



# ESG Report

○ The FIBI Group | 2022





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# Letter from the Chairperson and the CEO

## Dear Stakeholders,

We are pleased to present the FIBI Group's ESG (Environmental, Social, and Governance) Report for 2022. This is the Group's tenth consecutive annual report; it describes our deep commitment to the promotion of social and environmental values and to the creation of a positive environmental and social impact. In accordance with the prevailing practice in ESG reporting, the report is divided into chapters on environmental, social, and governance topics. This year, we reexamined the ESG topics that are most important to our various stakeholders, and revised our list of material topics for the report accordingly. We also expanded our reporting on climate and environmental risk management and on green financing.

The FIBI Group believes that making ESG aspects integral to our business generates business value, as well as social value for stakeholders, thus serving as a value multiplier for our business activities. Moreover, we believe that as a financial institution that is part of the tapestry of Israeli society, acting fairly and considerately towards all of our stakeholders is the right thing for us to do. This approach, and the great importance we accord to responsible and ethical business practices, guided us in formulating and approving the Group's ESG policy in 2022. This policy will serve as our compass in managing and examining our impacts on the environment and on society. The ESG policy describes focus areas for the Group's activities, responsibilities, and key management and control channels in this area. The policy is centered on empowerment of the bank's customers and employees, and of the community in which it operates, and reflects our commitment to fairness, ethics, and integrity.

We saw a shift towards higher expectations from stakeholders this year, both locally and internationally, with regard to the integration of climate considerations into risk management in the financial sector. In 2022, FIBI began to expand its methodology for climate risk management in credit, to align

itself with the top tier of advanced global banks. Planned for completion in 2023, the methodology will be applied gradually to the Bank's financing business.

As a leader in capital-market trading in Israel, we are attuned to the global trends in this field and the growing importance of ESG considerations in risk management, and we aim to deliver advanced, innovative tools in this area to our customers. This year, we achieved the target originally set for 2025 in ESG training for the bank's investment advisors. The training equips our advisors with the skills to offer customers ways of investing in companies with responsible environmental, social, and governance practices, in addition to risk/return considerations.

As part of our social responsibility, FIBI is proud to continue its activities to benefit a variety of communities, through a range of brands with unique characteristics. This approach makes our activity more accessible to a broader range of customers, and allows us to offer tailored solutions and economic empowerment for various population segments, including minority groups in Israel. Our range of differentiated brands makes the FIBI Group a key player in financial inclusion in Israel, in terms of the accessibility of our advanced financial services to a diverse clientele, as well as quality professional employment opportunities for a diverse workforce at the Bank. Each brand within the FIBI Group is deeply familiar with its target audience's specific financial needs, and can provide those customers with competitive value propositions. As a leading financial institution and one of the five largest banking groups in Israel, and all the more so as a bank that has sparked competition in the industry, 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 of our stakeholders and to every part of Israeli society.



Ron Levkovich  
Chairperson of the Board



Smadar Barber-Tsadik  
CEO

# Our ESG achievements in 2022

## Investing in our customers

**130**

The Group operates 130 branches

17 branches are dedicated to ultra-Orthodox society and are located in ultra-Orthodox population centers

13 branches dedicated to the security forces are located inside IDF bases

~ 50% of retirement consulting sessions held during the year at the Bank were dedicated to senior citizens



17

13

41% of the branches are located outside central Israel, including in Israel's geographic periphery

33% of Bank Massad branches are dedicated to and located in Arab population centers or adjacent to them

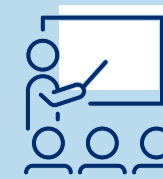
100% of the Group's branches have been made accessible to people with disabilities



## Investing in our employees

**10,584**

The FIBI Group invested 10,584 training days in the Group's employees, during which thousands of them developed professionally and personally



**56%**

of the managers in the Group, including FIBI's CEO, are women



**19%**

19% of Bank Massad employees are from Arab society, of which 15% are managers who constitute 9% of all managers at Bank Massad

**5.4%**

5.4% of the Group's employees are from ultra-Orthodox society, and 6.5% of the managers at the Bank hail from ultra-Orthodox society

**66%**

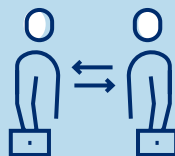
66% of the Group's employees are women



**66**

This year, 66 employees were hired by the Group from diverse population sectors, representing an almost 80% year-on-year increase

## Investing in capital market development



~ 4,700 customers were empowered with advanced financial tools and knowledge as part of the Capital Market Academy that have improved their ability to make investment decisions.



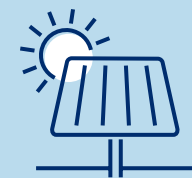
ESG aspects were incorporated into securities analysis and investment consulting systems in order to enable customers to incorporate these considerations in managing their investments

**50,000**

The eligibility threshold for investment consulting services for customers with an investment portfolio at FIBI is only NIS 50,000, the lowest threshold in Israel's banking system.

~ 90% of the investment consultants took part in conferences in which in-person training sessions were held on investment consulting according to ESG principles

## Investing in our environment



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



**697**

Outstanding credit provided by the FIBI for projects that promote environmental sustainability totaled approx. NIS 697 million as of the end of 2022.



**27%**

The Bank is working to reduce the use of the main raw materials. This year, the Paper-Less project that replaces paper with digital means, stepped up a gear. The project is a significant factor contributing to the 27% year-on-year decrease in paper consumption

## Investing in Israel's economy



**20.5**

outstanding credit in the micro- to small enterprise sector totaled NIS 20.5 billion in 2022



**1.4**

outstanding credit provided by FIBI to ultra-Orthodox social organizations is NIS 1.4 billion



**97%**

of the Group's suppliers are Israeli, and approx. 41% of them are small suppliers

**25%**

Approx. 25% of the new cases taken on by the Collection Department in 2022 were handled and closed consensually. The Bank has 1,660 debt settlement arrangements, of which 20% are handled without involvement of external attorneys representing the Bank.

**70**



During 2022, the Bank agreed to join a debt collection effort initiated by the Law Enforcement and Collection Authority, in which significant reliefs was provided to debtors, stays of proceedings were granted and 70 debt settlement arrangements were signed

**75%**



More than 75% of the payments to suppliers in 2022 were made within a maximum period of EOM + 15 days from the invoice issue date, a 25% improvement over last year



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



### Profile and Activity of the FIBI Group<sup>1</sup>

FIBI is a public company founded in 1972 whose shares are listed on the Tel Aviv Stock Exchange and its included in Israel's benchmark TA35- stock index. 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>2</sup>.

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

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

#### The FIBI Group operates via three main business divisions:

- The Corporate Division coordinates all activities with large and corporate business clients (middle market), as well as the credit domain with business and institutional clients active in the capital market. The division operates a business area, which coordinates the activities of the bank's business branches.
- The Banking Division provides banking and mortgage services to all customer segments - households, private banking and small and micro-businesses. The service is tailored to the customer's needs and is provided by in person and by digital means through the Bank's branch network, app, website and the international call center (Beinleumi Call). Platinum customers are served through the Bank's Platinum Centers, which provide customers with all their banking

needs. Capital market services are provided both through the consulting centers and branches array and via the Bank's app and website. The Bank also operates mortgage counters, which assist and advise customers through the process of obtaining mortgage loans. The Banking Division also operates UBank branches that specialize in private banking and the capital market, and Otsar HaHayal branches, which specialize in providing services to retail and commercial customers, with an emphasis on employees and retirees of the defense establishment. In addition to the Division, there is a PAGI system, in which branches specialize in providing banking services to religious and ultra-Orthodox societies.

- The Customer Assets Management Division coordinates all capital market, finance and foreign exchange activities with private, business, institutional and active capital market customers. In the Division, the transaction rooms operate in securities, foreign currency and NIS, as well as the investment advice systems, retirement consulting and the investment center. In addition, the Division is responsible for the activities of subsidiaries in related fields - the trust company and the portfolio management company.

In addition to First International Bank, the Group includes Bank Massad, which specializes in providing services to Israel's teacher population.

First International Bank and Bank Massad are members of the Association of Banks in Israel. As members of the Association, they are entitled to receive information and participate in the discussions and decision-making processes that take place within the framework of the Association's activities.

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

In 2022, the Bank acted in accordance with the strategic plan for 2022-2020, which was formulated in 2019. This strategic plan is a direct continuation of the previous corporate strategy and strategic processes implemented in recent years. The strategic plan set business targets aimed at propelling the Group forward in an innovative competitive environment and under conditions of uncertainty. Under this plan, the Bank places emphasis on providing added value to its customers, in accordance with the needs of each customer, including through digital channels and innovative technological responses, while continuing its streamlining processes and informed

risk management. This strategy has proven itself as highly valuable during the coronavirus pandemic, for which the Bank is highly prepared due to the focus on digital technology prior to the coronavirus crisis, and therefore managed to maintain high business continuity and provide efficient and continuous service to customers.

In December 2022, the Bank approved a new Group strategic plan for 2025-2023, which was examined in relation to the macro-economic developments and changes in the competitive environment and the various challenges facing the Bank. The new strategic plan continues to manifest the strategic processes conducted at the Bank in recent years and in parallel it includes new areas of focus such as a new digital strategy, in order to create considerable value for the Bank and its customers.

#### Ownership Structure

FIBI Holdings Ltd. (hereinafter - "FIBI") is a public company traded on the Stock Exchange, which holds 48.34% of the issued share capital and voting rights in the First International Bank (constituting the controlling core, pursuant to the Bank of Israel control permit). The controlling shareholders in FIBI Holdings Ltd. are: Mr. Tsadik Bino and his children - Mr. Gil Bino, Ms. Hadar Bino-Shmueli, and Ms. Dafna Bino-Or (hereinafter - the "Bino family") through the Bino Hon Ltd. holding company; Mr. and Mrs. Michael and Helen Abeles through Instanz Number 2 Ltd, and Mr. Barry Lieberman, Ms. Casey Lieberman-Harris, Mr. Lee Lieberman, and Mr. Joshua Lieberman through Dolphin Energy Ltd. For information regarding the various arrangements existing between the controlling shareholders regarding their holdings in FIBI and indirectly in the Bank and regarding the terms of the control permit dated September 2003 ,19, which was issued to the controlling shareholders by the Bank of Israel, as amended from time to time, see "Information regarding the Bank's controlling shareholders" in the Corporate Governance chapter of the financial statements for 2022.

According to FIBI's reports, as of the date of the most recent financial statements' publication, the holdings of the controlling shareholders in FIBI Holdings Ltd. (in terms of equity and

voting rights) are as follows: Bino Hon Ltd. - 28.54%; Instanz Number 2 Ltd. - 11.68%; and Dolphin Energies Ltd. - 11.68% (the holdings of all the controlling shareholders in FIBI constitute its controlling core, according to control permits issued by the Bank of Israel).

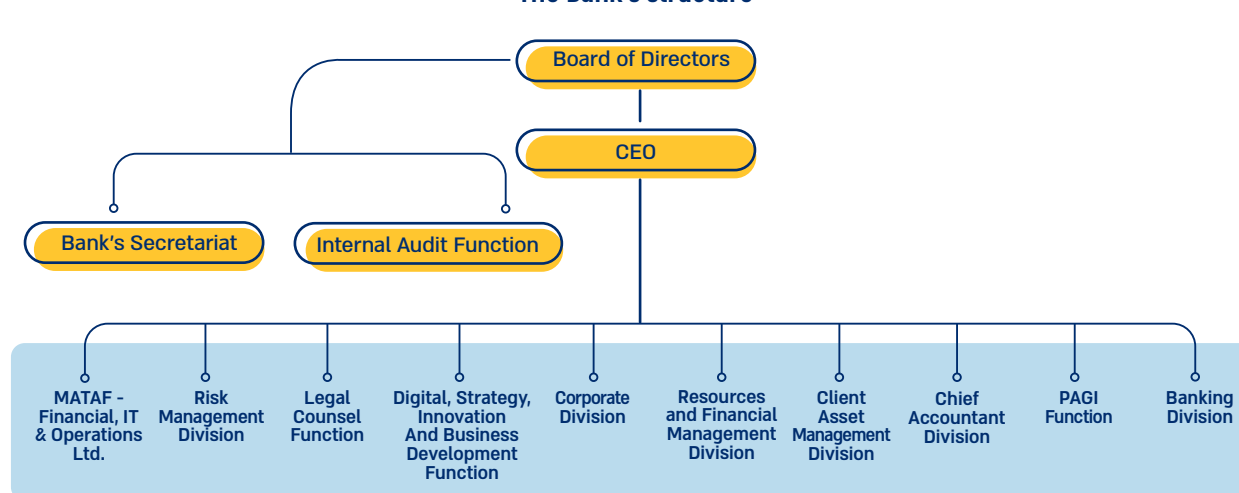
#### The FIBI Group's Major Holdings in 2022

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

#### The FIBI Group's Organizational Structure

In 2022, the First International Bank operated through six divisions, the subsidiary MATAF (Computing and Financial Operations Ltd.) and four departments. Each division and department is headed by a member of management or member of the management forum. The organizational structure of the divisions and departments is in line with the management philosophy of customer-centric banking, allowing the Group to provide tailored banking and financial services to customer segments with similar characteristics and needs. MATAF (Computing and Financial Operations Ltd.), a wholly-owned subsidiary of the First International Bank, is engaged in computing and the operation of banking processes of all the banks in the FIBI Group. As of December 2022 ,31, there were 11 serving members of the management at the Bank, including the Group CEO.

#### The Bank's structure



As of December 31, 2022, the FIBI Group had 130 branches (or which 109 branches of First International Bank and 21 branches of Massad). The Group regularly examines the development in the branches' profitability and business activity, in relation to their intended target populations, the goals set in the work plans of the Group banks and the ability to realize the potential in the geographical area in which each branch operates. In this context, the suitability of the branch deployment examined for the business environment and for changes in areas that constitute potential for business development in the target population of each of the banks in the Group

### Creating Economic Value for Stakeholders

The FIBI Group is a leading and central economic organization with significant economic impact. The impact is reflected in the creation of value for the Bank's various stakeholders - for the shareholders and investors, the Group's activities create direct economic value; for the State of Israel, the Group creates value through the payment of taxes, creation of jobs nationwide, purchase of locally-produced ("blue and white") goods; for the Group's employees, the value is in their employment, payment of their salaries and employee welfare activities; for its customers, suppliers and business partners, the value is reflected in the promotion of their activities and for the community, by supporting and assisting through financial donations and volunteer work by the Group's employees. Beyond these, the Group banks contribute significantly to economic activity in Israel, and their diverse services encourage business entrepreneurship, trade, consumerism, investment, and savings. As of December 31, 2022, credit granted to the public by the FIBI Group totaled NIS 117.2 billion.

