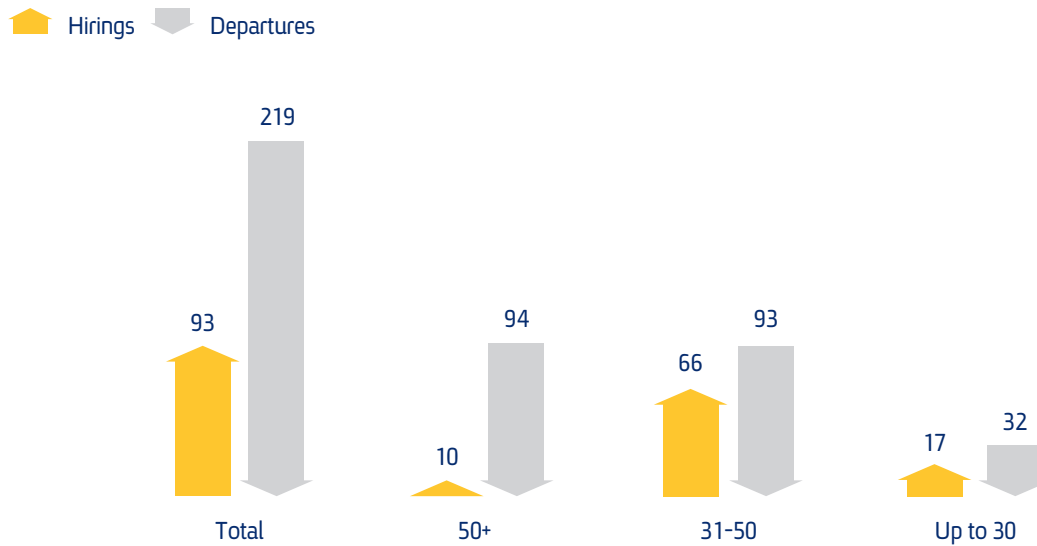
Age	Hired				%	Exited		
	Men	Women	Total	Men		Women	Total	
Up to 30	90	26	116	42%	48	16	64	12%
31-50	85	69	154	56%	103	52	155	31%
50+	3	2	5	2%	207	80	287	57%
Total	178	97	275	100%	358	148	506	100%



## Group-Level Employee Turnover in 2019-2020



## Employee Turnover by Age in the Reporting Year (2020)



## Employee Absences in 2020 (in days)<sup>13</sup>

	No. of absence days		Total rate of absence days
	Women	Men	Total
No. of sick leave days *	55,290	17,200	7.8%
No. of work accident days <sup>14</sup>	730	93	0.1%
No. of leave days	58,350	27,910	9.25%
No. of military reserve duty days	27	493	0.06%

13. These figures exclude Bank Massad employees

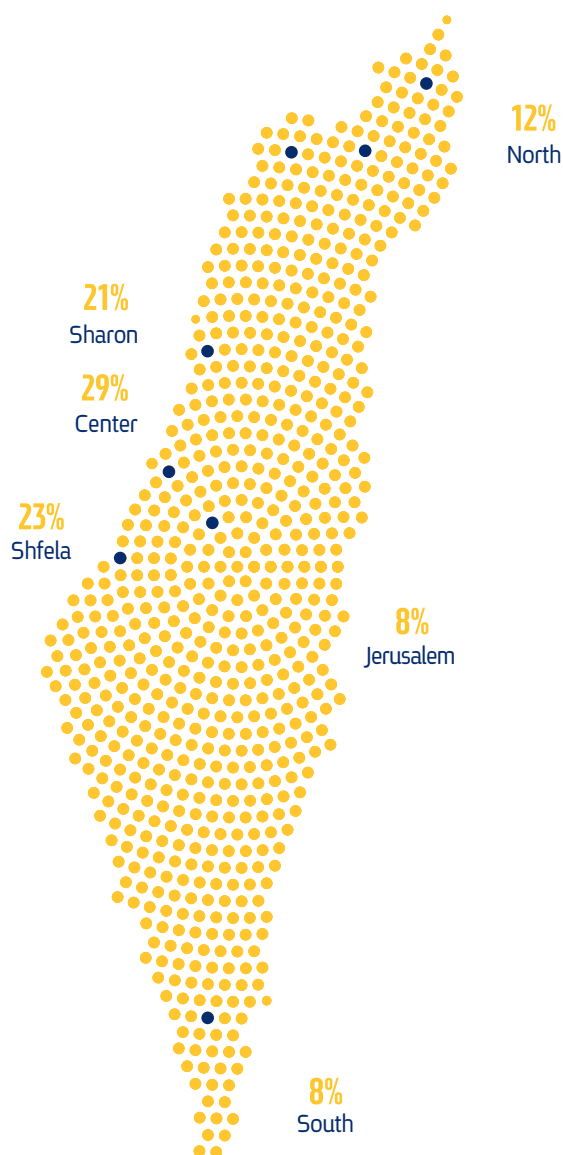
14. In the Group, there were 24 workplace accidents during the year

\* Including isolation days

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

	2020			2019 <sup>15</sup>		
	Women	Men	Total	Women	Men	Total
Top management/ Top executives	46	64	110	49	66	115
Middle management	345	260	605	341	260	601
First line managers	236	175	411	254	185	439
Employees	1903	797	2700	2000	841	2841
Total	2530	1296	3826	2644	1352	3996

## FIBI Group Employees by Residential District



15. 2019 data were updated in this report due to an error in the data published in the previous report

### Our Employees' Opinion Is Important to Us

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.



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### Dialogue Channels with the FIBI Group's Employees

	First International Bank	Massad	MATAF
Open line to Human Resources	✓	✓	
Feedback sessions	✓	✓	✓
Management-employee meetings, including visits by the CEO, members of management and top executives at branches and various HQ units	✓	✓	✓
Employee inquiries supervisor	✓	✓	✓
Internal communication channels: enterprise portal	✓	✓	✓
Management conferences	✓	✓	✓
Streamlining forum - streamlining proposals by employees on various topics	✓	✓	✓
Round tables - management and employees	✓	✓	✓
Customer satisfaction surveys	✓		✓

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. 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.



## 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 2020 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. Furthermore, Bank Massad's CEO held meetings with the employees as part of a "round table".



## Internal Surveys:

Also this year, an internal survey was conducted to allow the Bank to listen 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. All management levels participated in the survey - and selected and assessed five interfaces that critically impact their success. The survey data were analyzed on both the section level and 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. The survey was answered by 60% of the employees, a very high response level.



## Internal Communications at MATAF:

- In 2020, a work plan conference was held, which was attended by all MATAF employees. At the conference, the divisional work plans were presented by the CEO.
- In September 2020, a meeting of the Section Managers Forum took place - the purpose of the meeting was to enrich knowledge of issues on the corporate agenda, as well as a discussion with MATAF's CEO in which he described the organization's strategy, objectives and tasks.
- In 2020, the organizational news letter started being redistributed every quarter. The newsletter contains updates about the new MATAF projects, reflects the extensive organizational work and contributes to the sense of connection and organizational pride. The newsletter is digital and distributed by email to all MATAF employees, and projected on screens in the lobby of the MATAF building.
- In conclusion, employees were given an elegant box of chocolates with the summary of the key projects of the year printed on the package, as well as a farewell card from the CEO who transferred to the First International Bank's management.

## 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 of hiring for the Bank, receiving permanence 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.

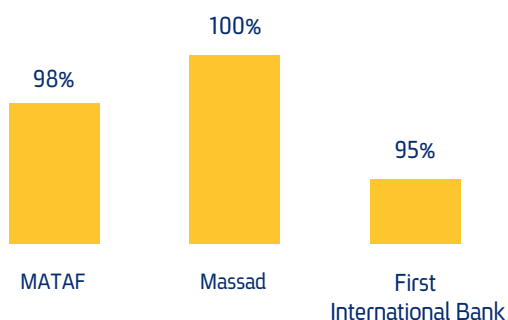
## Employee Performance Reviews at MATAF:

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 formulating a revised employee evaluation form and an interface evaluation form 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 held by Zoom, 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 year. In 2020, 96% of the Group's employees received in-person feedback.

## Percentage of Employees Who Received In-Person Feedback



16. 41-102

## 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.



## Management-Employee Relations:<sup>16</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), one at Bank Massad and one at MATAF. The workers' unions are responsible for the rights and duties of all employees, their welfare and entertainment, and assist employees where necessary. In 2020, 95% of the FIBI Group's employees were employed under collective agreements, while 5% 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 Bank Massad's employees. Bank Massad's management maintains an ongoing and open dialogue with the worker's committee. In 2012, Bank Massad'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.

## Investing in Human Capital The FIBI Group - A Good Place to Work At

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 40 companies in the rankings. In 2020, First International Bank was ranked 39th on the 100 Best Companies to Work For list. 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.

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.

The banks offer 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 and tuition fees for workers' children.



### 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.

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### 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 sports, good nutrition and other recreational fields).

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.

FIBI Group encourages its employees to lead a healthy lifestyle. In this context, the Group provides medical services to the employee, including periodic medical assessments and 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.



# Balance



## 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. (See further information in the section "FIBI Group - A Good Place to Work At, in Covid-19 times as well" below in this chapter).

## 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 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.

## 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 various possibilities they are facing. The program has 4 full training days and includes the following subjects:

- Processing the retirement process and the transition to "second maturity" (core of the program);
- Retirement economics: pensions, benefits, taxation, family economics, inheritances and wills;
- Lifestyles: movement, nutrition and lifestyle in old age;

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 Groups 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.



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

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 in order to provide them with as much certainty as possible.

A central part of employee retention in this period was maintaining the functional continuity of the Bank. In this context, the employment continuity of most of the Group's employees was maintained. Of all Group employees, only 5 went on unpaid leave, the Group was flexible in managing the work and granted many employees the option of working from home.

In addition, during the period, 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.

Furthermore, during the Covid-19 year, the Group provided its employees with support and consulting services through external psychologists at their request, by direct application to the facilitator. 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.

## Status of Objectives for 2020:

Objectives	Status
<b>First International Bank</b>	Will be done during 2021
<ul style="list-style-type: none"> <li>Upgrading the Human Resources website - Upgrading the website and the automated inquiry system for the Bank's employees to the Human Resources Department in order to strengthen the ongoing dialogue with the employees.</li> </ul>	
<ul style="list-style-type: none"> <li>Holding regular meetings between management and employees at round tables.</li> </ul>	Done
<ul style="list-style-type: none"> <li>Conducting a BDI survey to assess employee satisfaction.</li> </ul>	Done
<ul style="list-style-type: none"> <li>Conducting a survey of job satisfaction for First International Bank employees.</li> </ul>	Done
<ul style="list-style-type: none"> <li>Implementation of processes to improve internal services within the organization.</li> </ul>	Done
<ul style="list-style-type: none"> <li>Holding ceremonies and gatherings: Women's Day - a morning event for all the women of the group, Jubilee and Retirement Conference 2019.</li> </ul>	Done
<ul style="list-style-type: none"> <li>Outstanding Employees Recognition ceremony</li> </ul>	Due to Covid-19, will be done during 2021
<b>Massad</b>	
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

## Objectives for promoting welfare activities in 2021:

### First International Bank

- Upgrading the annual performance review process so as to allow quality, significant and empowering dialogue between the managers and employees.
- Completing the upgrade of the employee inquiry system with the aim of optimizing and strengthening internal communication.
- Completing the upgrade process of the Bank's portal in order to strengthen the sense of connection and transparency in the Bank.
- Implementation of processes to improve internal services within the organization.
- Round table meetings and increasing the sense of partnership.
- Upgrading the performance review system.
- Team building and enrichment activities that promote content in line with the Bank's vision.
- Expansion of the scope of welfare and team building activities in the FIBI Group.
- Recognizing the Bank's outstanding employees.

### Bank Massad

- Conduct an award ceremony for outstanding and veteran employees.
- Conduct a work plan conference for all of the Bank's employees.
- If possible - team building overseas and/or in Israel.





## Equal Opportunity and Employment Diversification

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.

One of the key elements of the FIBI Group's business is to appeal to a wide range of sectors and populations in Israeli society. It therefore believes in the importance of broad diversity in the composition of the Group's workforce. Promoting diverse employment has significant business value (since it improves the group's ability to reach diverse customers), as well as value for society and the economy in Israel in general.

## Equal Pay:

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 2020, the highest salary paid to a First International Bank employee was 14.53 times the median salary at the Bank (excluding the highest salary, in order to calculate the median salary). In 2019, this ratio stood at 13.97. As of 2020, the minimum wage paid to an employee at the FIBI Group was 17.7% higher than the minimum wage in Israel.

## Salary Ratio by Gender and Rank at First International Bank:

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.

Rank	Ratio of men's and women's average wages per rank
Top management	- 19.35%
Middle management	7.8%
First line management	10%
Tellers	10.71%

**I.e., on average, women's salaries are 24% higher than men's in the Group's senior management!**

At first-line management levels, men's salaries are 10% higher than that of women, in middle management, men's salaries are 7.8% higher than that of women, and male tellers' salaries are 10.71% higher than that of female tellers, due to the different characteristics of each employee.

## Equal Rights:

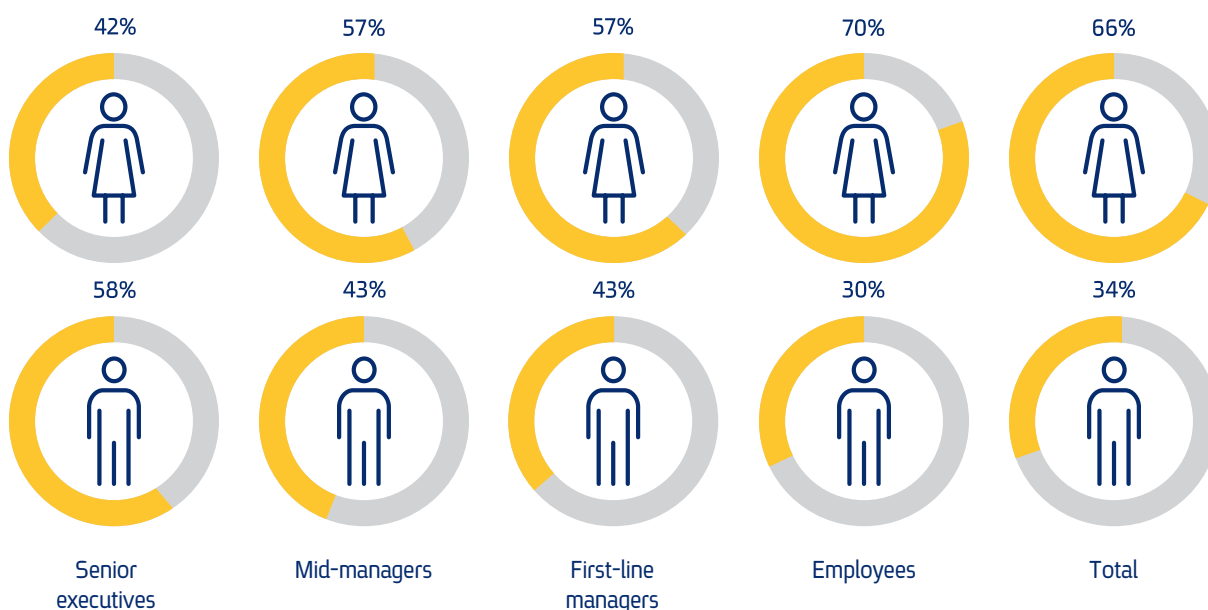
All employees in the FIBI Group, irrespective of gender, are eligible for maternal or paternal leave by law. Parents returning to work enjoy a considerate attitude in the period following their return to work and understanding of their need to balance their personal and professional lives. The Group 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 2020, 200 female and male employees went on parental leave, and 145 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 66% of all employees in the Group - 57% of first line managers, 57% of mid-managers, and 42% of senior managers. In total, women constitute 55.7% of the management level in the Group.



## Breakdown of Management Levels by Gender in 2020



## Prevention of Sexual Harassment:

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 in this matter, the code of ethics and the desired workplace culture, and are required to undergo training in the subject through a mandatory tutorial. In 2020, not as part of the periodic refresher, 160 Group employees completed the sexual harassment prevention tutorial. Furthermore, the Group's managers completed a seminar on the subject.

In 2020, 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, including actions to prevent recurrence of similar incidents.

## 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 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 of the end of 2020, the Bank estimates that 240 employees from the ultra-Orthodox sector are employed in its services. Due to the Covid-19 crisis, last year no new employees were hired at the Bank and no jobs were advertised, in order to retain the Bank's employees. 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.

## 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 of the end of 2020, 42 Bank Massad employees (15.7% of the bank's employees) are from the Arab sector, of whom 16.7% are managers at the bank.

## Hiring People with Disabilities:

The Group attaches the utmost importance to integrating people with disabilities, providing them with equal opportunities and hiring them. The Group regularly complies with the Expansion Order for the Encouragement and Increased Employment of People with Disabilities, adapting the work environment for them in the following ways:

- The Group keeps contact with entities specializing in hiring employees with disabilities in order to hire employees in vacant positions, while prioritizing 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 First International Bank is careful to provide a suitable work environment for hiring 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 fully cooperate with placement and screening companies in order to provide maximum adaptations in screening and placement tests.

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.

## Activities in 2020:

No complaints regarding discrimination were filed in the FIBI Group in 2020.



# 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.

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The 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 prevention of 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 2020, there were 12,174 training days for all Group employees, representing an average of 3.2 annual training day per employee. In addition, there were 5,936 computerized training days, representing an average of 1.55 computerized training days per employee.

# Development





## Employee Development in the Covid-19 Period:

In the new reality due to the Covid-19 crisis, when many of the Group's employees worked from home, the subject of employee training became a central challenge due to the absence of in-person communication. Despite the difficulties, the Group turned the challenge into an opportunity and adjusted the training content to digital learning. From July, all in-person training was digitized and provided remotely on a secure video platform, using various training tools: synchronous lessons, non-synchronous lessons, simulators, online courses, and interactive pages. About 50% of the Group's employees participated in non-tutorial and non-simulator based computerized training.

In addition, due to the crisis the Group made adjustments not only to the method of providing the training, but also to the content conveyed in the training. Various contents were added to suit the needs of the period, in order to assist employees and managers to succeed in their jobs also due to Covid-19 difficulties. In this context, training was added on subjects such as conducting effective remote communication, remote service and support, personal strength, agile management in a disrupted world, and motivating employees in a changing environment.



## Professional Training:

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 training 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, enrichment and personal and managerial development as a platform for implementing professional knowledge and maximizing professionalism and excellence.



## Activity in 2020:

- In 2020, 21 types of professional courses were held spanning one day of study or more (a total of 51 courses). In addition, 51 types of professional workshops and professional seminars were held spanning up to two days each (a total of 199 courses).
- The professional courses were attended by over 638 employees and covered various topics: mortgages (2 courses); banking for new employees (4 courses); financial instruments (6 courses); real estate credit (2 courses); an advanced Excel courses (one course); telebanking (one course), advanced credit course (2 course).
- In the professional workshops, thousands of employees participated in training related to their professional spheres (and in total, the workshops had more than 2,400 participants. Among the workshop topics were: account management (6 courses); credit for mortgage consultants (2 courses); deposits and savings (2 courses); corporate account opening (6 courses); forex (3 courses); understanding financial statements (2 courses); foreign trade and import (one course).

During the year, 6 new workshops were added on fair banking in a changing reality, with the aim of provide employees from the

different business units with tools and knowledge in providing optimal service to customers in the Covid-19 crisis period. Workshops held in a single study day format were attended by 162 employees (a total of 44 courses).

## 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 2020, the Training Department held training sessions on a variety of topics to do with regulation, such as the Antitrust Law, anti-money laundering, fair banking in a changing reality, the Fair Credit Law and the Cash Reduction Law. In addition, training and lectures on regulatory compliance are integrated into a variety of Training Department courses, including an advanced credit course, banking for new employees, credit to a private customer and ability-to-repay, etc.

## 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:

- **Reskilling** - 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.
- **Upskilling** - implementation of a middle management training and development program in cooperation with top notch lecturers. In 2020, about 60 middle-level managers participated in the training program.
- **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.