The FIBI Group contributes to the development of the Israeli economy in indirect ways. For example, the Group's branches are spread throughout the country and more than 40% of them are located far from the center of the country. The Group thus provides access to financial activity also in localities and areas far from the center of the country. In addition, the Group's various banking brand names provide professional services customized to the specific needs of diverse populations in

## 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 ("blue and white") goods

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

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

### Branch distribution:

Bank	No. of branches	No. of branches far from the center of Israel <sup>3</sup>	Percentage of branches far from the center of Israel
First International Bank	61	22	36%
U-Bank	3	0	0%
Otsar HaHayal	28	15	54%
PAGI	17	7	41%
Massad	21	9	43%
<b>Total</b>	<b>130</b>	<b>53</b>	<b>41%</b>

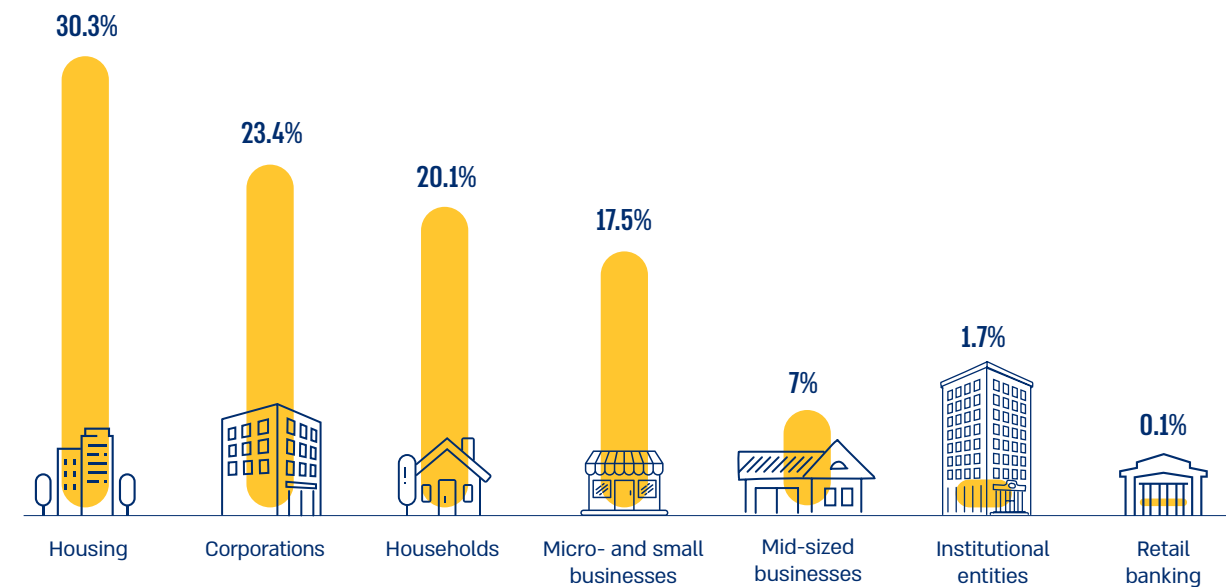
3. North of Hadera or south of the Gedera.



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

	2022	2021	2020	2019	2018	2017
Total income	5,414	4,550	4,160	4,122	4,123	3,752
Operating and other expenses	2,755	2,652	2,569	2,654	2,819	2,607
Salaries and related expenses	1,680	1,601	1,532	1,601	1,696	1,579
Provision for profit tax	884	728	368	478	408	358
Net income	1,667	1,405	750	865	733	678
Dividend	945	543 <sup>4</sup>	125	410	355	310

### Credit to the public, by operating segment



4. The figure displayed regarding 2021 was restated





## ESG in the FIBI Group

ESG is part and parcel of the FIBI Group's daily activity. The Group takes into account economic, social and environmental considerations in its day-to-day business activity, taking a holistic view of ESG, and out of a desire to create shared value for both the Group and all its stakeholders. By engaging in ongoing dialogue with the Group's employees, shareholders, various suppliers as well as the community in which we live, the Group creates a thriving business as well as added value. The ESG domain is managed in a systematic and orderly manner. The executive-level party responsible for ESG in the FIBI Group is the Head of Resources & Financial Management Division at the First International Bank, a vice president and member of the Bank's management. In addition, the Bank appointed the Bank's Director of Organizational Development and Welfare as manager of the ESG domain; she is responsible for the integration and implementation of the domain, and for ongoing work with the subsidiaries.

ESG issues are discussed by management, the Board of Directors and various committees. As such, the Head of the Resources & Financial Management Division and the Director of Organizational Development and Welfare present the Bank's ESG Report to the Bank's Board of Directors. The Resources and Financial Management Division is responsible for leading the ESG domain at the Bank, integrating and coordinating the efforts to further this domain in the various divisions, and is in direct contact with the unit managers across the FIBI Group.

We thank all those interested in the Bank's ESG activity, and in this report, we invite all stakeholders to contact us regarding the report, and to comment on our activities. For additional information regarding this report, please contact Orly Elad, Director of Organizational Development and Welfare at [elad.o@fibi.co.il](mailto:elad.o@fibi.co.il).

## The FIBI Group's ESG Policy

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

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

As part of our responsibility, during the years 2022-2021, we chose to establish a comprehensive policy for managing environmental, social and corporate governance (ESG) aspects in the Bank's business operations. This policy was approved in the second half of 2022, and regards ESG management as a business approach aiming at managing the Bank's relationships with its various stakeholders from a collaborative perspective, and for the purpose of creating a shared value for the Bank and the stakeholders as part of the ongoing business activity.

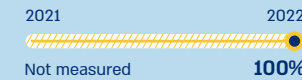
The Bank's new ESG policy underscores its commitment to the promotion of social and environmental values and to the creation of a positive environmental and social impact. The policy has delineated two key channels of activity in the field of environment: relating to climate and environment considerations as part of the Bank's financing and investment activity, along with a commitment to take action in order to reduce the environmental impacts of the Bank's routine activity. In the social realm, the policy underscores the Bank's commitment to take action in support and empowerment of the Bank's customers, employees and the community in which it operates. In the field of corporate governance, the policy underscores the Bank's commitment to engage in effective, fair, ethical and appropriate action. Furthermore, the policy underscores the Bank's commitment to act in accordance with the regulatory directives in the field, to report its activity in accordance with accepted international standards such as the GRI (Global Reporting Initiative) and in view of the UN's Sustainable Development Goals (SDGs).

The Bank's policy underscores the division of the various areas of responsibility regarding ESG issues among the various entities at the Bank, including the Board of Directors' and management's responsibility, and the responsibility imposed on the various divisions at the Bank. Furthermore, the policy sets out the process of determining the materiality of the ESG issues that are relevant to the Bank's activity and the risk management process in the ESG spheres. In addition, the policy also underscores the reporting and measurement processes as well as the monitoring and control processes after meeting the Bank's ESG objectives.

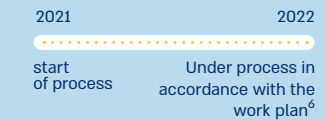
## Status of Meeting the Group's Objectives for 2025

### The Environment

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



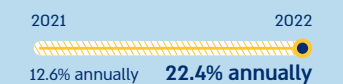
The Bank will complete the process of identifying securities that have a significant environmental and social impact for the benefit of its customers, and integrate ESG aspects into securities analyzes.



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

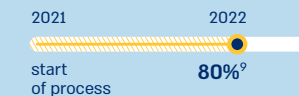


At least 10% of the employees recruited will be from diverse populations

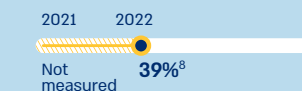


### Society

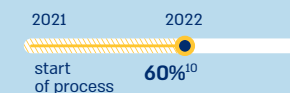
At least 75% of managers will participate at least in one strength skills training, over two years.



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



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

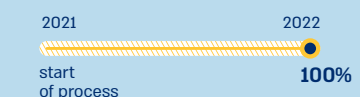


50% of the businesses providing beneficial terms to customers that are members of PAGI's customer club will be local businesses in ultra-Orthodox communities, with the aim of promoting a sustainable local economy in this sector.



### Corporate Governance

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



6. The matter was examined during 2022 and negotiations were held with the service providers in this field. In 2023, should the signing of an agreement with the supplier be completed, an ESG score will be added to the mutual funds rating system and reference will be made to this data in securities analysis, insofar as the Company that owns the relevant securities reports on this subject  
7. No new investments were made in 2022  
8. During 2022, some 11,800 customers were exposed to advanced financial knowhow. No data is available for small businesses  
9. 60% of the managers have taken part in this type of training to date, constituting 80% of the defined objective  
10. In 3 out of 5 extended training courses in 2022 involved strength skill training





## About the report<sup>11</sup>

The FIBI Group's tenth ESG report examines and presents the Group's actions and performance in its areas of activity vis a vis the various stakeholders. The report relates to the Group's activity in 2022 in those ESG domains identified as material to the Bank. Identification of the material topics is carried out, among others, by a process of consultation with stakeholders in accordance with the leading global practices in this field. This report has been prepared in accordance with the GRI Standards.<sup>12</sup>

The purpose of the report is to present as transparently, reliably and comprehensively as possible the activities of the FIBI Group in the areas specified in it, in order to enable the Group's stakeholders to obtain an overall picture of its activities in the ESG domain. As such, the Report addresses all the various stakeholders in a variety of fields of relevance to them.

The Report reviews the activity of the FIBI Group, including the activities of its two subsidiary banks: The First International Bank (including PAGI and the U-Bank brand name, which were merged into the First International Bank in 2015 and the Otsar HaHayal brand name, which was merged into the First International Bank in 2019), Bank Massad, as well as subsidiary MATAF (where MATAF's activity has bearing on the issues presented in this Report).<sup>13</sup>

The Group's previous report, covering 2021, was published in 2022. The data included in this report are consistent with those presented in previous reports. In any case of inconsistency, this is stated in the relevant place. Also, in this report there

have been several changes in the way the data is presented and calculated in certain parts of the report compared to the previous report. These changes will be noted in the relevant places where they have taken place.

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

The Report has undergone external assurance by an independent third party - Shibolet ESG Center (see the full external assurance report at the end of this document). In addition, the report was reviewed by the GRI's Materiality Disclosures Service (Content Index – Essentials Service),<sup>14</sup> which reviewed the references from the content index to disclosures throughout the report. All data regarding issues contained in the Report were collected by relevant professional parties in the FIBI Group, with the assistance of external consultants specializing in ESG. Most of the quantitative figures in the report refer to the FIBI Group. Some of the data in this report are presented in comparison to the Group's previous report (covering 2021) while other data also serve as a baseline year (in aspects where measurement was improved). The quantitative figures in the Report are based and presented on the basis of accepted indicators, as required by the GRI's standards.

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

## Material Topics<sup>15</sup>

This ESG Report was written in accordance with the Global Reporting Initiative (GRI) standards - the accepted local and global framework for reporting on ESG. The reporting process begins by identifying and defining the material topics, according to which the issues to be reported on are decided. The material topics are the key ESG areas that the organization and its stakeholders perceive as key to the core business activity, and are therefore relevant to management and reporting. In preparation for the ESG Report, 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, alongside evaluation of the organization's potential impact on its business and human environment.

When examining which issues are material topics for the organization, the "double materiality" approach is adopted. Namely, material topics are ESG topics (environmental responsibility, socioeconomic development, corporate governance) whose effective management has a material impact on the organization's financial robustness, or those issues of the organization's conduct in this field that have a material impact on its environment, as stated. This list of topics regarded as 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 ESG issues promoted by the Group and on 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 late 2022, a process was implemented to validate and update the list of ESG topics that the Bank defines as material ones for management and reporting. The initial list of topics was built based on the existing list from the 2021 Report while updating it according to developments in the approach to ESG in the field of finance and developments in the understanding of the impacts and potential impacts of financial institutions and in particular banks. In order to create the initial list based on as broad as possible a perspective, the requisite topic definitions in the reporting standards were analyzed - the GRI standard and the SASB (Sustainability Accounting Standards Board) standard for the relevant sector, the topics that leading banks both in Israel and around the world define as material topics, alongside the material topics per sector by the ESG rating agencies.

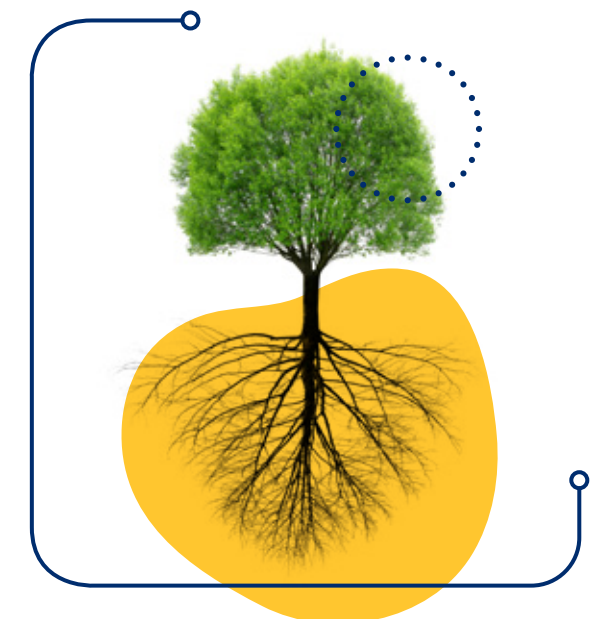
At the focus of this list and its adaptation to the local context, the regulator's position as it is reflected in the directives of the Banking Supervision Department was reviewed, along with circulars that were published, ESG ratings and other documents. Analysis of these positions, which represent

**Material topics are ESG issues (economic responsibility, socioeconomic development, corporate governance) in which the organization has a material impact on its stakeholders, or which impact the organization**

the interests of the public and the environment, and of the investors, helped to identify those areas in which the Bank has a material impact on the sphere in which it operates, as well as those areas that have a material financial impact on the Bank.

In addition to these groups, the Bank sought to consult with two additional stakeholder groups - the employees and the customers - via surveys. This was done in order to combine their perceptions in the prioritization and the continued effort to precisely tailor the material topics list for the FIBI Group and its stakeholders. In order to complete the picture, the Group's management has discussed the findings of the consultation and the research in order to create a prioritization of topics that reflects the idea of double materiality while synchronizing the materiality of the Bank's actions with the financial materiality of various actions and issues for the Bank, given both risks and opportunities. The prioritized list of topics was taken into account in framing this report with a view to providing a response to the various issues of interest to different groups of stakeholders.

As might be expected, the process of updating led to changes compared with the list of topics published last year. The adaptation to the changing approaches in this field has led to both splitting and combining certain topics, the removal of others and the addition of new topics.



11. GRI 2-2, 2-3  
 12. GRI 1: Foundation 2021  
 13. GRI 2-2  
 14. GRI 2-5, For the Content Index - Essentials Service, GRI Services reviewed that the GRI content index is clearly presented and the references for Disclosures 2-2, 2-3, 2-29, 2-30, 3-1, 3-2 align with appropriate sections in the body of the report. The service was performed on the Hebrew version of the report

15. GRI 3-1



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

Ethical and moral conduct of the Bank in all its business activity, while reducing the risks in the Group's activity together with promoting business and ethical excellence, based on the integration of business ethics in its activity, including the prevention of acts of corruption, discrimination, and a lack of fairness towards customers, including 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.

**Quality corporate governance**

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

**Risk management**

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

**Privacy and information security**

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

**Business continuity**

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

**Transparency and fairness of products and services**

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

**Product and service innovation**

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

**Financial Inclusion and Accessibility to Services**

The provision of services to diverse populations in Israeli society in a specially tailored, accessible and equitable manner. In addition to providing innovative, quick, and professional service, promoting service accessibility allows customers from a variety of diverse backgrounds, ages and areas, as well as individuals with disabilities to gain access to quality service that is tailored for their specific needs, just like any other customer.

**Employee training and development**

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

**Quality of service**

Investment in the provision of quality service in order to maintain customer satisfaction, including training, monitoring and measuring, learning and improving service quality.

**Environmental and climate risk management**

Maintaining the Bank's financial stability when faced with the environmental and climate challenges by a combined response to these risks in the Bank's financial risk management processes.

**Work environment and terms of employment**

Maintaining a pleasant, fair, safe, productive and remunerative work environment for all Bank employees, while considering their personal well-being and concern for proper and respectful compensation and working conditions.

**The key changes in the list of topics are:**

- The reference to social considerations was separated from that of environmental and climate considerations in the provision of credit and product development, in accordance with the clear differentiation in reference to these two areas, and the existing significant emphasis today on the topic of climate.
- The topic of "Climate Risk Management" was added due to the growing understanding that this issue requires both tools and attention that are specifically defined for it, and where it is combined in the Bank's overall risk management units.
- Both of the issues relating to making services more accessible – "Access for People with Disabilities" along with "Addressing and Advancing Diverse Populations within Israeli Society", were combined under the title of "Financial Inclusion and Accessibility to Services" in order to reflect the FIBI Group's service and inclusion oriented approach.
- The topics of "Creating Economic Value for Stakeholders" and "Effective Communication with Stakeholders" were not included as topics in their own right this year during the prioritization process, as these topics are interlaced in the other topics that set forth both how the Bank aspires to generate economic value and how it preserves effective communication with stakeholders.
- Topics of ethics, transparency and quality corporate governance have increased in terms of their materiality compared with the past. This is also true for the topic of financial inclusion.
- Investment in the community as a topic, has declined in terms of materiality while topics including environmental social awareness at the core of their activity, such as environmental and climate considerations or social consideration in financing and investment (separately) have increased in terms of their materiality.