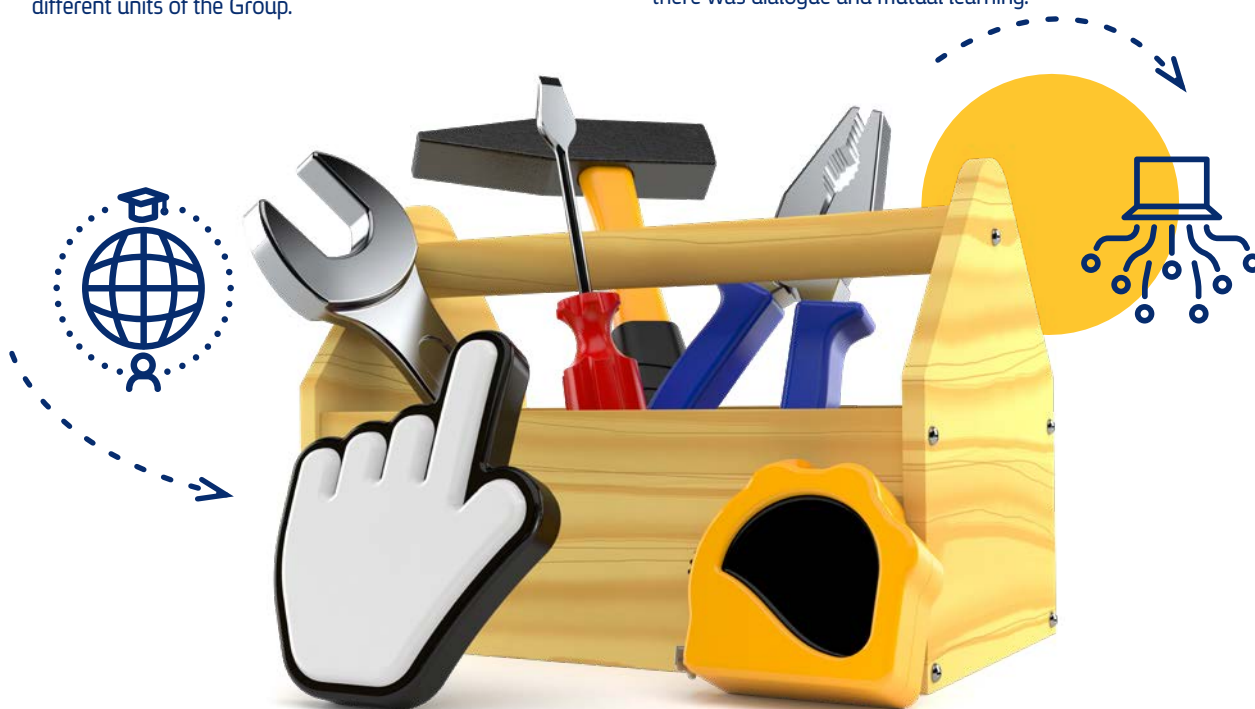
## Executive Training:

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 2020, 920 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, 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 participating 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.

At MATAF, in 2020 an executive development course was held to rank team leaders, section managers and department managers. In addition, as part of the programs for continuing executive development, a peer study group for all levels of management was held once a quarter. The meetings were moderated by an experienced external consultant, on topics such as: role perception, employee motivation, feedback and mentoring, interface work and building a management plan. The programs were held in small organic groups (about 15 participants in each group of the same managerial rank) in which, in addition to the provision of tools, there was dialogue and mutual learning.



## Employee Development at MATAF:

In 2020, MATAF built an organizational training program that fulfilled two main needs:

- Specialized technological training for the development, infrastructure and information security staff to promote the strategic plan, which included training of new development languages (angular, python, node.js) as well as retraining developers without a background in web development.
- Strengthening divisional disciplinary professions to create a competitive advantage and professional development - specialized professional training for specific positions as necessary.
- In total, in 2020 29 training sessions took place, which were attended by 514 employees.

In 2020, a new organization-wide project and task management system was integrated - the JIRA system (Atlas). Integration of the system included training 650 employees and managers in 28 courses (on Webex), writing a special user manual for the system, appointment of integrators to support the change, production of a PR video for the system and setting up a combined integration operations room to support the process. MATAF's entire annual training program was adjusted quickly to the Covid-19 challenges and provided a solutions to remote training and learning in terms of technical infrastructure, ancillary equipment, adjusting the outline of the training and the moderators.

## 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. In 2020, the process was carried out in relation to 19 main types of professional 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 Training Department evaluates the effectiveness of training and the level of employees' satisfaction with it.**



## Status Objectives for Employee Training and Development in 2020:

Objectives	Status
To carry out a digital transformation of the training system by converting courses to active hybrid study.	Done
To interweave skills into existing study content.	Done

## Objectives for Employee Training and Development in 2021:

- Continuing professionalization and digitization of training content - expanding digital learning capabilities, expanding the content worlds, focusing on populations that will consume digital learning, and collaboration with technological ventures.
- Instilling change in the learning perception from "training" to "competence" in strategic content worlds.
- Expanding measurement of the training effectiveness - mapping data-based needs, training programs also according to units and individuals, and expanding the tests over time.
- Developing and strengthening the set of skills required and future skills - resilience, agility, innovation and analytical thinking, digital literacy, emotional intelligence, effective remote communication, remote sales and marketing, conducting a remote call with a customer, developing financial expertise, etc.
- Continuing the development of re-careering tracks for the Bank's employees.
- Implementing special executive development programs (upskilling, reskilling).







# Investing in Responsible Management



# Corporate Governance

Since the FIBI Group is part of the banking system in Israel, it is subject to an extensive legal and regulatory system that regulates the banking industry. This system forms the main legal basis for the Group's activity. The main 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 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, including the Israel Securities 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 Israel Competition Authority's directives.

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. 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 Board of Directors' Activity and Composition

The managements of the banks in the Group are directed and guided by the Board of Directors and the committees of each bank with regard to the business strategy and policy of the bank, with the banking subsidiary in line with the policy of the Group as set by First International Bank. In this context, three members of the First International Bank's management serve as directors of the banking subsidiary, one of whom serves as chairman of the board. The Board of Directors approves the objectives, qualitative and quantitative targets, the bank's areas of activity, and the allocation of resources among them.

The Board of Directors of each bank in the Group acts in accordance with the corporate governance guidelines set in law, and serves as the guiding hand for the bank's management, including setting policies in all areas of the Bank's activity, risk management, compliance, credit, prohibition on money laundering, internal enforcement plan, debt collection, 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, and reporting of exposure to the various risks. Corporate social responsibility issues are discussed by the Board of Directors and its various committees. In this context, the Head of the Resources Division presents the Bank's Corporate Social Responsibility Report to the Board of Directors' plenum. The board of directors of the subsidiary bank also operates in accordance with the corporate governance guidelines set out in the law or as set by First International Bank's Board of Directors for implementing in the Group. Corporate social responsibility issues are managed and 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, compliance issues, providing credit for environmental projects, reducing environmental impacts, donations, etc.



Corporate social responsibility issues are managed and 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 responsible hiring, providing credit for environmental projects, and reducing environmental impact



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. It is important to note that the Board of Directors is the body that 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 the internal capital adequacy assessment processes - ICAAP. 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, issuing securities, and periodic review of the capital adequacy of the bank, and more. In order

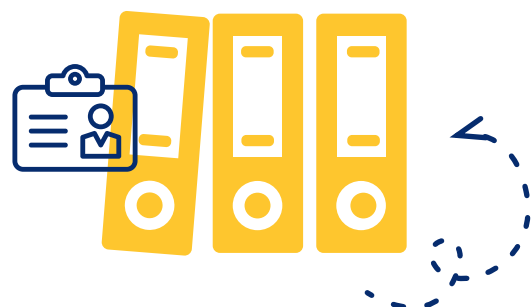
to advance the Board members' knowledge and understanding of the FIBI Group, a dedicated training program is created each year for the directors, who participate in professional courses on business and other issues, throughout the year. In 2020, the directors received advanced training on the topics of strategy and the role of the Board of Directors in designing it.

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 Board of Directors of each bank in the Group approves 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. 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 level of 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 each of 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.



## The composition of the Boards of Directors of the FIBI Group at the end of 2020 was as follows:

	First International Bank	Massad
Total no. of directors	10	10
No. of independent directors	5	4
Directors with accounting and financial skills	9	8
Directors with accounting and financial skills in the Audit Committee	4	5
No. of women on the Board	1	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	33	14
No. of the Board's committees' meetings	61	23
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	84
Average age on the Board of Directors	64	67.6
Seniority on the board	The longest-serving director was appointed in 2003 and the newest director was appointed in 2020. The average seniority of the members of the Board of Directors is 6.4 years.	The longest-serving director was appointed in 1985 and the newest director was appointed in 2020. The average seniority of the members of the Board of Directors is 8.5 years.

## 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 or in other subcommittees. 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 discusses 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. In this context, the committee is responsible for approving interested party transactions - transactions in which any of the Group's

officers or controlling shareholders have a vested 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 Technology Innovation Committee and the CEO supervise the Board of Directors' activities relating to human capital. The Remunerations Committee recommends to the Board of Directors the remuneration policy, retirement conditions and system for the remuneration of employees and managers, subject to the salary agreements signed by the Group. 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 policy paper for managing each of the material risks, the risk management framework that is set out in the policy document for each of the material risks

(including money laundering and terror financing risks), and verifies through the discussions on the quarterly risk documents brought by the Risk Management Division, as well as through discussions on additional reports brought for discussion, that the risk management policy is implemented effectively throughout the Bank, including overseeing the work of 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 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. 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 document.

In addition, for several years, the FIBI Group has had a steering committee, with two members that 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.

## Membership in Board of Directors' Committees

### First International Bank:

	Compensation 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	Yes	No
No. of the board's committees' meetings	7	27	7	9	11

	Credit Committee, Business and Risk Management Committee	Audit, Balance Sheet and Compensation Committee
<b>Bank Massad:</b>		
No. of directors who are members of the committee	6	6
No. of independent directors	3	4
Percentage of independent directors relative to total number of directors	50%	67%
Is the committee chairman independent	No	Yes
No. of committee meetings	9	14



## The Directors' Skills and Experience

According to the Bank of Israel's directives (Proper Conduct of Banking Business Directive No. 301 - hereinafter - "PCBB No. 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 No. 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 No. 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;
- In Chapter D of the Bank's Articles of Association ("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 as needed. The assessment process focuses on aspects of corporate governance, risk management, and the control and supervision undertaken by the Board of Directors.

## 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 addition, 3 members of the First International Bank's management serve as directors in the banking subsidiaries. In 2020, First International Bank held 3 general meetings and Bank Massad held 4 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.





## Compliance with the Law

The Group compliance function, headed by the Group's Chief Compliance Officer, 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, internal enforcement of securities, the Code of Ethics, adequate banking business conduct with customers, the FATCA and CSR provisions (identification and reporting of customers for foreign taxation residents), 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 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.



### Complying with legal provisions during the Covid-19 crisis

The unconventional conduct during the Covid-19 crisis posed challenges before the Bank Group for managing internal control processes and demanded special attention to and consideration of the situation. The Covid-19 crisis required increased vigilance on the part of the Group to prevent exploitation of the crisis for the purpose of money laundering. The Bank's Compliance Department conducted additional controls, with emphasis on locating, identifying and handling actions that are perceived as unusual. The Group's compliance unit took advantage of the Covid-19 crisis to produce special infrastructure for dealing with money laundering. The unit dealt with issues that could have challenged the Group's risk management and that required special attention such as: credit risks, unrestricted accounts due to bounced checks, fraud and cyber risks and effective management of remote work.