**Environmental and climate considerations in financing and investments**

Development and marketing of new products designed to advance environmental responsibility and which integrate environmental and climate considerations in the decision making process.

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

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

**Social considerations in financing and investments**

The inclusion of social considerations in the decision making process pertaining to the provision of credit or making investments. In addition, placing emphasis on environmental considerations during the development and marketing of new financial products.

**Promotion of financial knowledge and understanding**

Adopting actions such as study opportunities and making knowhow accessible to the public with the aim of enhancing the financial knowledge of the Bank's customers and Israeli society and providing tools for making informed decisions with regard to financial conduct.

**Improving environmental and operational efficiency**

The Group places great importance on making significant efforts to reduce its environmental impact. Consequently, the Bank takes into account various environmental aspects when making decisions in its regular course of business and works to reduce the use of resources, materials and energy in order to protect the environment.

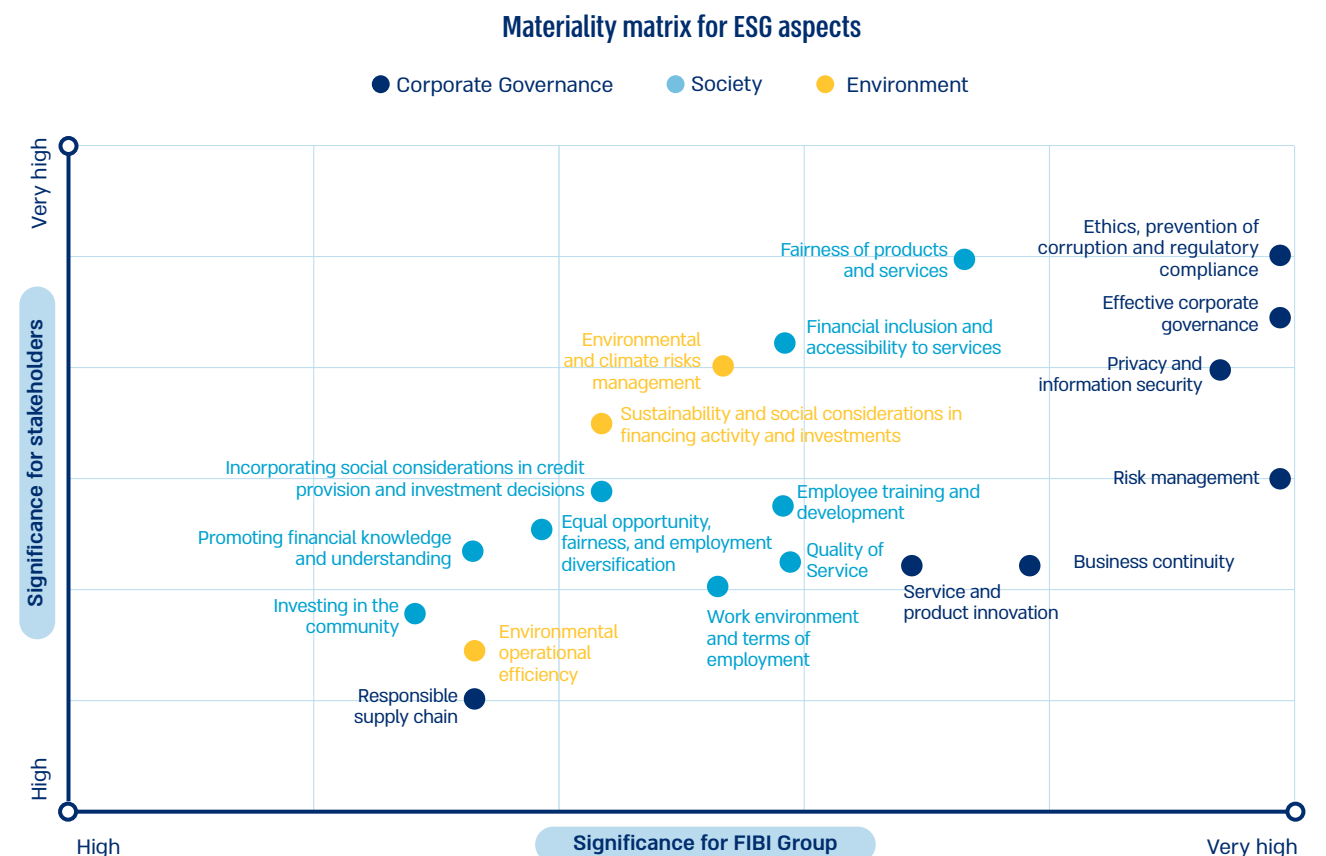
**Responsible supply chain**

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

**Investment in the community**

investment in the community, while promoting diverse social goals by policy formulation, financial and cash-equivalent donations to various enterprises and NGOs, volunteering by employees, and promoting a range of social activities.

The FIBI Group regards all the topics in this list as material topics for the Bank's activity and its stakeholders. The matrix below presents the topics graphically and proportionately for the purpose of illustration.



16. GRI3-2

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

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

As a member of the organization, the State of Israel is obligated to report on the processes it carries out in order to advance its goals and meet the international SDGs. To realize the goals,

the public, business, and voluntary sectors in Israel need to cooperate long-term. A significant part of the realization of the objectives depends on cooperation with the business sector. As a leading financial organization, the FIBI Group recognizes the importance of its contribution to realizing the SDGs and to promoting sustainable development in Israel.

The following details cover the Group's main activities to promote the SDGs. Throughout the Report, you can read at length about the Bank's relevant activities that help to promote these goals.

Contribution to the advancement of the UN's SDGs



### 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 informed financial decisions for various time frames. This year, the Bank conducted dozens of workshops, conferences and lectures on financial education with thousands of participants. In addition, the Bank worked to make financial knowledge and advanced tools accessible to its customers through digital means, to which thousands of people and businesses were exposed.

### Employee training and development:

The Group empowers its employees through ongoing face-to-face training in content areas that are relevant to employees both personally and professionally.



### 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 FIBI Group's managers – more than half (compared with 34% of the managers in the Israeli economy). The proportion of women in senior management positions in the FIBI Group (management and senior executives) is 39%, including the Bank's CEO who is the only woman in the position of CEO in a bank in Israel and the only woman in the position of CEO in the Tel Aviv 35 index. 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 companies work significantly to prevent sexual harassment through training, seminars, reporting mechanisms and, if necessary, disciplinary action.



### Environmental and climate 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 2022, the Bank provided credit for environmental projects in the amount of approx. NIS 340 million.

### Renewable energy financing:

The credit balance at the end of 2022 for renewable energy projects was NIS 220 million, compared with NIS 209 million at the end of 2021.







### Assistance to SMEs (Small and Medium-sized Enterprises):

The balance of credit at the end of 2022 that was provided by the Bank to small, tax-exempt and medium enterprises amounts to NIS 28.7 billion, including dedicated credit as part of funds subject to state-guaranteed loans and the Coronavirus Business Support Fund.

### Employment environment:

The FIBI Group provides good employment conditions and work environment for employees, and has been considered for many years one of the 50 preferred employers in the Israeli economy, according to a BDI survey. This year, the First International Bank leaped up 10 places, ranking 35th.

### Responsible supply chain:

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

### Assistance to small and medium-sized businesses:

The Bank sponsors a program to finance exporters' operations in cooperation with a credit firm. This program serves as a means of leveraging the businesses of small and medium-sized exporters alongside the development of opportunities to expand their overseas business, as well as providing tools for management of their businesses.

### 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.



## 35th place

The FIBI group leaped up 10 places according to BDI survey of most preferred employers in Israel



### 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 and communities. PAGI enables economic development and financial activity in the ultra-Orthodox and religious society, 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, Arab society, offering products and services tailored to the sector. The First International Bank holds ongoing activity in an effort to make financial services more accessible to senior citizens..

### Accessibility for people with disabilities:

All of the Bank's branches are accessible to the public, including to people with disabilities, and the Bank continues to improve the accessibility of services using different means.

### Diversity in employment:

The Bank makes an effort to employ workers from under-represented groups in the Israeli labor market, including employees from ultra-Orthodox and Arab societies, and people with disabilities, while providing equal opportunities in recruiting, employment and in their promotion at the Bank. In 2022, some 22.4% of the employees recruited were individuals hailing from under-represented groups in the Israeli labor market, representing an increase of almost 80% compared with last year's figures..



### Responsible supply chain:

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

### Direct environmental impact management:

The Bank is working to reduce the use of the main raw materials. In 2022, the Paper-Less project that replaces the use of paper by digital means, stepped up a gear. The Bank also works to encourage waste recycling in its branches and offices and encourages its customers to receive e-mail. In the reporting year, all of the Group's toners and electronic waste were recycled by authorized entities.



### Environmental and climate considerations in financing and investments:

The FIBI Group maintains the environmental risk management policy regarding the borrowers as part of the credit granting process, which includes a methodology and orderly work processes for monitoring, identifying, locating, assessing and controlling the significant environmental and climate-related risks of the various borrowers.

### Management of direct environmental impacts:

The FIBI Group works to reduce its environmental impact in various ways, including by consuming power generated by gas, and by integrating cost-effective vehicles into its car fleet. The FIBI Group's total carbon footprint in 2022 was 13,993 tons CO2eq, of which, 1,620 tons CO2eq in Scope 10, 987.1 tons CO2eq in Scope 2, and 1,386 in Scope 3.



In 2022 The FIBI Group's total carbon footprint was **13,993 tons CO2eq**



### Fairness:

Ensure proper disclosure to customers, including full information and comprehensive explanations. Fairness in marketing, advertising, sales, and investment advice. Fairness towards customers in financial difficulties. Also in 2022, no fines were imposed on the FIBI Group for non-compliance with laws and regulations regarding marketing, communications and collection.

### Ethics, regulatory compliance and maintaining integrity:

The Bank works to prevent bribery and corruption through a number of mechanisms, such as the Internal Audit System, the Risk Management Division and the Control of Procurement Activities. In addition, every employee who is hired by the Bank takes a reliability test before starting to work. The Bank 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



# ESG Environment





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



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

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

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

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

## Environmental and Climate Considerations in Financing and Investments

As a leading financial institution, the FIBI Group recognizes its significant role in encouraging market activity through financing activity and investments - credit provision and investment of nostro funds. These activities, which are the business core of the Bank, enable an increase in economic activity in the economy and therefore have a significant macroeconomic impact. Along with these activities' positive economic value, the activities of some of the entities banks within the Group financed and invested in might have significant potential environmental or climate consequences.

These impacts of the entities financed and invested in by the Bank also have effects on the business value that the Bank derives from its financing and investment activities. Environmental and climate-related aspects may constitute significant risk factors or financial value. The risk embodied in the investment and financing of certain projects or companies may also affect the overall risk profile of the Group. Therefore, the Group works to find the right balance between all the various considerations - economic, business, environmental and social. In view of this, and due to the Bank's business considerations, the FIBI Group reflects environmental and climate-related aspects as part of the process of managing the various financial risks.

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

### Environmental and climate risk management when granting credit

Environmental and climate risk management in credit and financing activities refers to the ability to characterize, identify, and aim to mitigate or prevent the risk from environmental or climate risk factors that have the potential to harm the agreement between the Bank and the borrower. For example, reducing the financed project's feasibility, the financing repayment capacity, the borrower's financial stability, or the collateral value.

Environmental risks are risks that arise from potential environmental damage, such as lower biodiversity, soil pollution, and water source contamination. Climate risks are the risks arising from the consequences of the climate change we are going through. Climate risks are divided into two main categories - physical risks and transition risks. Physical risks include potential damage to entities' assets and business continuity due to extreme weather events and physical changes to the climate, such as heat waves, fires, storms, and rising

sea levels, which are expected to occur or intensify in the coming years. Transition risks arise from changes in the global economy and activity as part of the preparation for climate change, and they include, among other things, the risks arising from regulatory changes, changes in consumer preferences, reputational risks, and so on. Environmental and climate risk management is a part of the Bank's view of the general risks of its activity and the Bank's perception of the importance of managing its business prudently and responsibly.

The Bank perceives the environmental and climate risk as a risk factor that aggravates the traditional risk categories the Bank manages - credit risk, liquidity risk, operational risk, and others. In particular, the environmental and climate-related risks are some of the risks that the Group is exposed to within its business activity in the credit area. The environmental and climate risks might materialize, among other things, in lower collateral value or an adverse change in the borrower's financial position, arising from its environmental impact or from climate risk-related damage. 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 these things might make it difficult for the borrower to fulfill its liabilities and harm its financial stability, and so, the Group is reviewing this risk as part of the total credit risk it manages. In addition, the very cooperation between the Group and the entity that has a direct impact on the environment and climate and its funding by the bank, pose a reputational risk to the Bank.

We are aware of the increasingly stringent global regulation in the field of climate and environmental risk management and of the Banking Supervision Department's endeavor to raise awareness and the importance of internalizing these considerations into the banking system's activity. Hence, after the Bank has been carefully managing the environmental risk in the credit area for years, at the end of 2022, the Bank launched a process to establish a methodology for identifying, assessing, and managing climate risks; this methodology will be integrated into the current environmental risk management policy in accordance with the Banking Supervision Department's instructions and the best global practices.

As part of the process of implementing climate risk management within the Bank's risk management methodology, the Bank examined the scope of credit risk attributed to high-emission sectors for the first time, as the first step in the process of making the Bank's environmental and climate risk management processes clearer. The sectors chosen for disclosure at this stage are the sectors that were found to be exposed to more intense transition risks by the leading global frameworks for the climate risk area in the financial sector (UNEP FI - United Nations Environment Program financial initiative, SBTi - Science-Based Targets initiative and PACTA - Paris Agreement Capital Transition Assessment). These industries are linked to the fossil fuel industry's value chain, such as oil and gas production, exploration, and refining; high-emission industrial sectors such as electricity, cement, and metal production; and industries characterized by substantial decentralized carbon emissions, such as transit and livestock farming.

### The Bank's total credit risk attributable to the industries at increased transition risk

The Bank's total credit risk <sup>17</sup> divided by sector	Credit risk balance in 2021 (in NIS millions)	Credit risk balance in 2022 (in NIS millions)
Oil and gas production, exploration, and transportation	88	59
Electricity generation from coal and gas	1,134	1,138
Fuel refining, transportation, and sales	1,040	1,300
Metal manufacturers	680	685
Livestock farming	310	314
Land, maritime, and air transportation	435	614
<b>Total</b>	<b>3,688</b>	<b>4,110</b>

The Bank's total credit risk that is attributed to the industries exposed to higher transition risk in 2022 is NIS 4.1 billion, comprising 2.3% of the Bank's total credit risk and 4.9% of the Bank's commercial credit risk. The analysis of the data shows that there has been an NIS 0.4 billion increase in the credit risk attributable to these industries, relative to 2021. This increase is mainly attributed to the fuel refining, transportation, and sale industries, and the transit industry, which are still vital for the Israeli industry's business continuity and growth. At the same time, exposure to the oil and gas production, exploration and transportation industries – that are exposed to some of the highest transition risk levels – is 33% lower.

Currently, the borrower's risk level is analyzed individually for each borrower in accordance with the Bank's work method. The method is mainly based on rating the environmental risk according to the industry the borrower operates in, and the banker's assessment according to various data collected directly from the borrower. Furthermore, external environment consultants perform an examination as well, as necessary. In order to direct the examination, a materiality threshold has been set for carrying out in-depth examinations of the environmental risk level. The credit committees consider environmental risk within the analysis of the client's overall credit risks.

The credit policy has a chapter on environmental and climate risk management, which is approved annually by the Group's Board of Directors, as part of the credit policy paper. The Risk Management Division is responsible for the credit policy paper. The policy for managing environmental and climate risks in the credit area sets the methodology and work processes for monitoring environmental credit risk, that are performed by the Business Division and challenged by the Risk Management Division for material credit exposures; they include identifying high-risk borrowers, detecting the material risks, assessing the risk level and the risk management quality, and controlling transactions that are considered to be at high environmental risk. At present, the main environmental risks identified and managed by the Division with respect to credit are the risks of serious environmental pollution which will lead to significant regulatory and legal sanctions against the borrower, the borrower's environmental risk management policy or the lack

thereof, use of hazardous substances, pending lawsuits and legal requirements in the environmental risk area against the borrower, etc. The policy sets guidelines for enlisting external environmental consultation, and defines the risk assessment and decision-making processes.

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

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

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

In light of the significant developments in the global best practices and work standards on managing environmental and climate risks in the financial sector, and further to the Bank of Israel's measures in the field and its growing importance, the Bank continues to revise the way environmental and climate-

related aspects are integrated into business activity in the credit area. Within this, at the end of 2022, a comprehensive process was launched to update, more thoroughly examine, and broaden the reviewed green finance issues and policies, revise the risk assessment methodology, and integrate and calculate the credit portfolio's carbon footprint.

### Green credit

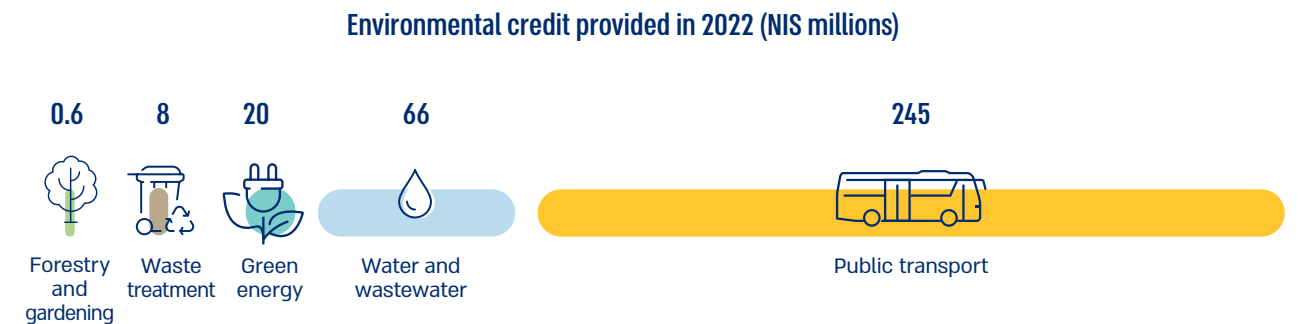
As part of the Bank's environmental impacts on the credit activity, we at the FIBI Group see the importance of providing credit to companies, sectors and projects that have a positive impact on the environment. This credit is defined in the Bank as green credit, and we consider it important to increase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

As we consider it a priority to improve the environmental impact of the Bank's financing activity, we have been recently carrying out a comprehensive process to update and regulate the green credit taxonomy, in order to define the Bank's green credit areas.

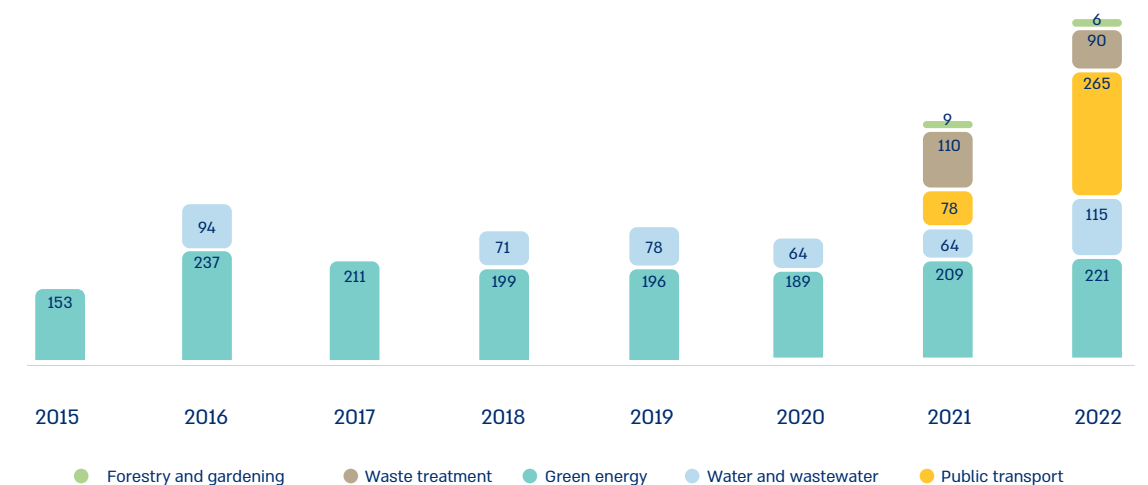
The green credit areas were defined in accordance with the international standard known as "Green Bonds Principles (GBP)". Although it is a standard for financing through bonds, it is also accepted for defining green credit in the banking sector throughout the world. This update included excluding certain areas from the definition of green credit and introducing others, such as public transit and smart agriculture, based on the 10 types of green credit in the standard. In addition, the new taxonomy distinguishes financing green companies and financing green projects (such as energy efficiency and green construction projects), which are expected to help the Bank deepen its green financing activities through designated credit products that will be offered to a variety of the Bank's customers. Based on these definitions, the Bank is carrying out a process to handle green credit issues more thoroughly. This process will continue into 2023.

In 2022, the FIBI Group granted loans to projects promoting sustainability for a total of NIS 340 million.

The credit balance for projects that promote environmental sustainability as of the end of 2022 is at NIS 697 million, divided as follows<sup>18</sup>:



### Balance of environmental credit (in NIS million), December 2022-2015, 31



18. In 2021, the taxonomy was changed to expand the category, so that the coverage of the data for the years 2015-2020 does not include all the components included in the data for 2022-2021; the 2021 data regarding fuel refining, transportation, and sales, and regarding metal manufacturers, were revised. In addition, the 2021 data were revised according to the change in the measurement method, and therefore, they differ from the data reported last year





## Incorporating ESG Considerations in Investments

### Meeting Objectives of 2025

**Objective:** The Bank has set an objective to have 90% of the Bank's investment advisors undergo training on the subject of ESG in investments by 2025, which will enable them to assist the Bank's customers in incorporating these considerations in their investment management.

#### Objective fulfillment status: Completed

In 2022, 7 annual conferences took place, offering training on including ESG considerations in investments advice and management, and 90% of all Group advisors participated in them (including Bank Massad).

**Objective:** The Bank has set an objective for itself, to have 25% of the new nostro investments in private investment funds made through funds with an ESG investment management policy by 2025.

**Objective fulfillment status:** There were no new investments in private investment funds in 2022, so that no opportunity has yet arisen to act in accordance with the objective set for 2025.

## We attribute great importance to integrating ESG considerations in general and environmental and climate considerations in particular as part of the general investment considerations

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

### ESG considerations in the investment advice function

The First International Bank is a leading bank in the banking sector in its customers' capital market trading, and out of this responsibility we lead innovative and significant trends in capital market trading, and make them accessible to our customers. The Customer Assets Division is working to increase the accessibility of customers who trade in securities through the Bank to information and tools that will let them incorporate environmental considerations (and ESG considerations in

general) in their investment management. In this context, the Division works to integrate information on significant ESG issues in the investment platform, and in the processes of securities analysis and investment advice, according to the customers' needs. In addition, leading securities in ESG performance will be marked on the investment platform.

#### As part of the investment advice provided to the customers, it was decided to take action in these levels:

1. Providing access to a designated asset portfolio comprising ESG-oriented securities; as of the end of 2022, over 1,000 customers used this tool to buy specific assets out of the list.
2. It was decided to integrate ESG aspects into specific analyses.
3. It was decided to integrate ESG aspects into rating mutual funds using a rating system.
4. Training the Bank's advisors on ESG aspects of investments.

In 2022, seven rounds of annual conferences were held, and 90% of all investment advisors employed under the First International Bank and Bank Massad brands participated in them. The conferences featured frontal training sessions on ESG subjects, which included a detailed explanation of the entire ESG area, divided by sector, as well as a comparison of the ESG indexes' performance against benchmark indexes, an explanation of the measurement methodology, examples of companies that did not follow the ESG rules and the resulting negative effect on the share price, and a demonstration of building an investment portfolio based on funds and indexes that track the ESG.

The Customer Asset Management Division has set an ambitious objective for itself in this area: to train 90% of investment

advisor on the subject of ESG in investments by 2025 – and it fulfilled this objective in only one year. The Division will continue to delve into ESG in investments, and it is reviewing the effectiveness of its activities in the field in accordance with the global best practices.

### ESG considerations in the nostro function

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

The Bank prioritizes investments that promote social goals. Within this, the Bank participated in the investment in social impact bonds issued by Social Finance Israel, which finance training programs for young people from the Ultra-Orthodox society in the high-tech professions. The Bank reviews and invests in investment products with environmental value in the renewable energy field, subject to economic feasibility. For business reasons, no new investments were made in companies with "green" characteristics this year. In addition, on all that relates to marketable investments, the Bank refrains from investing in companies that do not have good corporate governance. When investing in private equity (PE) funds, the Bank examines the funds' conduct in view of relevant ESG aspects, and determined a future target for 2025 that at least 25% of the funds in which it will invest in the coming years, with an emphasis on new funds, will be funds that have well-constructed ESG policies. The Bank also completely refrains from investing in areas that are considered to have a significant negative impact on society, such as tobacco and gambling.





the body responsible for the Group's power consumption. The function is formulating a policy and procedures for resource management and energy use.

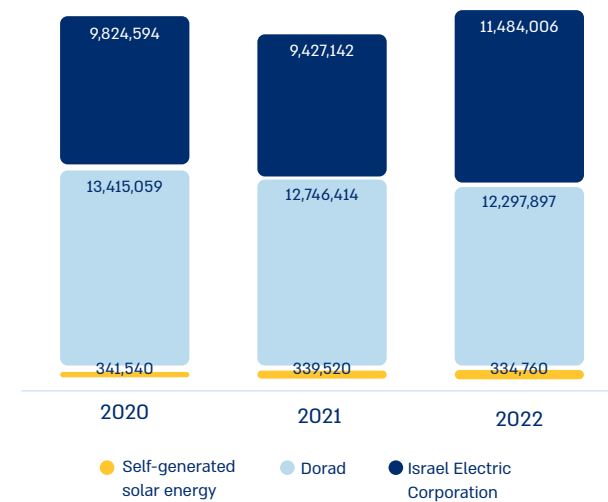
#### Power consumption by the FIBI Group

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

As part of our effort to streamline energy consumption, in some of the FIBI Group's facilities the electricity is provided by Dorad, this company produces electricity only from natural gas and the fuel mix it uses to produce electricity has less serious environmental impact compared to the fuel mix the Israel Electric Corporation uses. In 2022, about 51% of the FIBI Group's power consumption came from Dorad.

In addition, part of the electricity consumption at Beit MATAF is from self-generated solar energy. This year we consumed 334,760 kWh of solar energy generated using panels on the Beit MATAF rooftop and wall, compared to 339,520 kWh in 2021. The solar energy consumption from self-production this year constitutes 1.4% of our total electricity consumption. At Beit MATAF, the electricity consumption from self-produced solar energy in 2022 constitutes approx. 4.6% of the total electricity consumption.

#### The FIBI Group's power consumption resources (KWh)



The Group's total electricity consumption in 2022 was 24,116,663 kWh. The Group's energy intensity in 2022 increased compared to 2021, to 180.4 kWh per square meter, and is lower than in any of the six years leading up to 2021. The higher energy consumption in 2022 follows, among other things, from the addition of areas that were not considered before and the gradual transition from a hybrid teleworking model back to regular office work following Covid

## Direct Environmental Impact Management

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

The FIBI Group controls buildings that consume substantial amounts of power and a fleet of vehicles that consume fuel. Efficient, cost-effective management has major environmental and economic benefits. 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 Bank is aware and committed, and so, it manages the main environmental resources within its activity and seeks opportunities to minimize use and consume resources more efficiently. It does this by adapting and changing operational and business processes and through responsible waste management, according to which the preferred treatment option is recycling. The various environmental aspects are managed while monitoring key operational aspects, and implementing initiatives for increasing energy and operational efficiency. The Group also invests resources on increasing environmental awareness among its employees, so that they will adopt environmentally friendly behavior both within and outside the Group.

## Reducing energy consumption and emissions

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

	2022 <sup>19</sup>	2021	2020 <sup>20</sup>	2019	2018	2017	2016	2015
Power consumption (kWh)	24,116,663	22,513,076	23,239,653	16,649,875	16,425,227	17,121,671	24,029,960	27,110,604
Area (m <sup>2</sup> )	133,713	98,846	103,431	83,118	83,975	89,234	120,308	131,271
Power consumption (kWh per m <sup>2</sup> ) - (energy intensity)	180.36	227.76	227.99	200.32	195.6	191.87	199.74	206.52

## Buildings of the FIBI Group

The energy management process at the FIBI Group places special emphasis on the construction of new buildings. Consumption efficiency considerations are included from the initial planning stage and implemented in the construction process and maintenance of the buildings. Within this, and in light of the other environmental benefits, the Israeli green construction standard – SI 5281 (2011) – is considered important.

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

#### Installation of energy-efficient air conditioning systems:

In several bank branches, air conditioning systems and old split air conditioning units were replaced this year with new energy-efficient systems as part of a multi-year plan to streamline the air conditioning systems in branches. These replacements save approx. 10% in the power consumption of the air conditioning systems in those branches. In new branches, energy-efficient new systems have been installed in advance, including a variable air conditioning output capacity. These installations also enable savings of approx. 10% in electricity consumption.

#### Installation of occupancy sensors for turning off lighting and air-conditioning in various service facilities, such as kitchenettes, toilets, archives, etc.

#### Transition to power-saving lighting fixtures:

In 2022, and as part of a gradual replacement of the light fixtures in most properties to LED lighting, various lighting fixtures were replaced in the management unit and at several other branches for more economical lighting.

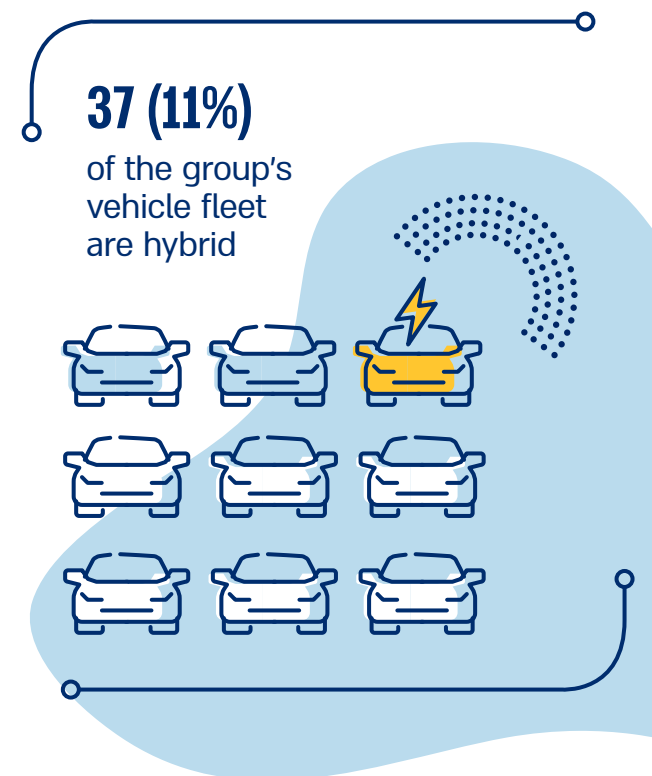
#### Installing air conditioning system controllers to maximize the compressors' efficiency.