Furthermore, due to this situation, the Bank of Israel took steps to establish specific regulatory provisions. Accordingly, the Group focused on implementing such provisions, including: cancellation of the 1% equity requirement for housing loans provided during the Covid-19 crisis, assistance for small and medium-size enterprises

through state-guaranteed loans in amounts up to the level of such guarantee, and encouraging banks to work with borrowers to adjust credit terms and defer payments for borrowers, alleviate documentation requirements for providing credit or advice, etc. As part of implementation of the Bank of Israel directive, the Group's compliance unit issued a circular to all employees for effective implementation of the directives, intensive training sessions were held via Zoom on the subject of compliance and implementation of Bank of Israel directives for division managers, compliance officers and other staff.

The Group adopted a number of measures for minimizing exposure to risks, including reinforcing and improving the protection mechanisms operated in the Bank's systems, and following the partial transition to working from home, monitoring of all activities was increased and employees' awareness was raised with regard to normal activity, existing controls and new threats. In addition, due to the spread of the virus, some of the operations at the branches were directed to digital means. The Group has enabled the banking services provided in the online channels to be expanded (such as expansion of options for opening an account online, beneficiary settings in the account, etc.), in accordance with the monitoring and control procedures set out by the Bank's compliance unit.

## Activity in 2020:

In 2020, no significant fines or sanctions were imposed on the FIBI Group for non-compliance with laws / regulations.

### First International Bank:

- The integration of Bank Massad's compliance function in the Group compliance system has been completed.
- Measures have been adopted for improving working interfaces with contiguous units, such as the risk management department.
- During the year, a variety of training sessions were conducted on compliance, raising awareness of its importance. The training was carried out as part of 13 courses held by the Group training department in which a wide range of Group employees from various business units participated, and as part of seminars held for compliance officers.
- Training courses were held for the employees on risk management, where 97.7% of the Group's employees completed tutorials on FATCA and CRS, 86% of the employees completed the tutorial on business conduct risks as part of compliance risks, and 90.5% of the Group's employees completed the information security tutorial.

## Status of Objectives for 2020:

Objectives	Status
<b>First International Bank</b> Revision of the policy paper.	Done
Absorption of the compliance function of Bank Massad (except for the internal enforcement function in securities law that will continue to operate independently in Massad).	Done
Streamlining work processes with tangential units (the unit for public inquiries, risk managers, etc.).	Done
Merotz system - adding a fourth control form and changing the control specifications.	Done

## Objectives for compliance with legal provisions in 2021:

- An infrastructure survey regarding compliance is being conducted, which includes reference to Massad and other subsidiaries, that started in 2021 and will end in 2022.
- The racing condition - updating and improving the controls in the changing regulatory environment.



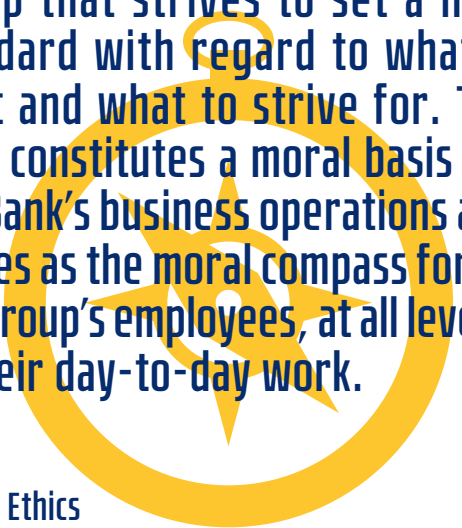


# Ethics - the Moral Compass of FIBI

The FIBI Group operates and promotes a culture of ethics and corporate 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.

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## Main Objectives of the Code of Ethics





## Activities for implementing the Code of Ethics:

As part of the Group's activities to promote an ethical culture and to implement the Code of Ethics for creating an ethical organizational culture, ethics committees (headed by one of the members of the management of each bank) were established, and which are 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 Q&A 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 Group's Code of Ethics regularly accessible for managers and employees via the organizational portal at each bank. 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.

Once every three years, the Group's employees receive digital training on the Code of Ethics, as part of refreshing their familiarity with the subject, and in 2020, unrelated to the ongoing refresher course, 170 of the Group's employees completed the course. 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 to familiarize the Code differs for each Group company (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. The means of contact and names of the members of the Ethics Committee are published through various channels in the internal communication system and through various assimilation 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.



### Activity in 2020:

First International Bank

- In 2020, the process for assimilating the Code of Ethics among employees was implemented through an award-winning interactive tutorial, which encouraged fruitful dialog among employees regarding ethical dilemmas that were raised through it and recommended courses of action according to which employees were asked to respond. This has led to ethical event drills and the implementation of the actual Code of Ethics.
- All employees and managers have successfully completed the tutorial on preventing embezzlement learning and the role of the Employee Complaints Ombudsman.
- Every year, as part of the implementation of the Code of Ethics, before the end of the Jewish holiday season, a desk calendar in the spirit of the Code of Ethics is distributed to all employees, which illustrates the values of First International Bank and their significance.

### Bank Massad

In order to ensure that employees are familiar with the Code of Ethics, an internal circular is issued every year. Once every few years, employees are required to undergo an additional computerized course on the subject.

## 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 control and handle them when necessary, so that these areas are fully covered.

The risk management and auditing are conducted by the Group 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 maintained by the units in the Risk Management Division and independent auditing units.

**The third line of defense** is held by the internal and external audit array.

The FIBI Group employees receive training on issues of ethics, compliance and risk management through online tutorials on various topics that are designed for the various employees. Most of the issues need to be refreshed periodically (every year to three years), as required. Among the issues that employees require training through online tutorials are: information security, money laundering, embezzlement and fraud, risk management, business conduct, and FATCA and CRS risks.

The audits conducted by the FIBI Group's internal audit arrays 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 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. 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 and sent to the managements of the banks for the purpose of taking corrective action against those responsible and for reporting the

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incident to the Board of Directors' Audit Committee. The audit reports are reviewed by a dedicated committee headed by the Head of the Resources Division, with the participation of other members of management and senior executives, who recommend disciplinary action against employees found in the audit reports to be responsible for conduct that deviates from the procedures, provisions of the law and the Bank's Code of Ethics.

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 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 Human Resources Division asks for a "no objection" from the Chief Compliance Officer at the Risk Management Division and from the Internal Auditing Unit, in order to verify that there have been no incidents involving the candidate which are liable to prevent his/her promotion.



## Preventing Conflicts of Interest:

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. Under the procedure, in general, it is forbidden to conduct personal transactions with customers and suppliers, other than in exceptional cases. The First International Bank's Ethics Committee discusses exceptional cases, 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 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.

## Status of Objectives for 2020:

Objectives	Status
<b>First International Bank</b> Updating and ratifying the Code of Ethics of First International Bank - in accordance with the Bank's decision, once every 3 years the relevance and currency of the Code of Ethics are examined. In 2020, the matter was examined in collaboration with the employees and relevant bank officials.	Done
Construction and distribution of an implementation plan for the Code of Ethics that includes a kit for managers, a bank-wide knowledge game, and managers' conferences.	Done
The successful completion by all employees and managers of a computerized course on the prevention of embezzlement and the role of the Employee Complaints Ombudsman.	Done
<b>Massad</b> Issuing a refresher memorandum to all employees and managers of the Bank on ethics.	Done

## Objectives for Activity Upholding Integrity for 2021:

### First International Bank

- Issuing a refresher memorandum to all employees and managers of the Bank on ethics.
- Quality service provided by each of the ethics institutions, which includes advice, guidance and direction.
- Setting up a permanent column on the subject of ethics in the organizational portal for the ongoing availability of information and its assimilation.

### Massad

Refreshing the values of the Code of Ethics for all Bank employees through an "Ethics Challenge Quiz".



## 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.

A member of the First International Bank's management and head of the Risk Management Division are 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 document on business continuity, discussed and approved by the Group's management once a year and by the Group's Board of Directors at least once 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.

**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.**



- 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 document, are all 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 and so forth, throughout the Group.

In November 2020, the FIBI Group approved a policy document on business continuity. This document 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.



## Business continuity during the Covid-19 Crisis

The Covid-19 crisis posed unprecedented business challenges for the Israeli economy, and in fact for most countries worldwide. The Bank, as an essential institution, took steps to ensure business stability and continuity for the benefit of its customers and employees, and to routinely manage the crisis on various levels (including the management and Board of Directors).

During the crisis, the Group complied with the guidelines of the Ministry of Health and the Bank of Israel. As part of maintaining business continuity, the Group adopted a series of measures for implementing social distancing guidelines and maintaining the health of its employees. These measures included, among other things, splitting the units, allowing working from home and creating "capsules" or working teams, while strictly maintaining risk management and controls.

Furthermore, in order to enable ongoing business activity and to provide quality service to customers during the Covid-19 crisis, the Group expanded the banking activities that could be performed through direct online channels such as via the Bank's website, apps and dedicated service center. In addition, throughout this period, control measures were conducted to minimize credit and liquidity risks that could have harmed the Bank's ongoing operations.



### Status of Objectives for 2020:

Objectives	Status
A quarterly meeting will be held on preparation for business continuity.	Done
A report will be delivered as part of the quarterly risk report to management and the Board of Directors about the business continuity activity of the bank and its subsidiaries.	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.

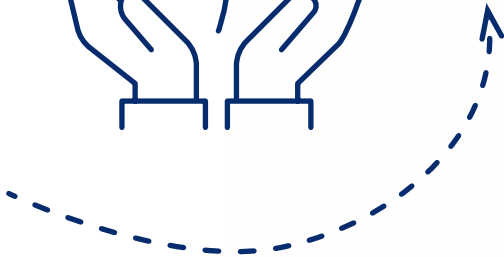
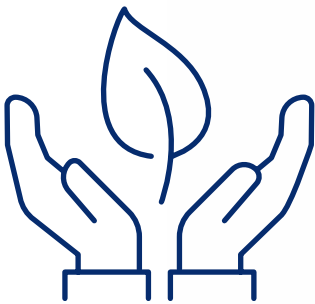
### Goals for business continuity activities for 2021:

- Conducting business continuity drills in accordance with an established multi-year drill plan.
- Conducting a business impact analysis (BIA) regarding business continuity aspects at the Bank - starting in 2021 and ending in 2022.
- Updating the benchmark scenario document (such as: war, earthquake and pandemic)





# Investing in Our Environment and Community



# Responsible Supply Chain

The FIBI Group manages its supply chain responsibly, both through fair and proper treatment of suppliers, and through responsible selection of 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.

In 2019 the Group adopted 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 Group and its suppliers. In addition, the policy stipulates that corporate social responsibility 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 environmental and social considerations in assessing the conduct of suppliers. 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. 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.

Before signing any contract, the Group's Procurement Department conducts a thorough review of the market and the bidders. This review is intended to allow the Procurement Department to select

**The FIBI Group manages its supply chain responsibly, both through fair and proper treatment of suppliers, and through responsible selection of suppliers, services and products.**

the most suitable suppliers for the Group. To be entered in the Group's procurement systems, each new supplier must submit 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 Group'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 Group tries to transfer payments to suppliers as soon as possible from the time that a payment demand is received, and in any case no more than 45 days later. Furthermore, the FIBI Group shows empathy and support for suppliers in times of crisis, while exercising judgment.

**As part of the Group's policy to encourage competition and efficiency, the maximum contract period with a supplier is capped at seven consecutive years or seven non-consecutive years over a ten-year period**





## Support for suppliers in view of the Covid-19 crisis:

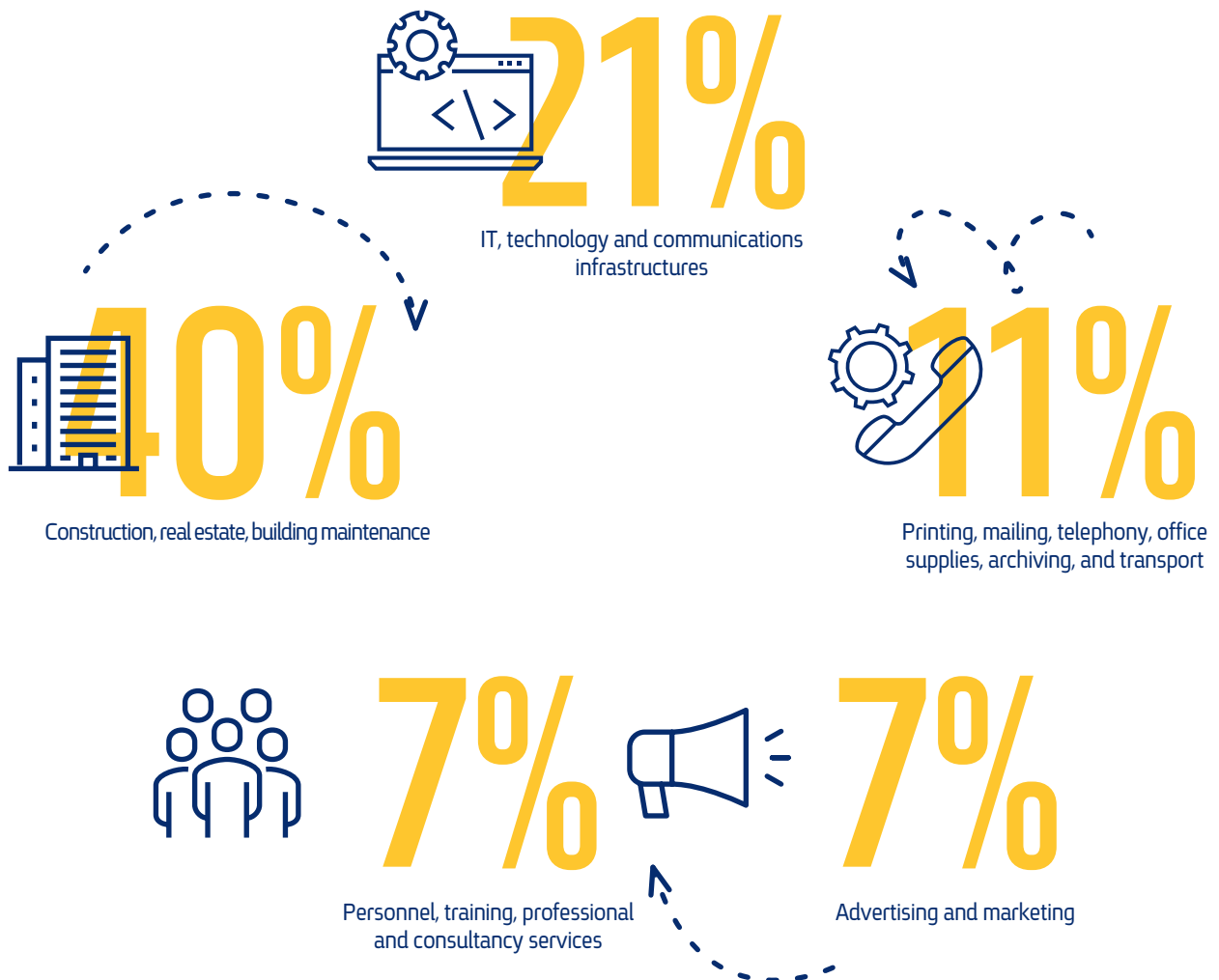
The Covid-19 crisis has significantly affected many of the Bank's suppliers, as with many parts of the Israeli economy. As part of the Group's special relationship with its suppliers, and in view of the pandemic, the Group mobilized to help its suppliers. This included the Group's effort to advance down payments and expedite the payment of invoice received.

In view the harm caused to the Israeli economy, the Group took action to boost its purchases from local suppliers. In addition, the Group purchased the protective and hygiene products required to maintain business continuity, such as masks, alcohol, thermometers, antiseptic wipes, gloves, etc., from small Israeli businesses. Payment for these products was made immediately.

## Profile of the Bank's Suppliers

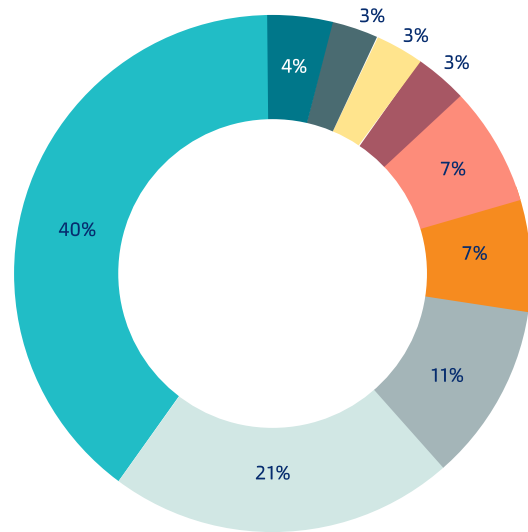
- In 2020 the Group had working relationships with 2,545 suppliers.
- 242 (9.5%) of the suppliers with which the Group worked in 2020 were new suppliers that the Group had not worked with before.
- The Group's supplier portfolio allows it to contribute to the development and stimulus of the Israeli economy. The Group ensures to purchase "blue-and-white" Israeli made goods, and this year too, most of the suppliers (97%) were Israeli suppliers. Furthermore, as part of the Group's efforts to boost the small business sector, 1,075 suppliers (42%) were small suppliers. Of the new suppliers with which the Bank began working in 2020, 147 (60%) 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 the Group 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. In 2020, as in previous years, the main procurement categories (86% of all Group procurement) were:

In 2020, The Main Procurement Categories (86% of All Group Procurement) were:



## Main Procurement Areas

- Constructure, real estate, building maintenance and properties
- IT, infrastructure, technology and communications
- Printing, mail, telephony, office supplies, archiving, courier
- Human resources, training, professional services and consulting
- Advertising and marketing
- Food and beverage, travel and board
- Cleaning and security services
- Legal counsel and banking insurance
- Other



## Protecting the Rights of Contract Workers

In 2020, the Group contracted with 13 manpower providers in the areas of cleaning, guarding and security (9 cleaning providers and four guarding and security providers) who provided a total of 252 workers (this excludes workers employed by the management companies of the properties in which the Group's offices are located). The increase in the number of contract workers compared to last year was due to the need to strengthen the security guards at the branches during the Covid-19 crisis to enable continuity in providing services to the customers, while safeguarding the health of the customers and complying with Ministry of Health social distancing guidelines. The Group does not contract with manpower providers in other areas. Manpower providers constitute approximately 0.5% of all active suppliers in the FIBI Group.

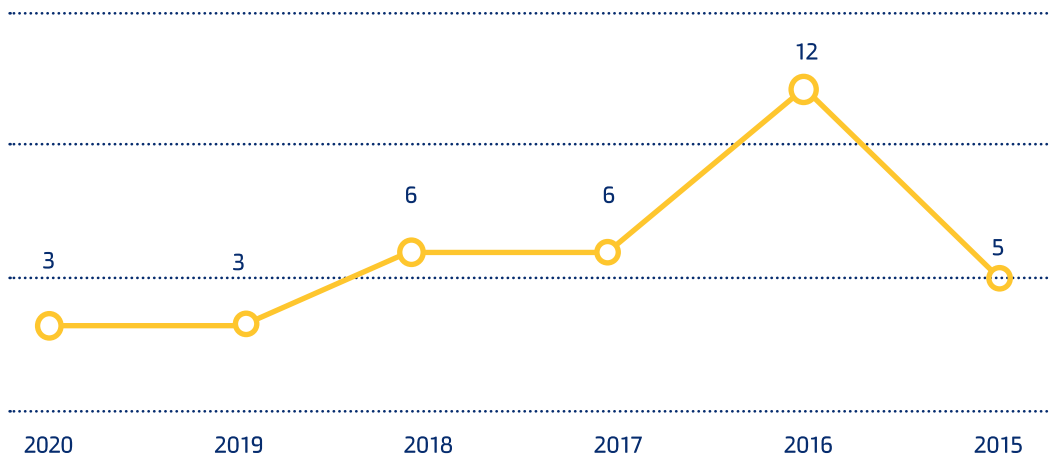
Pursuant to the Law Enhancing Enforcement of Labor Laws, 2011, which applies to engagements with contractors for cleaning, security, and catering services, and in view of the Group's principle of fairness and the preservation of workers' rights, the Group has drawn up an enhanced enforcement procedure 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. In 2020, as in previous years, the Group conducted a periodic inspection of all the cleaning and security 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 Group 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 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.

**In 2020 as well, the Bank carried out a periodic inspection of all cleaning and maintenance companies through a certified payroll inspector. The inspection ensures that the contractors safeguard the rights of their workers and comply with the relevant expansion orders and labor laws.**



## No. of Documented Complaints against Contractors, 2015-2020



During 2020, three complaints were received about the terms of employment of contract workers. All the complaints were examined, and two of them were 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.

### Status of the supply chain objectives for 2020:

Objectives	Status
Comprehensive assimilation of the procurement policy. the new procurement policy in the Group's procurement processes and procedures.	Deferred for implementation in 2021, due to the Covid-19 Crisis
Continuation of procurement from socially aware organizations.	Done
Carrying out a periodic inspection of the contract manpower companies with which the Bank works.	Done



### Supply chain activity objectives for 2021:

- 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.
- Conducting professional conferences for suppliers in accordance with the restrictions and guidelines of the Ministry of Health.
- Boosting relationships with suppliers through personal meetings with them and tours of their businesses, and creating a dialog to understand the changing needs



# Environment



## Managing Environmental Aspects of the Group's Activity

The FIBI Group is aware of environmental occurrences at both the global and local level. Climate change is likely to affect all spheres of life and large population groups. In addition to the growing scarcity of resources, experts expect sea level to rise even in Israel, damaging water resources and changing ecological systems. These environmental processes can impact the Group's business environment, its customers, and its financial stability. As a financial concern providing services at the national level, the Group attaches much importance to mobilizing to prevent and slow down these adverse processes and their impact. The Group thus takes into account various environmental aspects when making decisions in its regular course of business.