## Fuel Consumption

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

## The vehicle fleet in 2022

- At the end of 2022, the Group's vehicle fleet had 330 vehicles, 37 (11%) of which were hybrid vehicles.
- In 2022, the Group's vehicles consumed 690 thousand liters of fuel and 2,699 liters of diesel fuel.

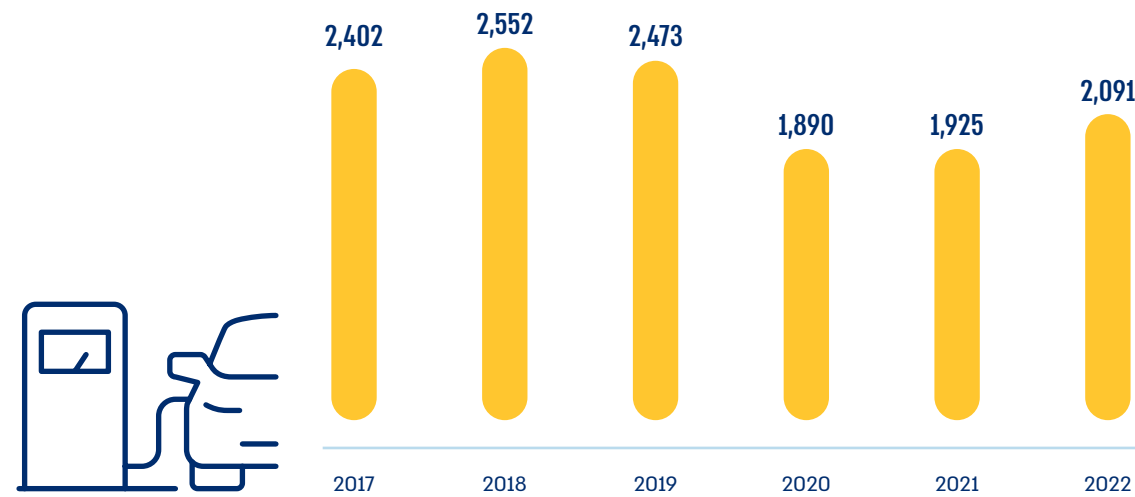


19. The data until 2022 does not include additional areas such as parking lots and branches under external management. The square meter data for 2021-2022 were corrected, and they include the revised square meter figures. The energy intensity for 2022 was corrected and calculated based on the revised square meter figures.  
20. The data for 2020 were changed from the previous report due to the addition of MATAF's consumption data. The data relating to the years 2015-2019 do not include the data on the electricity consumption and the built-up area in sq.m. in Beit MATAF.



Comparison of average annual vehicle and fuel data<sup>21</sup>

Comparison of Average Annual Fuel Consumption Per Vehicle by the Group in 2022-2017



Carbon Footprint

Understanding the damage caused to the environment by global warming and climate change, the FIBI Group monitors the main factors in its activities that affect the phenomenon, and works to mitigate their impact. The Group's carbon footprint is monitored in accordance with accepted standards in Israel and other countries and is calculated using calculation tools developed by the Ministry of Environmental Protection and in accordance with the international Greenhouse Gas (GHG) Protocol. The FIBI Group's carbon footprint consists of direct emissions (Scope 1) - the burning of fuel by the Group's vehicle fleet; indirect emissions (Scope 2) - power consumption; and other indirect emissions (Scope 3) - emissions generated resulting from the consumption of various raw materials, from the dumping and recycling of waste generated in the Group's branches and offices, as well as from employee flights and overnight stays in hotels as part of the job. Scope 3 emissions were calculated for the first time this year for the purpose of this report (including for 2021) and are not calculated for previous years.

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

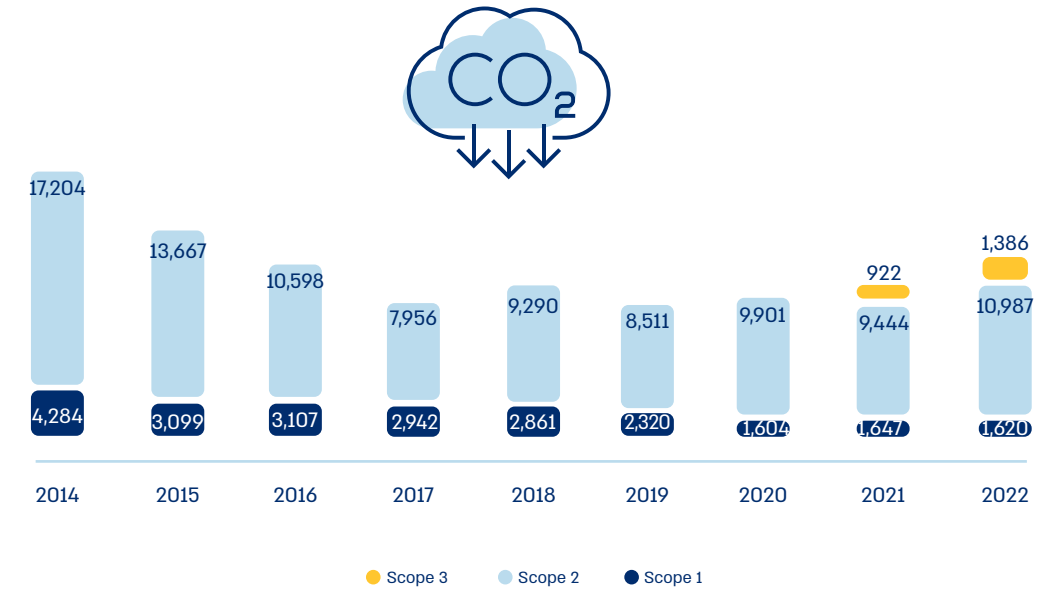
The FIBI Group's total carbon footprint in 2022 was 13,993 tons CO<sub>2</sub>eq,<sup>22</sup> of which, 1,620 tons CO<sub>2</sub>eq in Scope 1, 10,987 tons CO<sub>2</sub>eq in Scope 2, and 1,386 tons CO<sub>2</sub>eq in Scope 3.<sup>23</sup>

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

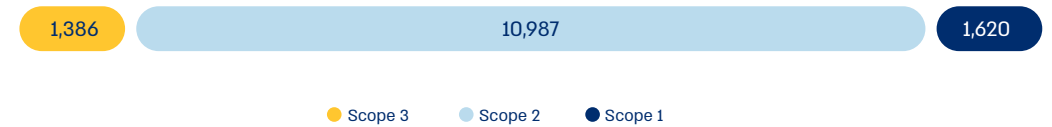
22. The higher carbon footprint in 2022 stems, inter alia, from the addition of areas that had not been weighed before, the significant procurement of computer equipment, and the gradual transition from a hybrid teleworking model back to regular office work, after Covid.

23. The greenhouse gas emissions in Scope 3 were calculated using the conversion coefficients of the UK Department of the Environment (DEFRA). These calculations do not include a reference to emissions related to the Bank's investment and financing activities. The data included in the Scope 3 emissions in this calculation are detailed in the graph "Scope 3 Emissions in 2022, tons CO<sub>2</sub>eq".

The FIBI Group's carbon footprint in 2022-2014 (in tons CO<sub>2</sub>eq)<sup>24</sup>

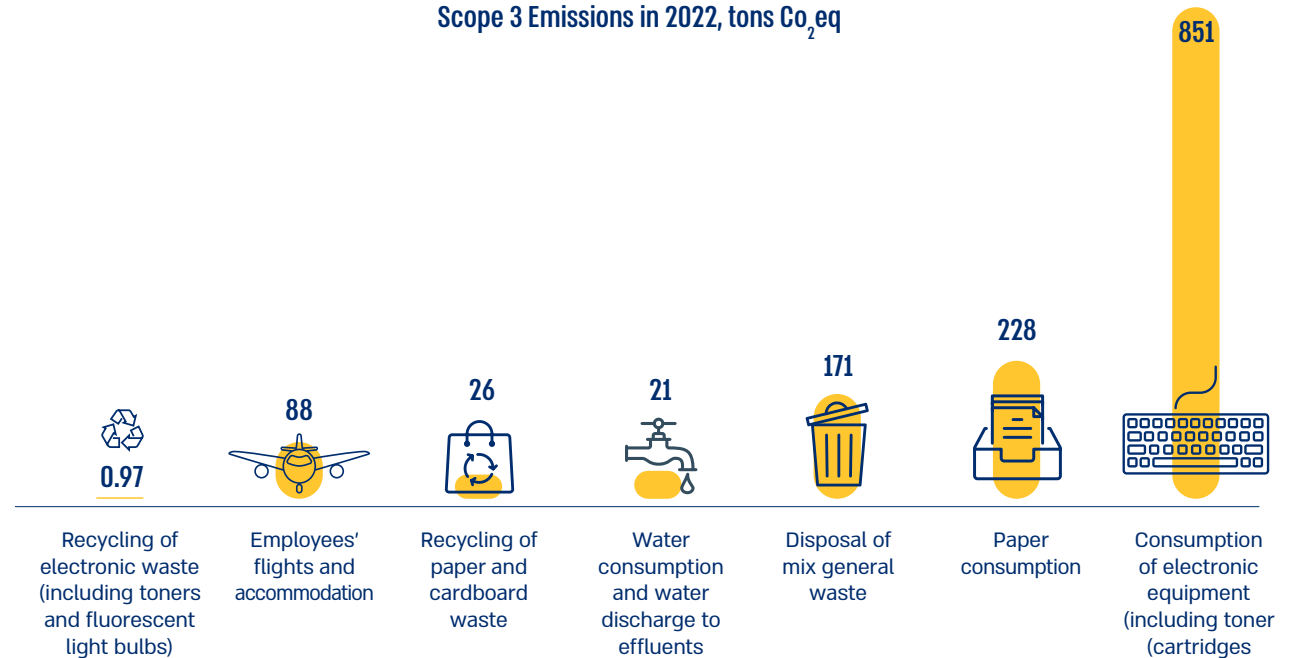


Emissions by scope, tons CO<sub>2</sub>eq



In 2022, the greenhouse gas emissions intensity - including Scope 3 emissions - stood at 0.1045 tons CO<sub>2</sub>eq per square meter.

Scope 3 Emissions in 2022, tons CO<sub>2</sub>eq



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

Paper is one of the main raw materials consumed by the Group's banks on an ongoing basis. We expect that the branches' paper consumption will decrease significantly in the coming years, with savings resulting from the elimination of the need to print out different documents for customers to sign at the branches



### Reduction of waste and use of raw materials

#### Reducing consumption of materials

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

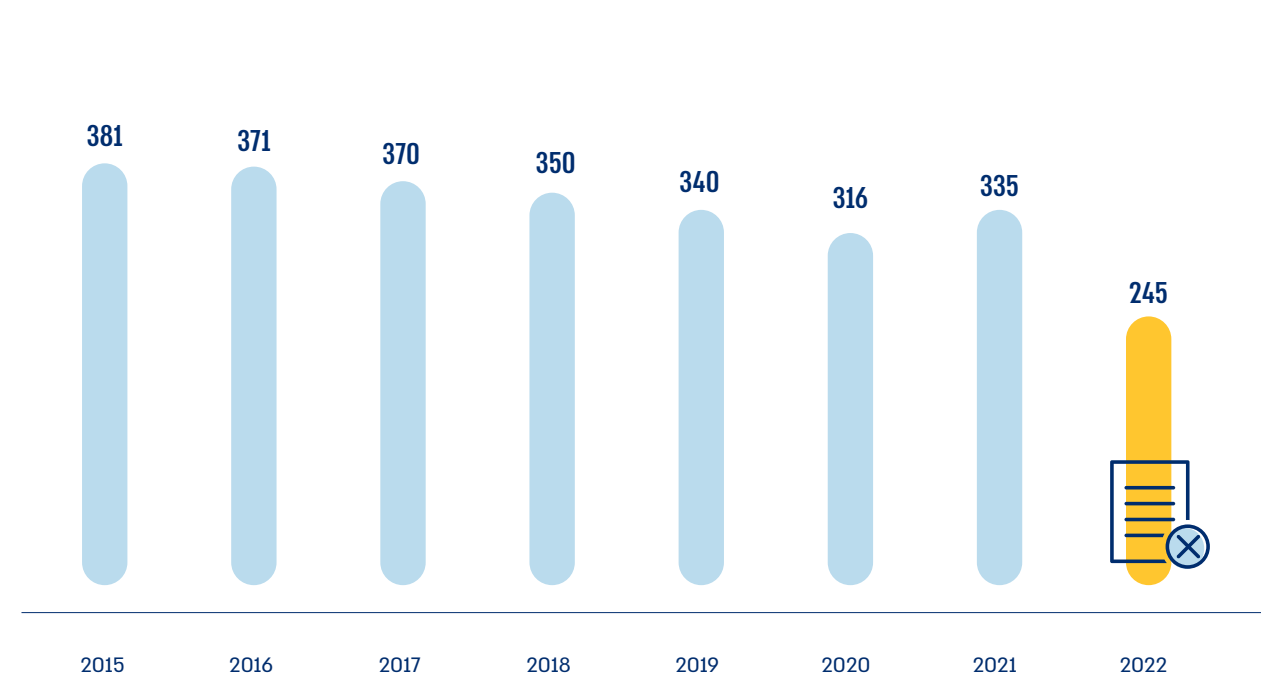
Paper is one of the main raw materials consumed by the Group's banks on an ongoing basis. The FIBI Group therefore manages this resource in accordance with its overall concept of boosting efficiency, reducing consumption, and increasing recycling. In addition, paper consumption is directly linked to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

To reduce paper and toner consumption, the FIBI Group encourages its customers to receive mail through digital

media, subject to relevant regulation. As part of its resource management, the Group monitors paper and ink consumption by internal systems and is gradually expanding the measurement baseline, in order to obtain more accurate results.

To reduce the use of paper at the branches, and to create a digital and modern customer experience, it was decided to expand the digital signature pilot that started in 2020 and launch the PaperLess Project in September 2021. Within that project, the deployment of electronic signature devices to additional branches was greatly expanded, and additional operations that had not been automated in the past became automated through electronic equipment. Thanks to this project, we expect that the branches' paper consumption will decrease significantly in the coming years, with savings resulting from the elimination of the need to print out different documents for customers to sign at the branches. The project's results account for a significant part of the sharp decline in paper consumption compared to 2021, and part of it is also accounted for due to larger procurement volumes than usual in the previous year.

Total Paper Consumption (tons), 2022-2015



A certain percentage of the decline in consumption should be attributed to a procurement surplus in 2021. However, even considering this figure, the sharp decline in paper consumption in 2022 demonstrates the effectiveness of the PaperLess Project in reducing the branches' paper use, and it encourages the continued implementation of electronic alternatives as a key to reducing the FIBI Group's paper use. Some of the toner consumed by the Group is recycled and some is not, with preference for recycled toners. In 2022, the FIBI Group consumed 6,517 kilograms of toner, 48% of the toners purchased this year were recycled toners, and 100% of the toners consumed were recycled.

The Group's water consumption is another factor that affects the environment. For the sake of reducing the Group's water consumption, faucet aerators were used in all faucets in the

MATAF building, in the Bank's central headquarters buildings, and in some of the Group's Bank branches. In total, this year we consumed approx. 50.8 thousand cubic meters of water in the branches and in the Group's buildings. Approx. 43% of the Group's total water consumption is in Beit MATAF, with most of the water consumed in Beit MATAF being used for the cooling towers for air conditioning. As part of the effort to reduce the use of water in the MATAF building, the building uses condensate water for cooling the water in the cooling towers and sometimes also for irrigation, and the meters at MATAF and the Bank's headquarters are monitored on a monthly basis to test for anomalies and trends in water consumption in the building. In addition, all malfunctions in the branches, including water leaks, are documented and stored to draw conclusions.