Self-management by the FIBI Group: The main environmental impacts created by our activities 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, paper consumption in office and business activities, and the creation of office waste during daily activity. In addition to these direct impacts, the Group indirectly contributes to climate change, mainly through the direct and indirect emission of greenhouse gases, mostly from the consumption of fuel and electricity.

The FIBI Group owns many 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 FIBI Group controls buildings that consume substantial amounts of power and a fleet of vehicles that consume fuel. Efficient and cost-effective management constitutes a significant environmental and economic contribution. 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 through an accepted hierarchy of reuse, recycling, and proper handling. The various environmental aspects are managed while monitoring key operational aspects, setting multi-year targets, and implementing initiatives for increasing energy 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.

## Power Consumption and Increasing Energy Efficiency

Energy is the main environmental resource used by the Group through its power consumption. 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 energy management. The function is formulating a policy and procedures for resource management and energy use.

## Power Consumption from Natural Gas

In recent years, the FIBI Group has begun to use power supplied by Dorad (which produces electricity using natural gas and a cleaner mix of fuels compared with power produced by the Israel Electric Corporation) to power some of the banks' branches. In 2020, about 81.5% of the FIBI Group's power consumption came from Dorad. Consumption of electricity from Dorad saves 25% on greenhouse gas emissions for each kWh, compared with consumption of power from the Israel Electric Corporation.

	2020	2019	2018	2017	2016	2015
Power consumption (kWh)	16,167,246	16,649,875	16,425,227	17,121,671.95	24,029,960	27,110,604
Area (m <sup>2</sup> )	81,800	83,118	83,975	89,234	120,308	131,271
Power consumption (kWh per m <sup>2</sup> ) - (Energy Intensity)	197.64	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 Green Building Standard - 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:

- **Installing a main circuit breaker** for the lighting and power circuits.
- **Adjusting the lighting fixtures' brightness level** to the nature of the activity and reducing the number of bulbs.
- **Installing presence detectors for turning off lighting and air-conditioning** whenever relevant.
- **Building a single command and control center** which turns the systems on and off.
- **Using power-saving lighting fixtures** - In the past five years, the Group completed the gradual replacement of lighting fixtures with LED lighting in most properties.
- **Installing air conditioning system controllers** to maximize the compressors' efficiency.

During 2020, the Group continued the process of replacing old air conditioning (chiller) systems in some of the branches in which it has operational control. The old systems were replaced with new, more environmentally friendly and energy-efficient chillers.

## Consumption of Materials

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 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.

## 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 fuel-efficient 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.

## Fuel consumption activity in 2020 was as follows:

67%

In 2020, the Group's fleet had 363 vehicles, 244 (67%) of which were fuel-efficient (with an engine smaller than 1500 cc and/or a hybrid engine).

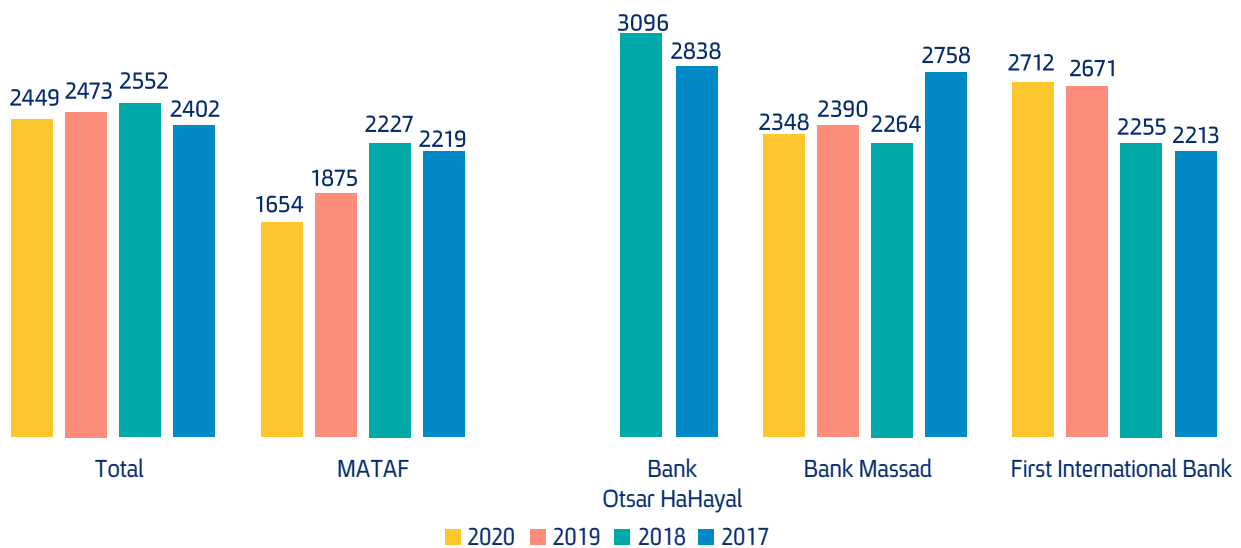
889

In 2020, the Group's vehicles consumed 889 thousand liters of fuel and 576 liters of diesel fuel.

45%

In 2020, 45% of the Group's car replacements were to fuel-efficient vehicles.

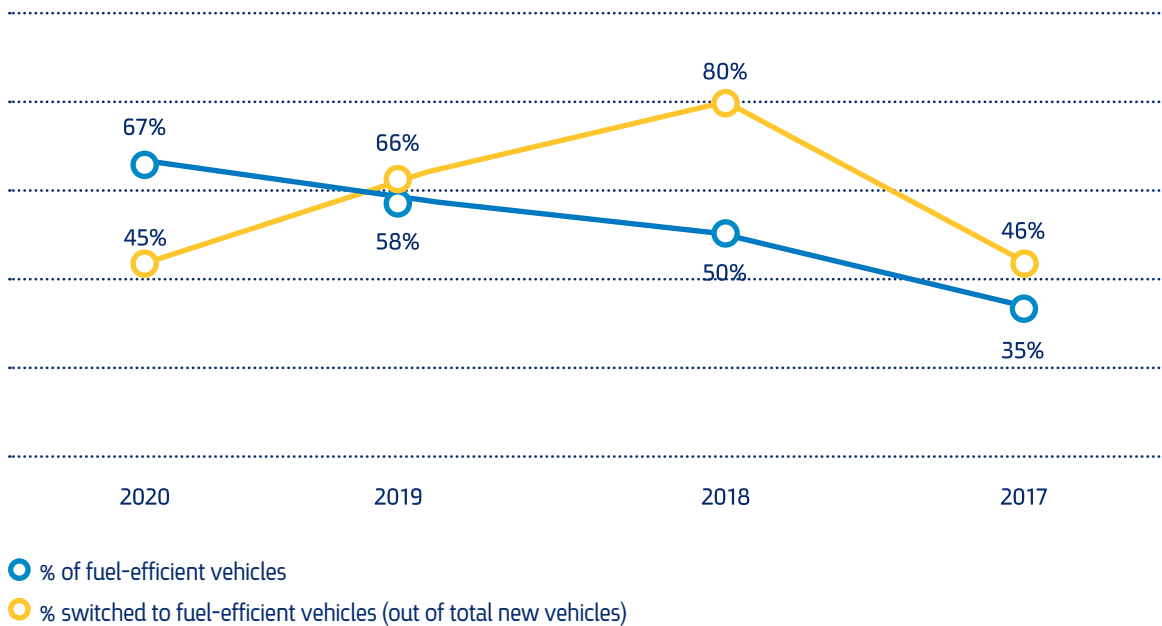
## Comparison of Average Annual Fuel Consumption Per Vehicle by the Group in 2017-2020<sup>17</sup>



17. In the 2017 report, U-Bank was reported together with MATAF. In the 2018 report, U-Bank was reported together with First International Bank. In the 2019 and 2020 reports, Otsar HaHayal's reports were consolidated with those of First International Bank.



## Percentages of fuel-efficient vehicles 2017-2019



## Waste Recycling

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



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. Out of the total amount of paper and cardboard consumed by the Group in 2020, 439.77 tons of paper and cardboard were recycled, which constitute 95% of the paper consumed during the year. In addition, the Group is in the process of implementing the use of recycled photo paper.

Similarly, the vast majority of the toner containers consumed in the Group, about 83% of the units, were collected and recycled. In 2020, the FIBI Group consumed 6,460 kgs of toner, of which 5,969 kg was recycled toner. Some of the toner consumed by the

Group is recycled and some is not, with preference for recycled toner. During the year, 5,383 toner units were purchased, 400 units of which are emergency supplies purchased due to the Covid-19 crisis. In addition, 4,974 units of toner purchased were recycled, while only 407 were original toner (only 7%).

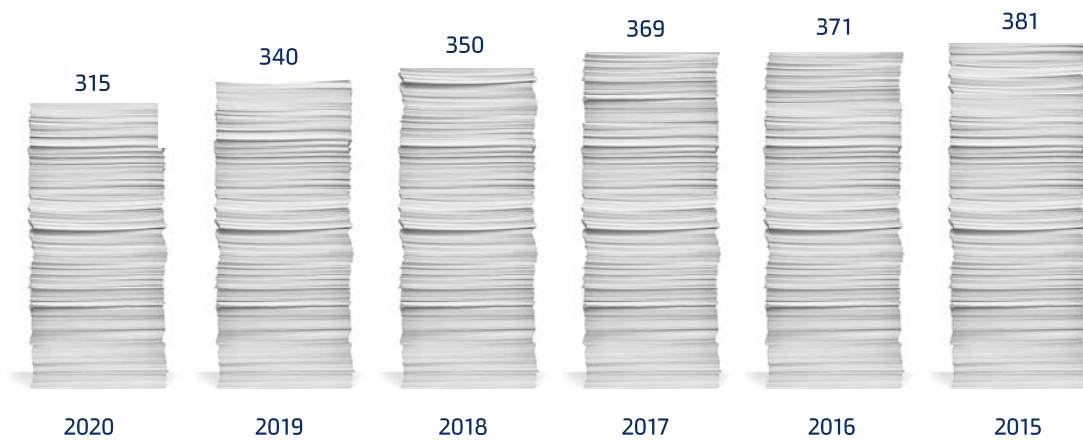
Computer equipment waste, electronic products waste and appliances waste, including: magnetic storage devices, batteries, computer equipment and peripherals, appliances, and communications equipment, are centrally collected by the Group Procurement Department and sent for handling by a certified party (an entity recognized under the Environmental Treatment of Electrical and Electronic Equipment Waste Law).

### Below is the FIBI Group's paper consumption in 2015-2020 (in Kgs):

Type of paper	2020	2019	2018	2017	2016	2015
A4 photo-copy paper	308,943	329,620	339,890	359,923	360,173	368,578
Stationery	1,375	1,667	1,507	1,477	1,713	2,610
Brown envelopes	4,139	5,042	6,627	5,662	5,527	5,967
White envelopes	1,222	3,415	2,238	2,692	3,610	4,160
<b>Total (kg)</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>

The consistent decline over the years in the volume of paper consumption is due, among other things, to the digitization of the banks in the Group, urging customers to get notifications by e-mail and many of the forms becoming online.

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



	2020	2019	2018	2017	2016	2015
Paper (tons)	439.77	318.43	482.94	509.1	580.3	528.9
Archive clearance (tons)	177.21	188.27	163.16	162.9	272	254
Toners (kg)	5,969	4,955	6,764	8,651	9,989	9,482
Electronic waste and magnetic storage (kg)	1,640	960	1,910	500	5,372	3,568



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 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 Group employees are encouraged to recycle are bottles, plastic packaging, glass, and batteries. It should be emphasized that the Group also recycles materials that come to it from external sources, such as packaging and mail items. In addition to these recycling activities, the Group collects electronic waste through an authorized contractor for environmentally friendly recycling.

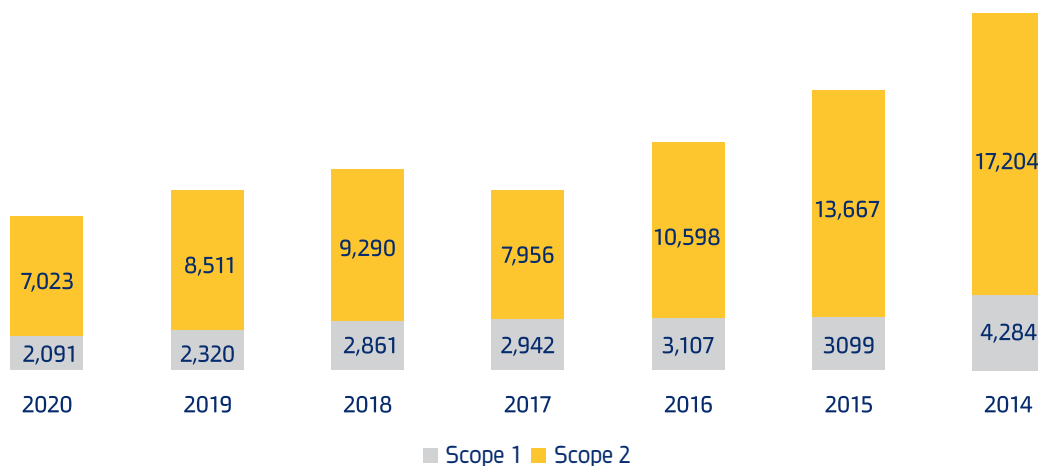
### Carbon Footprint

Understanding the enormous 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 comprises direct emissions (Scope 1) - the burning of fuel by the vehicle fleet; and indirect emissions (Scope 2) - power consumption. Additional indirect emissions (Scope 3) are immaterial to the Group's activity and are therefore not monitored.

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 Group'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).

The FIBI Group's total carbon footprint in 2020 was 9,114 tons CO2eq



In 2020, the greenhouse gas emissions intensity stood at 0.11 tons CO<sub>2</sub>eq per square meter. This figure reflects a decrease of approx. 15% from the 2019 figure, which was 0.13 tons CO<sub>2</sub>eq per square meter. This decrease is mainly associated with changes in the way the Group operates due to the Covid-19 crisis and the social distancing guidelines.

## Status of Objectives for 2020:

Area	Objectives	Status
Energy consumption	Replacement of old and inefficient air conditioners and mini-central units in several branches.	Done
Paper consumption	Reduction of paper consumption by 3% in comparison with 2019.	Done
	Reduction of the use of checkbooks by 5%.	Done
Fuel Consumption	Introduction of hybrid vehicles in the vehicle fleet.	Done
	Continued expansion of the use of fuel-efficient vehicles.	Done
Waste recycling	A 5% reduction in consumption of toner as the transition to digital continues.	This was not met due to the purchase of emergency stocks because of the Covid-19 crisis.

## Objectives for Environmental Impact Management for 2021:

- To continue replacing the light fittings in the Group's buildings with economical lighting
- To continue replacing old air conditioning units with cost-effective air conditioning systems
- To significantly reduce the use of disposable utensils in the Group's premises and at Group events
- To replace the infrastructure in toilet cubicles in order to save on water consumption and cleaning products
- To replace the uninterruptible power supply (UPS units) in the branches of U-Bank



## 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 Group's paper usage. This was attained through a recommendation to transmit certain forms digitally instead of in hard copy, as well as recommendations for saving various types of information on computer only, without additional hard copies.

In 2020, the Efficiency Forum received about 80 optimization proposals, relating to various banking and operational areas. Among the proposals received and being examined are proposals to digitalize various banking processes, thereby reducing the use of paper, as well as the expansion of the digitalization of certain banking processes, which has led to a reduction in the need for customers to come to branches.





## 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 two main social areas: at-risk youth, and women's 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 the investment in the community 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.

First International Bank strives to maintain long-term relationships with the various associations it supports. 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 opportunities for community outreach collaborations 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

**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 Group and its substantial role and leadership in the Israeli economy.**



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. In 2020, 245 participants took part in financial literacy training courses provided by the Bank.



## Investing in our community during the Covid-19 crisis:

The populations that form the focus of the Bank's community strategy were severely affected as a result of the Covid-19 crisis. The non-profits with which the Bank collaborates have acted to support their population groups and to address and respond to their urgent needs during the crisis. The Bank continued to be a significant partner of these non-profits, and supported and guided the projects, all of which continued to operate remotely, with flexibility and adaptation in order to provide the necessary responses in the field and help populations at risk to overcome the crisis. Exactly during such complex times of uncertainty, the Bank made sure to continue supporting, reinforcing and collaborating with these non-profit organizations.

During the crisis, the Bank made emergency donations for population groups that were most adversely affected by the Covid-19 crisis. These donations include donations to at-risk youth, to the non-profit organizations that operate all 14 emergency shelters for women victims of domestic violence in Israel, to Holocaust survivors and donations of food donations for Seder night. In addition, supplementary actions were taken to assist communities affected by the crisis, such as activities to alleviate the loneliness of Holocaust survivors.

**The Bank strives to maintain long-term relationships with the various associations it supports. 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**



## Donations in Cash and Cash Equivalents

The Group banks' donations policies (the main focal points of which are outlined above) are approved annually by each bank's board of directors. The First International Bank's management, through the bank's Resource Division, is responsible for managing the donations budget. The bank have a donations committee, which handles requests on a regular basis and allocates donations to various entities in accordance with the Group's policy.

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, exemption clauses, etc., 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 2020, FIBI Group donated NIS 3.08 million to various social causes, in accordance with the Group's policy. Of this amount, 27% of the donations went to charities and activities that help children and youth at risk, and 10% was directed to charities that promote entrepreneurship of women. The balance of the budget, in an amount of 65%, was used in 2021, for projects and collaborations that support the security forces.

## Joint Projects Include Monetary Investment by the Group and Involvement by its Employees:

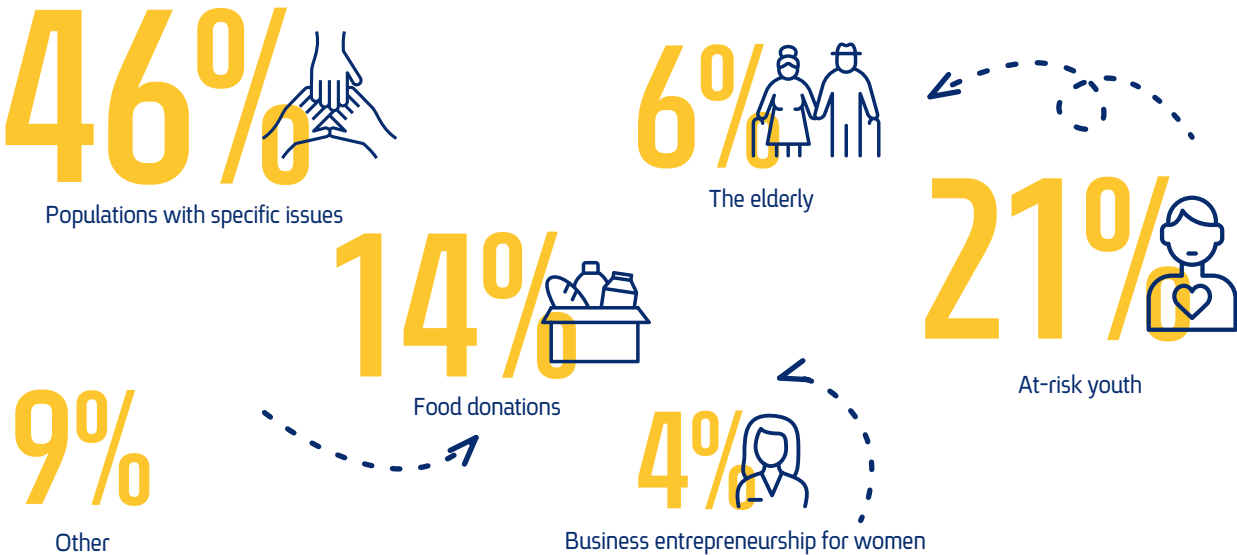
As part of its financial investment, the FIBI Group also operates the United Way program in cooperation with NGO "Matan - Investing in the Community", in which the Group's employees can donate any amount of money to NGOs of their choice. The Bank matches the amount of employee contributions to nonprofits under the project. The venture is designed to promote joint and empowering donations. In 2020, approximately NIS 434,000 was donated by the employees and the Group through this project.