The FIBI Group's paper consumption in 2022-2015 (in Kgs):

Type of paper	2022	2021	2020	2019	2018	2017	2016	2015
A4 photo-copy paper	240,865	326,155 <sup>25</sup>	308,943	329,620	339,890	359,923	360,173	368,578
Paper - total	244,894	334,537	315,679	339,744	350,262	369,753	371,022	381,315

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

Consumption of other raw materials in the years 2022-2020:

Raw material	Unit of measure	2022	2021	2020
Toners	Units	6,517	5,236	5,383
Of which recycled toners	Units	2,596	4,389	4,974
Water	m <sup>3</sup>	50,841 <sup>26</sup>	48,904	52,636

26. In the reports for previous years, the management companies were not taken into account, and without the management companies, the Group's water consumption was 48,262 cubic meters.



## Waste management

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



General mixed office waste



Paper waste (including cardboard)



Computer equipment waste, including toners



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

All paper consumed by the Group is collected after consumption and sent for recycling. Major facilities also collect cardboard, which are sent for recycling together with the paper. In 2021, a total of 364.45 tons of paper and carton was recycled. Similarly, all of the toner cartridges consumed in the Group were collected and recycled. Computer equipment and electronic product waste is centrally collected by the Group Procurement Department and sent for handling by a certified

party (an entity recognized under the Environmental Treatment of Electrical and Electronic Equipment Waste Law). Collected electronic products waste includes magnetic storage devices, batteries, computer equipment and peripherals, appliances, and communications equipment

Below are the waste recycling volumes in the FIBI Group:

	2022	2021	2020	2019	2018	2017	2016	2015
Paper and cardboard (tons)	601.95 <sup>27</sup>	364.45	335.38 <sup>28</sup>	318.43	482.94	509.1	580.3	528.9
Archive clearance (tons)	457.84	0 <sup>29</sup>	177.21	188.27	163.16	162.9	272	254
Toners (kg)	6,517	6,283	5,969	4,955	6,764	8,651	9,989	9,482
Electronic waste and magnetic storage (kg)	23,469 <sup>30</sup>	10,819	1,640	960	1,910	500	5,372	3,568

In addition to the main recycling activity, the FIBI Group works to increase employees' awareness of recycling and its importance. There are recycling facilities in the various offices, and separate bins for material intended for recycling. Among the materials that Bank employees are encouraged to recycle are bottles, plastic packaging, glass, and batteries. It should be emphasized that the Bank also recycles materials that come to it from external sources, such as packaging and mail items. In addition to these recycling activities, the Bank collects electronic waste through an authorized contractor for environmentally friendly recycling. Alongside the recycling activities, the Bank is working to reduce office waste. Therefore, in 2022, within the examination of transitioning to a healthy diet, participating employees were given personal reusable tableware, to facilitate a reduction in disposable tableware use.

27. The higher recycling rate in 2022 is because in 2021, no archive clearance was performed due to a malfunction, and the uncleared archive from 2021 was transferred to recycling in 2022.  
 28. There was an error in the 2021 report. The correct figure for 2020 is the figure presented in this report.  
 29. In 2021, an archival elimination was not carried out due to a malfunction in the eradication facility. The archival elimination planned for 2021 was finally carried out at the beginning of 2022.  
 30. The 2021 and 2022 data were corrected to include commercial electronic waste on top of office electronic waste, such as ATMs and information terminals; the data before 2021 include only office electronic waste



## The Group's Employees Contribute to the Environment

A decade ago, the Bank had already established a process streamlining forum, which is the body that examines and promotes efficiency and savings proposals in the FIBI Group. Since then, the forum has been meeting periodically to promote these issues. Any employee may submit to the Forum any idea whose implementation may result in future financial savings on the Group's activity, with the savings financially quantifiable in the future, but having no financial short-term impact. Among the areas with which the forum deals are issues related to reducing the Bank's environmental impact. In the past, the forum's activity has led to, among other things, a reduction in printing volume and in the bank's paper usage. This was attained through a recommendation to transmit certain forms digitally instead of printing them on paper, as well as recommendations for saving various types of information on computer only, without additional hard copies.

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

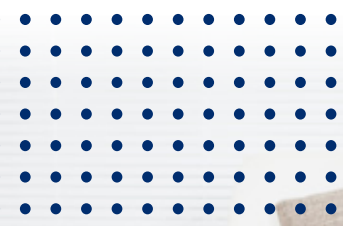
**In 2013, the FIBI Group established the Process Streamlining Forum, which is charged with assessing and promoting streamlining and savings by the Group. Any employee may submit to the Forum any idea whose implementation may result in future financial savings on the Group's activity, with the savings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



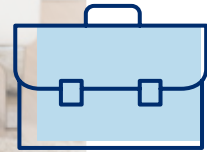
# ESG Society







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



## Customers and Services

### Financial Empowerment of Customers

#### Meeting Objectives of 2025

**Objective:** By 2025, the Bank will assist in the financial empowerment of 30,000 customers by providing advanced financial knowledge, 10% of which are small businesses

**Status of meeting the objective:** 39%



In 2022, approximately 11,800 customers gained exposure to advanced financial knowledge at the initiative of the Bank, through activities such as conferences on pension savings, online courses via the Bank's Capital Market Academy, and more. At this stage, it is not yet possible to provide segmentation in terms of small businesses as a percentage of the total customers.

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

Many of the financial decisions made by the Group's customers have a long-term effect. The FIBI Group believes in its ability to help its customers plan for their financial future and works to assist them in making informed financial decisions that will have a positive impact on their future, while balancing the customers' short- and long-term needs. The great importance that the FIBI Group attributes to advancing financial knowledge among its customers and the general public is out of its sense of obligation to the public and customers, and as part of the Group's risk management approach. As part of this commitment, the Group has set itself the goal of promoting the financial empowerment of 30,000 customers by 2025, by providing advanced financial knowledge. Accordingly, in 2022, approximately 11,800 customers gained exposure to a range of content contributing to financial empowerment, through participation in conferences, in person or online, as well as professional videos and instructional programs.

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

of capital markets, retirement consulting, financial planning and family finances. The lectures are delivered by outside content specialists and the Bank's experts. The lectures are held at branches, professional conferences, and other settings according to customers' needs. The lectures are provided as a public service, and the FIBI Group's customers are invited to attend to enrich their financial knowledge. The Group continued to hold these conferences during the reporting year, both in person and through the use of digital means. Thus, with the aim of making the information accessible to the general public, in 2022, the Group held 43 conferences on financial savings, with 4,000 participants (100-90 participants in each conference). The conferences were primarily targeted to organizations, thus reaching a varied audience of participants who may not be customers of the Bank.

In addition, as part of the overall approach in the FIBI Group to introduce advanced technological tools, we adopted the use of digital tools to promote professional issues and financial training for our customers. In 2022, approximately 4,700 customers gained exposure to instructional programs through the Capital Market Academy, which teaches independent securities trading. The academy offers online courses free of charge to customers of the Bank; participants gain full access to all course materials. Other customers and the general public can access some of the academy's content. We also distributed 14 instructional videos, including 8 professional videos on capital-market topics. The videos are designed to make unique, up-to-date financial information accessible to the public, on subjects such as customization of pension products and sound management of pension savings. These videos received wide exposure and were viewed by 4,300 customers. 10 in-person conferences and 5 online conferences were held, with approximately 2,830 customers participating.

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

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

#### Assistance and support in making financial decisions

The FIBI Group considers it highly important to help its customers take care of their financial situation and future, and to assist them in reaching complex decisions in this field. The FIBI Group provides advanced consulting services that assist customers in building investment portfolios according to their needs, covering the entire range of investment instruments available to them. The consulting services are tailored to the customers' preferences, characteristics, risk appetite and investment ranges, in accordance with the customer's goals and needs. The consulting services provided by the Group are of the highest professional standard and are characterized by caution, objectivity and responsibility. The FIBI 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 asset portfolios, 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 IT systems. The great importance that the FIBI Group attributes to this issue is part and parcel of the FIBI Group's approach to the importance of taking a long-term view on financial planning. The Group regards the task of expanding financial consulting as a mission, which will allow the public to enjoy their retirement savings long after going on retirement. Retirement consulting contributes to improvement in the customers' retirement savings plans by: adjusting the risk level of savings to the customer's characteristics and age; improving insurance coverage and adapting it to the customer's marital status; selecting the recommended investments based on an advanced rating system; adjusting the contribution amounts to salaries and tax benefits to maximize retirement savings; and aspiring to reduce management fees. Due to the importance of retirement consulting, the Group maintained digital accessibility of the service during Covid-19 as well. This is also through digital tools that have proven to be essential for the general population during lockdown.

In addition to its retirement investment advisory services, the Group seeks to implement an educational approach regarding the capital market, investing resources in making knowledge accessible and developing tools intended to support sustainable capital market conduct by its customers. FIBI is the leading bank in Israel in the capital market sector and for several years it has been the TASE member with the highest trading volume in Israel. As such, it recognizes its responsibility to strengthen and empower its customers in the capital market and to develop accessible advanced tools and knowledge contributing to more efficient and effective trading.

The capital market is one of the Group's business growth engines and it is an important activity that contributes to the financial education and development of the public, such that this growth engine creates shared value for the Group, its customers, and the general public. The share of the investments segment at the Group is greater than the proportionate share of other banking segments compared with the banking sector in Israel.

A central part of the Group's capital market activity is the understanding that customers with financial knowhow will



be able to make the right decisions in the capital market and make transactions more suitable to their financial needs. There are opportunities for deepening financial knowledge in several channels – the direct banking channels, through the website, professional videos, the app, and at the bank branches, consulting centers and investment centers by banking experts specializing in the different financial fields.

Over the last few years, we have seen growing interest from the general public in various subjects related to the capital market. To provide professional guidance to customers taking their first steps in the capital market, as early as 2021 the Bank lowered the eligibility threshold for investment advisory services for customers with an investment portfolio, from NIS 150 thousand to only NIS 50 thousand, the lowest threshold in Israel's banking system. In addition, to make the services more accessible and easier to use, the Group is developing and implementing advanced technological tools for financial purposes, in collaboration with fintech companies. Leading examples include the Smart Trade system, which supports independent trading by customers and offers online registration for investment advising services; and the Advise.me system, which provides our customers with access to investment advising services online. 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 Bank also develops unique consulting packages, to provide a range of solutions for customers' financial needs. In 2022, the unique consulting packages offered to the Bank's customers included the Dream Team, which allows customers to work with various investment institutions by using several funds-of-funds in one portfolio in their account, matched to the customer's characteristics and needs. The Group attributes great importance to placing ESG principles at the core of the Bank's activities, including in the investment advisory process. For this purpose, the Group has begun to focus on ESG investments in the research unit with the aim of assessing responsible investment tracks and on ways to integrate ESG aspects and information in the Bank's analyzes for the purpose of investment advice and recommendations on securities for customer trading. The Group has also appointed an ESG officer in the investment advisory system, who is responsible for assimilating professional ESG content among the Group's analysts.

To enable customers to invest responsibly in terms of ESG, in late 2022 the Bank launched a recommended ESG investment portfolio, composed of equities selected for their ESG attributes. This portfolio is expected to be included in many more relevant customers' investments in 2023. In 2023, the Bank also plans to include ESG aspects in its rating system for mutual funds.

As part of the Group's efforts to raise awareness and provide tools to its customers for long-term savings and investment, in 2022, the Bank created a separation in the accounts of advised customers between the customers' regular investment portfolio and the long-term investment made through a standing order. This change allows the advisor to emphasize to customers the importance of prudent long-term savings, in which the financial considerations are different from the

financial considerations in routine trading in the capital market in the context of the customers' investment portfolio. As of the end of 2022, thousands of customers received long-term investment advice and the Bank intends to continue to expand this service for our customers. The Capital Market Academy mentioned earlier in this chapter was also launched in 2022. The academy offers online courses and guided lessons on the capital market, including the foreign-exchange market.

As part of the drive towards innovation in financial and retirement consulting tools, the FIBI Wise 360° system was rolled out for widespread use this year. This new system for independent financial planning enables customers of the Bank to manage all of their financial assets in one place. The system is available to Bank customers with an investment portfolio or pension portfolio, through the Bank's website and app. Customers can use the app to view all of their investments at the Bank, including investment portfolios, pension portfolios, and savings. Products not managed at the Bank can also be added, changed, or removed using this system. Users can simulate portfolio compositions to examine the effect of changes in their portfolio in advance, before putting the change into practice.

Within the FIBI Wise 360° system, the Bank also introduced the Life Plan process, which enables customers to examine the extent to which their assets are aligned with their financial goals and aspirations. This process is based on a calculation of liabilities and assets and a review of investment strategies, to display the challenges and obstacles to the achievement of the customer's financial objectives. Along with the challenges, the service presents the solutions proposed by the Bank to help achieve the goals, through planning, and options to adjust the changes via ongoing guidance. Using the Life Plan process and the FIBI Wise 360° system, the Bank helps its customers make the most of their assets and maintain control over the achievement of their financial goals for the future. In 2022, the Life Plan service was provided to tens of thousands of 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 FIBI Group banks promote long-term relations with customers by providing professional, fair, efficient, and courteous service and creating value for the Group's diverse customers. The activity and the relationship with the customers, as key stakeholders of the banks in the FIBI Group, are managed in the best interests of the customer and while creating a variety of accessible, innovative communication channels and diverse services according to the customer's specific needs.

The Group's unique response to the diverse financial needs of various populations it to make accessible - to a variety of audiences - the opportunity to receive high-quality management of their financial assets and liabilities, while making informed

financial decisions. In this way, the Group contributes to the growth of the Israeli economy, with its diverse parts and unique social components.

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

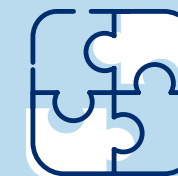
The FIBI Group attaches great importance to assisting all its customers, while taking into consideration the unique financial needs and specific economic needs of each customer group. The Group works to provide a unique, tailor-made solution to a variety of sectors, and to develop the financial independence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

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

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



**Cooperation** with, and support for, a variety of social entities and organizations to support programs and activities on behalf of underserved groups



**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.

Examples of these activities include improving financial literacy, providing tools and training for household financial management, etc.



## Investing in Ultra-Orthodox and Religious Society

### Meeting Objectives of 2025

**Objective:** By 2025, 25% of the businesses providing beneficial terms to customers that are members of PAGI's customer club will be local businesses in ultra-Orthodox communities, with the aim of promoting a sustainable local economy in the sector

**Status of meeting the objective:** 93%



Today, approximately 50% of businesses in the PAGI customer club are local businesses in ultra-Orthodox communities.

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, while fully preserving its brand name, character and activity in the ultra-Orthodox and religious society and deploying branches in places with significant ultra-Orthodox population.

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

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

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

### Activity in 2022

- In 2022, the PAGI system continued to respond to the challenge of **making digital banking services accessible to the ultra-Orthodox community**, which is unaccustomed to the frequent use of digital means and therefore tends towards relatively low use of the direct channels. The PAGI system invested considerable effort to ensure that its customers from these population groups are aware of the changes in service and the unique products and services offered by the Bank, with widespread advertising campaigns on dedicated media in ultra-Orthodox society, with the aim of making information of options for contacting the Bank accessible, and by personal conversations with customers. Over the last year, the Bank made a substantial monetary investment in sponsorships and events in the ultra-Orthodox sector.
- As part of the effort to promote economic development and professional financial knowledge in ultra-Orthodox and religious society, PAGI held **courses and lectures on a range of financial topics**.
- **PAGI held its fourth annual What's Happening Now Conference this year**, a unique event on the economy, its connection to current events, and its impact on the day-to-day life of ultra-Orthodox people. The conference offers an opportunity for participants from this community to expand their horizons and become familiar with new concepts and content, gaining deeper understanding of economic terms and their relevance to our lives.
- **This year, PAGI collaborated with the Achim Center** for entrepreneurship and business in Bnei Brak, which offers shared workspaces and offices for rent, and conducts extensive activities aimed at promoting employment in ultra-Orthodox society. The center offers guidance and support to ultra-Orthodox businesses. Within the collaboration, the PAGI system held a series of lectures for business owners at the Achim Center on economic topics relevant to their everyday challenges.



## Investing in Arab society

Bank Massad is expanding its services in Arab society, 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 Arab society focuses on two main populations - teaching staff and medical professionals in the sector. Bank Massad operates seven designated branches for the Arab sector (approximately 33% of its branches). The branches' deployment provides customers with easy access to the range of services provided by the bank.