# Volunteering by Employees

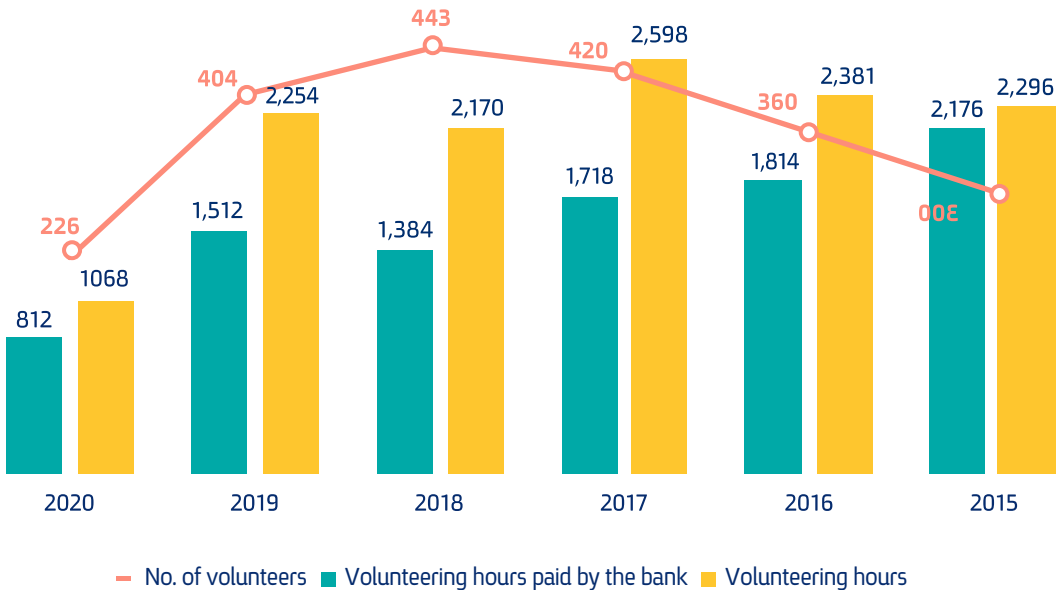
In 2020, 226 employees volunteered, contributing 1,068 volunteer hours to the community, of which 812 hours (about 76%) were at the Group's expense. The decrease in the number of volunteer hours and the number of volunteers compared to the previous year was mainly due to the consequences of the Covid-19 crisis and the 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 leadership tools and skills, and the inculcation of ideas of excellence, 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.

## Breakdown of the Group's Volunteering Hours in 2020 by Social Cause



## Volunteering by Employees 2015-2020





# Support

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

In 2020, 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 frameworks 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.

### Unistream

Unistream is an association that provides training to youth and young people aged 14-18 from underprivileged and marginal populations 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 and prosperous 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, business communication, etc. In 2020, notwithstanding COVID-19, the activities at the centers continued in full via digital channels, with 180 young people participating in the activities with the support of the Group. In 2020, the scope of the Bank's contribution to the program was NIS 350,000.

### The Fidel Association

The program provides educational and social tools that will enable youth from the Ethiopian community to integrate into Israeli society, and that will strengthen their sense of identity and belonging, and make them capable of academic excellence and of leadership. The Bank supports the operation of two Fidel youth centers in Ramla and Lod, which include 215 students, and accompanies them on special days and at significant events. The youth centers are open in the afternoon and evening for youth aged between 13 and 18. A professional staff serves as a source of consistent emotional support and of role models who create an empowering, nurturing and safe environment. The centers also welcome children of non-Ethiopian descent from poor neighborhoods who are at risk. The purpose of the centers is to provide a warm home for youths from nearby



neighborhoods, to give them a sense of familial backing, to reduce reckless behavior, and to form a basis for personal development. The youth centers run enrichment programs in order to foster motivation and the aspiration to succeed in life, such as study centers, classes and workshops (graphic design, music, writing, etc.), meetings with role models, leadership teams, and a Fidel football team that takes part in tournaments. The challenges of the Covid-19 crisis led to increased risks among this population, to the young people wandering the streets, being exposed to risks, and dropping out from the programs, and the youth centers did everything they could to get these young people out of the house to participate in special activities at the centers, and maintaining contact with them in one-on-one meetings, gatherings of small groups, Zoom meetings, etc. The centers operated an emergency program to address the most urgent needs in the community and mobilized the young people to create an "emergency force" that could help and feel needed and connected while enhancing their sense of personal worth. Such activities included collecting and distributing food, medicines and essential equipment, adopting elderly members of the community and distributing protective gear to the elderly, distributing computers to families that don't have a computer, and so on. In 2020, the scope of the Bank's contribution to the program amounted to NIS 150,000.

### Father and Sons on the Playing Field

A program for strengthening relationships and communication between fathers and their pre-adolescent and adolescent sons with the objective of strengthening the family, enhancing a can-do spirit, and preventing reckless behavior. The teams create an important meeting place for fathers and sons through team sports, comprising a supportive group to encourage sports and promote a healthy lifestyle. The Bank supports the program, which operates 43 groups across the country. In addition to the regular activities of the groups, a number of tournaments were held during the year, involving various groups from around the country and with the cooperation of the Bank's volunteers, the Bank's futsal team, employees and their children. In addition, the bank's volunteers gave lectures the year on financial management in the family, to fathers and mothers who participate in the program. In 2020, about 950 fathers and sons (most of them in the fourth, fifth and sixth elementary school grades) participated in the program. This activity was also affected as a result of the Covid-10 pandemic, yet 34 of the 43 groups completed the activity. During the year the Bank donated an amount of NIS 250,000 for this program.



## 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.

### Yozmot 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.

### Financial empowerment for 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.

### Yasmin

A unique program that aims at business promotion and development, providing tools for managing and developing the business. It is intended to assist women business owners at the survival stage to develop their businesses and bring about a significant increase in their profits, while adapting it to the current reality.

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 positioning 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, while together with them, their children and their families 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.

As part of the Bank's support in 2020, 15 courses in business entrepreneurship were held for women country-wide, some with physical participation and some online, with the participation of some 420 women, alongside personal consultations for entrepreneurs, woman empowerment lectures by volunteers from among the Bank's employees, as well as content on business development and marketing for the entrepreneurs' small businesses. In 2020, the Bank donated an amount of NIS 300,000 for this program.

### Additional socially involved programs, outside the flagship program:

#### 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.



# promotion



## Financial education as part of community outreach programs

As part of the Bank's community outreach, the Bank strives to make use of its key assets and to leverage its special capabilities, in order to maximize the value it produces for the community. Accordingly, the Bank incorporates lectures by its leading professionals in applicable areas of finance in its community outreach programs.

As before, in 2020, despite the restrictions posed by Covid-19, 11 meetings, frontal and digital, were held on various topics:

NGO	Topic	No. of branches
Unistream	Raising capital	20
Unistream	Business plans	25
Unistream, Yozmot Atid	Making financial decisions	30
A business of your own	Business management	25
A business of your own	Working with banks	50
Fathers and sons, other	Financial literacy	95
		<b>Total: 245</b>

### Community Outreach by MATAF:

This is the fifth 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, 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.

Notwithstanding the restrictions posed by Covid-19 and remote learning, MATAF staff continued the volunteering activities and adapted the activities to the many challenges facing the teachers and students during the Covid-19 pandemic in a variety of ways: they presented a personal gift to each teacher before they returned to teaching after the lockdown, they donated hot and comforting lunch meals to the teaching staff, 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 many non-profit organizations that constantly deal 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.

Additionally, Bank Massad is a strategic partner in the Laptop for Every Teacher program led by the Athena Foundation". The objective of the program is to empower teachers and advance their professional standing, including in the area of online classes. 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.





### Measuring the Bank’s social impact:

Some of the programs that the Bank supports perform impact measurement exercises to evaluate the effectiveness of their activities, and work to continuously improve on the basis of these assessments. In addition, the Bank continuously monitors the impact data, both those obtained from the programs themselves and those that it collects. The Bank uses measurement criteria, reports, field inspections, goal setting and data analysis in order to maximize its impact on society.

### Status of Objectives for 2020:

Objectives	Status
Support for the core of the "We Believe in You" flagship program - children and youth at risk - was increased. The various activities with this target group were continued, in accordance with the program devised in cooperation with the Matan - Investing in the Community NGO.	Done
Expanding support for the flagship project in business entrepreneurship for women in the geographical and social periphery of Israel to promote economic independence for women, and production of a women's conference at the Bank for all entrepreneurs who participated in the various programs, as part of the Bank's positioning as a supporter of the promotion and development of entrepreneurship for women.	Done
Support was continued for other social issues related to the Group, and for other disadvantaged population groups.	Done
Expanding the meetings on financial education to the additional non-profit organizations with which the Bank cooperates, in accordance with the annual work plan.	Carried out with associations for business ventures for women and as part of the Financial Education Forum with the Association of Banks in Israel and the Bank of Israel.

### Goals for investing in the community in 2021:

- 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.
- Development of a new community program for the FIBI Group for the coming years.

# External Assurance and Disclosure

## GRI Content Index<sup>2</sup>

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.



**MATERIALITY  
DISCLOSURES SERVICE**

2021

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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		GRI 101: Foundation 2016	
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	102-5	Nature of ownership and legal form	9-10
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	102-12	External initiatives	14-15, 21
	102-13	Membership of associations	9
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	102-27	Enhancing the Board of Directors' knowledge about sustainability and corporate social responsibility	73
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GRI 201: Economic Performance 2016	201-1	Direct economic value generated and distributed by the Bank	11
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GRI 202: Market Presence 2016	202-1	Ratios of standard entry level wage by gender compared to local minimum wage, by gender	64-65
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GRI 301: Materials 2016	301-1	The materials used by the company, by weight or volume	93-94
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GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its boundary	93-94
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GRI 302: Energy 2016	302-1	Energy consumption within the organization	93-94
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	305-4	The organization's GHG emissions intensity	98
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GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its boundary	53
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	403-5	Worker training on occupational health and safety	The disclosure is irrelevant to FIBI's activity
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	403-8	Workers covered by an occupational health and safety management system	58
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# Quality Assurance Statement:

November 2021

## The FIBI Group, 2020 Corporate Social Responsibility Report<sup>3</sup>

### Introduction

Shibolet ESG is a consultancy firm that operates under the subsidiary, Shibolet Consulting Services Ltd. of the Shibolet & Co. law firm. In October 2021, the FIBI Group commissioned the firm to conduct quality assurance for its Corporate Social Responsibility Report for 2020. 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 eighth CSR 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:

- Volunteer work among employees - as we have seen with most business firms around the country, the Covid-19 pandemic caused a significant drop in the scope of volunteer work by employees. In the coming days as we (hopefully) return to the routine of normal life, it is important to see how we can get back to the volunteering routine of our employees and to try and see this decline as a temporary issue that can be fixed.
- Calculating the disclosure of Scope 3 among banking institutions - in the current format, the Bank's calculation of Scope 3 is partial and this should be noted in the environmental chapter. Banking institutions are required to include the carbon footprint of their financial holdings as part of Scope 3 (based on the TCFD guidelines). Although this is a real challenge, most banks worldwide are currently preparing for doing so and are using up-to-date methodologies for this purpose. I will further add that it is also possible to expand the carbon footprint calculation to Scope 4, which presents data on the avoidance of greenhouse gas emissions that the Bank's sources of funding have achieved.

Well done on a good job

Dr. Liad Ortar

CEO of Shibolet ESG