As part of Bank Massad's activity for the financial advancement of Arab society in Israel, the Bank focuses on value creation through unique products, and by adapting its services. For this purpose, branches in areas with a high concentration of customers from the Arab sector routinely hire and employ employees from this community. Currently, approximately 9% of managers and 19% of 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 them. As part of the products and services offered by the Bank, 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 relevant needs of the customers in the sector (such as dedicated loans for the holidays). In addition, the Bank offers unique value propositions for various institutions in this population, such as colleges or hospitals, depending on the customers' needs.

### Activity in 2022:

- **In 2022, Bank Massad continued to provide products designed for customers from Arab society, according to its holidays, including the Ramadan period.** In April and May, during the month of Ramadan, there were 6 major events in which the Bank's customers were invited to the Iftar meal (breaking of the daily fast). Activities also included sending flowers for Mother's Day and Christmas activities in schools.
- **Bank Massad continued to its strong ties with leaders of public opinion in Arab society**, who play an important part in maintaining and reinforcing the sense of belonging among the Bank's customers. For this purpose, during the year, the Bank sent text messages through leaders of public opinion to inform the population of the unique benefits to which the customers are entitled. In addition, campaigns were increased on digital channels and social networks, including Facebook and Instagram. Arabic-language social-media campaigns were held during Ramadan and other holidays this year.
- **At the Financial Education Forum led by the Banking Supervision Department at the Bank of Israel, 2022 was devoted to lectures on financial education in Arab society.** Arab-sector employees of the Bank participated in lectures on a wide range of subjects nationwide. The goal of the sessions was to enhance financial awareness in Arab society.





### Investing in customers with disabilities

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

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

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.

### Activity in 2022

- As part of the Bank's commitment to physical accessibility in all branches, the 4 new branches this year included accessibility works, and renovations and streamlining in another 13 branches included accessibility adjustments.
- Another 37 accessible self-service stations and ATMs were added.
- The mandatory accessibility tutorial was revised, which all Bank employees and service providers are required to take, in accordance with revisions in the accessibility regulations. The revised tutorial was approved by Access Israel.

### Investing in Senior Citizens

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

The FIBI Group works to adapt and make accessible the services to the unique needs of senior citizens. 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; the Bank also offers its customers in this segment investment advising aimed at adapting their investment portfolios to their new needs, as well as deposits and loans with special terms, and more.

Special benefits for senior citizens are also provided, adapted to their unique needs. For example, senior citizens who have

difficulty visiting the branch are entitled to a free monthly courier service - which provides them with significant services, such as delivering means of payment or cash, or if they prefer carrying out transactions at the branches, they may carry out four monthly transactions with a teller at the same cost as a direct channel transaction.

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

The Bank has adopted the service-level agreement published in cooperation with the Ministry of Social Equality and the Association of Banks in Israel. Under the SLA, when the Covid-19 lockdowns were lifted, the Bank continued to provide the benefits introduced during the pandemic for customers over the age of 70, such as service at its branches without a scheduled appointment and precedence in line, including for teller services. This decision was made in recognition of senior-citizen customers' needs, in view of the challenges many of these customers encounter when using the direct channels. In addition, the branch bankers assist senior citizens, to the extent possible, in carrying out transactions remotely, without having to visit the branch. As of 2022, the Bank has also registered senior-citizen customers for a targeted beneficial fee package, in line with the directives of the Bank of Israel. Resources have been designated for controls specifically pertaining to senior citizens and oversight of these customers' investment portfolios.

In addition, due to the great importance that the Bank attributes to services for senior citizens, tutorials on banking services for senior citizens have been added to the Bank's instructional programs, as part of its training for new employees hired at the branches and at the call center.

In the area of pension and retirement consulting, the Bank works to make information accessible specifically for senior citizens. The Bank offers enrichment content targeted to senior citizens, designed to enable them to take advantage of tax benefits to which they are entitled.

This is achieved through several activities. One such activity is targeted lectures for senior citizens at retiree clubs on retirement and pension consulting, including managing pension monies, fixation of rights, utilizing tax benefits on pension monies for retirees, and Amendment 190 - savings through a provident fund suitable for people aged 60 or older.

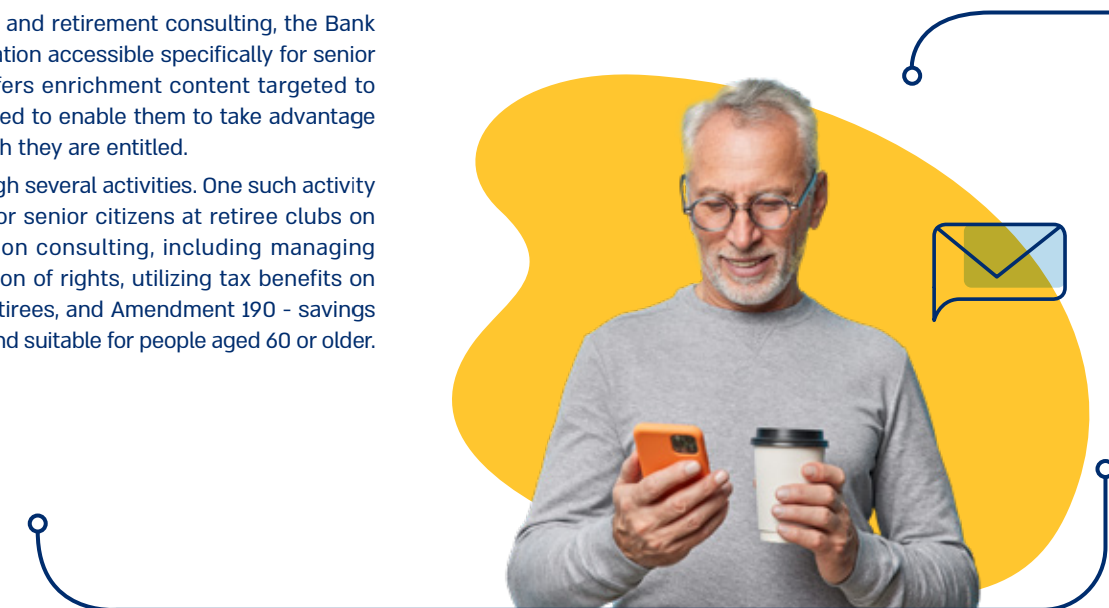
The Bank also holds lectures at retirement conferences organized by employers, on pension savings and managing pension monies at retirement, as well as on taxation aspects (without consultation) and mapping of the options available to customers for withdrawing their pension monies or continuing to save.

In 2022, approximately 50% of the retirement consulting lectures at the Bank were designated for senior citizens. The Bank also uses publications on the fixation of rights to raise awareness among retirees, so that they can consider their options for using tax benefits applicable to pensions.

To expand on this point - sound retirement planning that is individually tailored from a long-term perspective is essential. Decisions made prior to retirement have great importance, and can substantially affect retirees' standard of living. Once the decisions are put into practice, some may be irreversible and cannot be amended. Retirement consulting for retirement includes examining options for the disposal of pension savings through a monthly withdrawal (annuity) or a lump sum (equity), taking tax aspects into consideration, based on the retiree's preferences, plans, and personal finance management post-retirement, as well as examining ways of increasing the annuity at retirement age, if necessary. The Bank provided retirement advising services to hundreds of customers in 2022.

### Investing in Education and Teaching Staff

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





## Investing in the security forces

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



## Quality of Service

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

The Group's customer service policy is derived from the provisions of the law and regulations and directives of the Banking Supervision Department, but also from the values of the FIBI 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 Group continues to develop innovative and advanced products for its customers. The Group deems it important to conduct a dialogue with its customers, in order to understand and address their needs at the highest level. The Group's service culture is always at the forefront, and its service approach is common to all its employees; the Group takes care to equip its employees with up-to-date professional tools and knowledge in order to maximize and streamline its service to customers. In 2022, 302 FIBI employees attended advanced customer service training courses, which were integrated

into fair banking training or held as dedicated service training. In 2022, the Bank continued to implement the new model for measuring the service quality, to encourage constant improvement in the branches, in relation to themselves and in relation to other branches. The model considers a range of parameters related to customer satisfaction and is based on different information sources. Thousands of customers participated in the measurement processes over the year, offering their opinions and contributing to continuous improvement in the customer service experience. The service level measured in the branches is a key parameter in the assessment of the branch and the service model is taken into account in competitions between the branches. The service measurement processes, in which the Bank invests many resources, are intended to allow the Bank to identify ways for constant improvement in its customer service. The Bank also frequently monitors the call center and callback system to ensure that the Bank's customers receive a fast, professional, and high-quality telephone response.

Decisions taken regarding customer inquiries reflect the values of integrity, fairness, and reliability. The Group's public inquiries units - led by the public inquiries officers - handle each inquiry in a thorough and unbiased manner, emphasizing fairness and objectivity. The findings resulting from the inquiries are examined in depth, and any deficiencies are handled systemically, as relevant, with strict adherence to realizing the Group's purpose and vision, which stresses fairness, reliability and commitment to customers and the environment. After a complaint has been fully handled, findings are drawn, including remedies, as relevant, with

detailed reasoning and addressing the claims raised in the complaint, which is then sent to the inquiring party within a reasonable time. The FIBI Group strives to shorten response times to complaints and to handle complaints promptly and sometimes immediately - in the case of urgent complaints, while complying with Proper Conduct of Banking Business Directive 308A, which regulates the activities of the Public Inquiries Unit and of its Ombudsman.

## Customer Satisfaction at the FIBI Group

The First International Bank invests heavily in providing professional service and regularly monitors satisfaction results of its customers - both proactively and internally by participating in external customer satisfaction surveys conducted by the Bank of Israel and Marketest Institute. The 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.

The Bank emphasizes service excellence in professional workshops and conferences held for branch managers and heads of the personal and retail departments in the branches. At these meetings, emphasis was made on the importance of providing professional service, fairness, clarification of customers' needs, adapting solutions to customers' needs, deepening the relationship with customers, and more. Since 2021, unique parameters for service level have been included in the branch assessment model, and the branch service surveys serve as an integral part of the tools for internal branch assessment.

## Activity in 2022

### First International Bank

In 2022, the Bank participated in various sector surveys on service issues, including satisfaction of private customers, satisfaction of small enterprises, satisfaction in areas related to mortgages, and anonymous customer surveys. The Bank also initiates satisfaction surveys among various target populations. This refers to a telephone survey with a representative sample of customers from all the Bank's branches, as well as regular digital surveys throughout the year.



**FIBI is ranked first among the major banks in Israel, in a number of aspects of service quality, according to a Marketest survey for 2022.**

The parameters in which the Bank ranked first include:

- Overall service satisfaction
- Customer loyalty
- Would recommend to a friend
- Willing to provide responses suited to needs and proactively helpful in doing so
- Wait times for bankers

**FIBI also had the lowest rate of customers intending to desert, of the 5 largest banks**

In another **sector survey on mortgages, the Bank won an excellence in service award**, within the banking industry.

In a sector survey conducted by Geocartography Institute among all customers of the Bank, at the initiative of the Bank, referring to the preceding period last year, FIBI was found to be the leader in all of the parameters examined and earned the highest rating among the banks:



General satisfaction



Courteousness of service



Professional quality of service



In a telephone customer satisfaction survey conducted each year, various aspects of customer satisfaction were surveyed, such as employee professionalism, level of attention to customers' needs, speed of response, courtesy of service, and overall satisfaction.

**In addition, in the annual survey by the Banking Supervision Department at the Bank of Israel on household customers' satisfaction with the service they receive from banks, FIBI was a positive standout, ranking first in five categories:**

- Satisfied with branch's courteous service
- Satisfaction with the website
- Satisfaction with the app
- Satisfaction with the call center
- Satisfaction with wait times at the branch



## Bank Massad

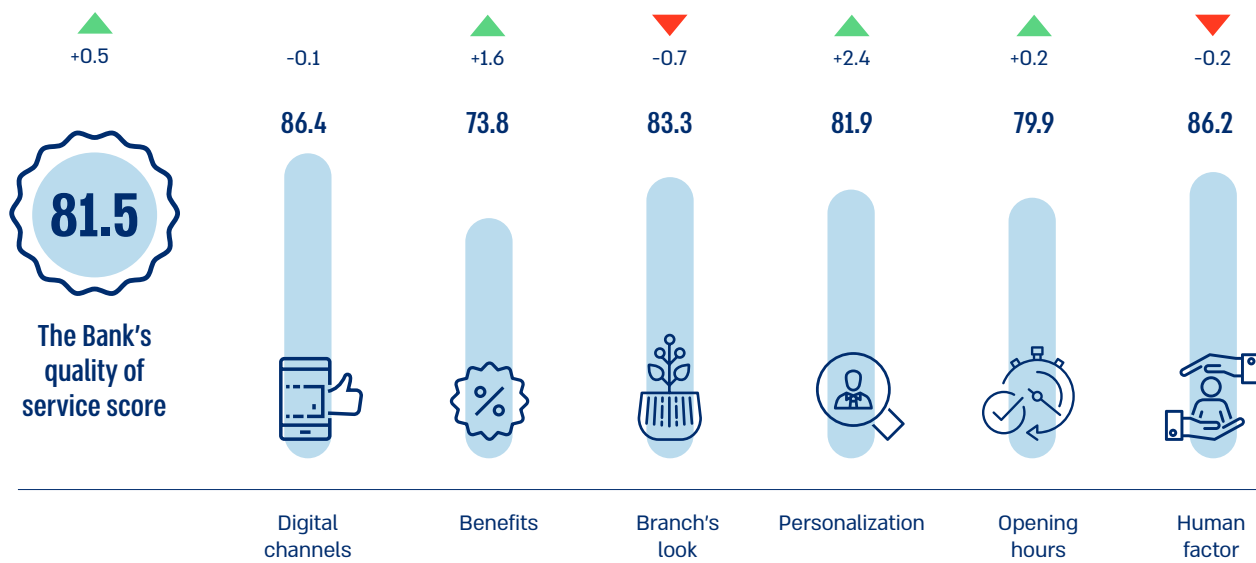
Bank Massad considers customer satisfaction as a substantial basis for its business with customers, and accordingly invests considerable efforts in this field. The service approach at Bank Massad is based on the customer's holistic personal experience with the service. The Bank invests in advancing a 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 2022, Bank Massad conducted a service satisfaction survey. The results of the survey indicated an increase in customer satisfaction and an increase in the customer loyalty index.

In June to August 2022, a comprehensive service survey was conducted to examine Bank Massad customers' satisfaction with the service they receive through the various channels, encompassing staff responsiveness as well as digital services. The research findings and the infrastructure constructed will make it possible to track customer satisfaction over time, helping to formulate ways of improving service.

**The service approach at Bank Massad is based on the customer's holistic personal experience with the service. The Bank invests in advancing a range of service channels and creating synergy between them, creating an overall experience that reinforces the customer's sense of satisfaction and belonging to the Bank**

The Bank's service quality score is 81.5, an improvement of 0.5 percentage points relative to the previous research period. The findings show that the highest overall score was recorded in the digital channels. The greatest improvement relative to the previous survey was recorded in the area of "personalization," particularly in the parameter "familiarity with the personal banker at the branch". In addition, 81% of the customers of the Bank expressed high satisfaction with their branch

### Quality of service model



## Public Inquiries

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

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

The public inquiries unit has a high contribution to the Group's ability to map the issues that are material from the aspect of customer expectations of the level and type of service they receive, for the purpose of drawing conclusions and setting goals. Accordingly, the unit carries out a structured annual process to learn and draw conclusions from inquiries received, by topic or based on notable events. In this context, in view of the findings of the complaints and as necessary, the unit cooperates with various units in the Bank (relevant to the customer's inquiry) such as the legal system, compliance officer, banking division, risk management unit, and MATAF. The purpose of this is to draw conclusions and to prevent the recurrence of similar complaints.

In the event of a specific failure, the branches are instructed to draw conclusions in cases where non-compliance with the procedure resulted in a customer complaint/inquiry and customer compensation. Together with the relevant entities at the Bank, the unit monitors improvements in automated systems (such as the system for opening an account, closing an account, and foreclosures), change in forms, and change

**The solutions we provide 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**

in working methods. When a material inquiry is received, such as an inquiry with enterprise-level aspects concerning compliance, regulation, etc., a lessons-learned process is carried out immediately, in cooperation with the branches of the Bank. Throughout the year, meetings are held at the branches, with the entire staff, including department heads and branch managers, to discuss notable justified inquiries from the public, in order to learn and draw conclusions. The unit also monitors the correction of flaws across the entire organization and the drawing of conclusions arising from customer inquiries and complaints. A report on the conclusions drawn is presented to the Bank's management and the board of directors once a year, and a report of material deficiencies is produced for the Bank of Israel semi-annually and annually.

### Public inquiries submitted to the FIBI Group - 2022

Type of inquiry	Received	Handled	Percentage of inquiries / complaints handled <sup>31</sup>	Justified complaints
Inquiry	1,321	1,327	100.5%	--
Complaint	2,378	2,434	102.4%	405
Total	3,699	3,761	101.7%	--

In accordance with the service level agreement 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.

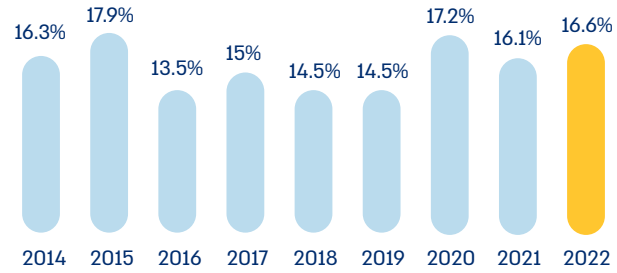
31. The percentage of inquiries is greater than 100% because complaints received in 2021 were also processed



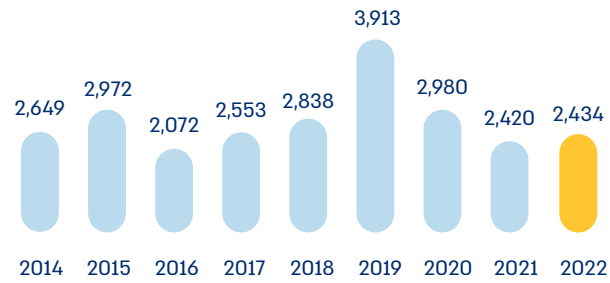
**Complaint response time:<sup>32</sup>**



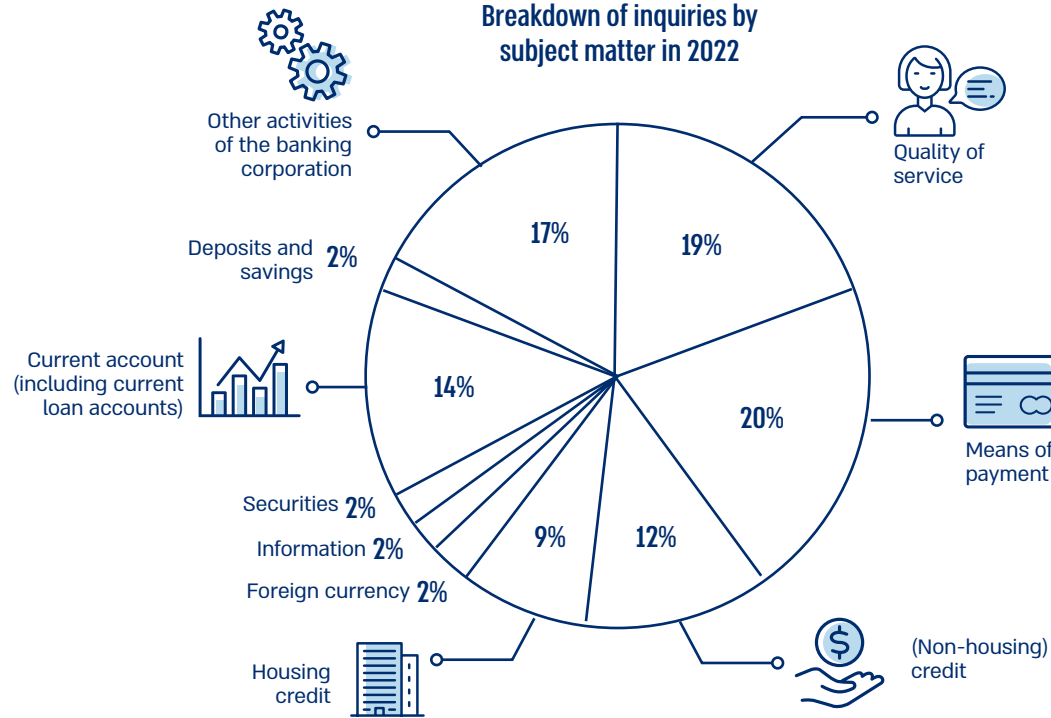
**Percentage of justified complaints filed with the FIBI Group**



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



**Breakdown of inquiries by subject matter in 2022**



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.

<sup>32</sup> 1) The report reflects averages of groups of processing days established by the Bank of Israel, and is not based on actual processing days; 2) of which, the average response time for Covid-19 related complaints (any complaint or request associated with the Covid-19 crisis) at FIBI is 19 days, while urgent issues such as credit (other than for housing) and payment means were answered within an average of 7 days; 3) complaints regarding reports to the credit data company are not included in the report to the Bank of Israel under Directive 308A on the treatment of customer complaints, with the exception of customers who contacted the Ombudsman directly; 4) in the group of 46 processing days or more, customers were sent a letter regarding the delay in the reply. During the Covid-19 crisis, Bank of Israel allowed a deviation in the number of processing days in accordance with Directive 308A. A notice was published on the Bank's website



**Social considerations in banking activity**

**Social financing**

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

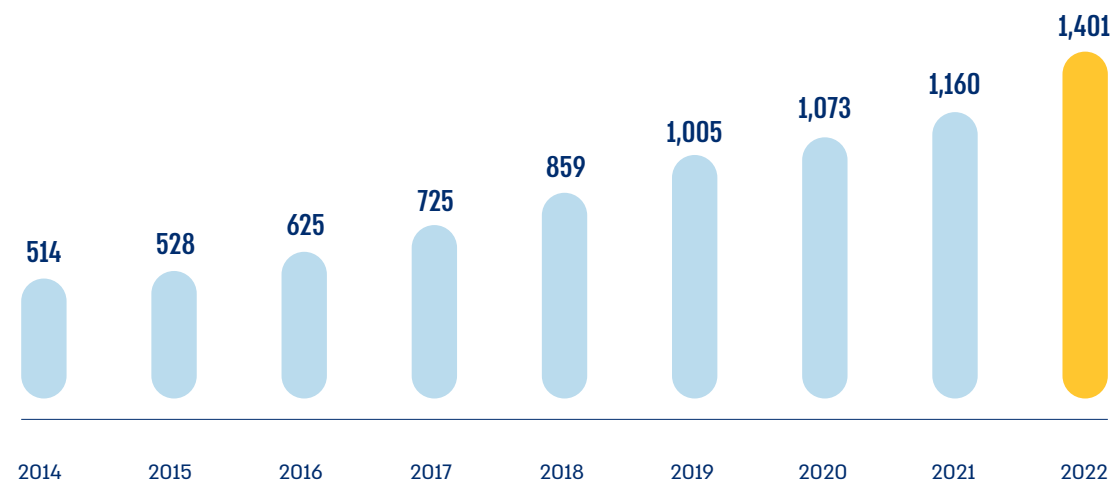
The FIBI Group's strategy for promoting social credit works in the following ways:

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

A leading example of social credit provided by the Group is the credit provided by the Bank (through PAGI) to social organizations in ultra-Orthodox society. At the end of 2022, the balance of credit granted by the Bank to social organizations in ultra-Orthodox society (in the areas of education, welfare and assistance services, social community organizations, religious services, etc.) was NIS 1.4 billion.

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

### Balance of credit granted to social organizations in ultra-Orthodox society (in NIS millions)



The Bank also incorporates social considerations in its nostro investments, and in 2021, the Bank chose to participate in an impact investment as part of this activity. At the end of 2021, the Bank undertook to participate in the financing of Social Impact Bonds of Social Finance Israel (SFI), a social enterprise that promotes impact investments in Israel and produces measurable social impact through social financing tools. The bonds to which the Bank has committed will finance the qualification and integration of men from ultra-Orthodox society in high-tech professions, in accordance with the Bank's social targets. The return on investment and the yield will depend on the social outcomes of the financed project. The Bank has committed to a social investment in the SFI impact fund in the amount of NIS 1 million, of which NIS 900 thousand has been required by the fund and transferred. The project is currently being realized; results will be reported in the future.

### Promoting the Small and Mid-Sized Business Segment

FIBI regards small and medium enterprises as one of the key growth engines and the backbone of the Israeli economy. Accordingly, the Bank attributes great importance in creating economic value for this sector, allowing small enterprises to grow and succeed over time in the long term. Small and mid-sized enterprises have unique economic challenges that require a dedicated response. For this purpose, the Bank is able to provide a dedicated 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 through digital channels, and is professionally managed by a dedicated team at headquarters specializing in small businesses.

FIBI provides consulting and guidance services to small businesses, tailored to customers' needs. For example, the Financial Checkup service offers customers of all banks an examination of their overall credit portfolios, aimed at achieving savings and preventing overdrafts and unnecessary loans.

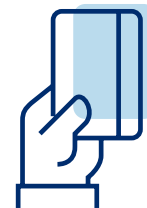
Consulting services on sound management of the cash flow of a business are also offered.

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 throughout the business's life cycle. The relationship is based on the bankers' personal acquaintance with the businesses, allowing them to provide a comprehensive response to all requirements of the business owners - from financing solutions, through to guarantees, and up to financial advice for capital management.

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

### NIS 28.7 billion

as of the end of 2022, outstanding credit provided by the Bank to micro-, small and mid-sized businesses



### 71.4%

of which was provided to micro- and small businesses



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

As of the end of 2022, the balance of credit granted by the Bank to microbusinesses and small and mid-sized businesses is NIS 28.7 billion, of which 71.4% is allocated to microbusinesses and small businesses.

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

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

The Bank provides loans in this framework to entrepreneurs and business owners from the Negev, Galilee, Jezreel Valley, and the Jerusalem area, and to new immigrants, Israelis of Ethiopian origin, entrepreneurs from the ultra-Orthodox sector or from Arab society. 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 2022, an amount of NIS 10.7 million was provided in this context.

Many small and medium enterprises were among the main victims of the Covid-19 economic crisis. Many of these businesses continued to cope with the impacts of the Covid-19 pandemic in 2022. In 2022, FIBI continued to provide state-guaranteed loans under the state fund for businesses affected by the economic consequences of Covid-19. In this context, FIBI provided credit lines of NIS 1.27 billion, with over 75% of the loans provided to small enterprises (with an annual turnover of less than NIS 25 million).

### Additional unique services for small and medium enterprises

#### Assistance to Israeli exporters and importers

The FIBI Group, which promotes economic activity in Israel, views exports and imports as a central anchor in Israel's economy and industry. For many years, the Group has been instrumental in promoting Israeli industry and in recent years, has developed and initiated various financing and recruitment programs:

- **Exporter financing program in cooperation with a credit firm** - The Bank sponsor a program to finance exporters' operations in cooperation with credit provider Ashra. This program serves as a means to assist small and medium-

sized exporters on the one hand, and to provide them with opportunities to expand their overseas business on the other hand.

- **Recruitment of industrial companies and entrepreneurs as customers** - The Business Development and Marketing Unit of the Corporate Division focuses on the recruitment of industrial plants and entrepreneurs with turnovers of at least NIS 25 million, as customers. Credit applications of such customers are reviewed by the relevant functions at high priority and responses are fast-tracked in order to promote new business activities as quickly as possible.
- **Financing agreements for the purchase of industrial equipment in cooperation with the Manufacturers Association** - An agreement was signed with the mutual fund of the Manufacturers Association to provide up to 90% financing for the purchase of industrial equipment for an unusual maximum period of 12 years.

### Financing for Businesses - Factoring

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







The 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. In this context, the Bank cooperates with non-profit organizations, such as Paamonim, Pedot ve Hazala, Beit Hatavshil, and Netivoteha Shalom, which operate in the field, Friends of Orly and Guy, and companies that guide and mentor individuals and families financially

### Investing in customers in financial difficulty

FIBI Group supports customers in financial difficulty with flexibility and sensitivity and helps to find a solution to their difficulty. The Group's policy is to endeavor to attain debt settlements with customers, prior to referring them to a legal process. The goal is both to assist the Bank's customers and to avoid imposing additional costs on them in the form of attorneys' fees and other fees. The FIBI Group has developed professional processes, applied with sensitivity, aimed at helping customers repay their debts to the Bank through an arrangement that supports their financial capabilities to the extent possible, including by spreading the payments over a long period.

The collection department of the FIBI Group treats debtors with fairness and transparency. Therefore, for every new case reaching the collection department, according to the procedures of the FIBI Group, customers must be contacted in an attempt to reach a fair settlement adapted to the debt repayment capacity before initiating legal proceedings.

In addition to the FIBI Group's collection department staff, attorneys representing the Bank are instructed to attempt to reach settlements with customers before taking the case to court and avoid legal proceedings to the extent possible, in the spirit of the board of directors' policy and of Proper Conduct of Banking Business Directive 450.

These and other actions are aimed at assisting debtors and engaging them in reaching a settlement for payment of the debt in installments, thereby also minimizing the damages and expenses involved in legal action, for the customer and the Bank.

Accordingly, the FIBI Group occasionally launches proactive campaigns to encourage groups of debtors to reach settlements.

An example of this practice is Focus Days, where customers with debts are invited to meet with attorneys and representatives

of the Bank in order to reach a tailored settlement, including payments spread over a longer period, lower interest rates than customary, etc.

In 2022, the FIBI collection department held a nationwide initiative with the Israel Enforcement and Collection Authority to encourage debtors to reach cash settlements and/or spread their debts into installments with improved terms. Under the outline for this program, debtors are granted reliefs, such that after the first payment is performed the legal proceedings in the case are stayed, and, after 3 payments, current-account sequestration and salary foreclosures are rescinded. Approximately 70 consensual settlements were signed within this initiative. Of the total cases referred to the collection department in 2022, approximately 26% were closed during the same year.

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. In this context, the Bank cooperates with non-profit organizations, such as Paamonim, Pedut 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.

The FIBI Group has also voluntarily signed the Financial Availability Charter, formulated under the leadership of the Bank of Israel, which requires special consideration for the debts of women who are victims of abuse staying in shelters or secret apartments. The convention has recently been expanded to cover survivors of prostitution. Within this program, the Bank provides a special rapid response to various requests and supports women who are victims of abuse; the Bank is in direct contact with shelters across Israel. In 2022, approximately 4 requests in this area were received, and quickly addressed according to needs.



### Investing in Our Employees

#### Objectives for 2025

1

**Objective:** By 2025, 10% of the employees recruited will be from diverse populations

**Status of meeting the objective:** 224%

In 2022, 22.4% of employees hired at the Bank were from population groups underrepresented in the labor market. This figure reflects the FIBI Group's deep commitment to diversity, and indicates above-expectations success in the first year towards meeting the multiannual goal.

2

**Objective:** By 2025, at least 75% of managers will participate in a minimum of one strength skills training, over two years

**Status of meeting the objective:** 80%

In 2022, approximately 60% of managers at the Bank attended at least one training session on power skills.

3

**Objective:** By 2025, in all the long courses in the core fields (credit, mortgages and the capital market) at least one training of strength skills will be integrated

**Status of meeting the objective:** In progress

In 2022, power skills training was embedded in three core courses: the workshop Talk Like TED was added to the senior credit course; a workshop on sales and marketing in the area of the capital market was added to bankers' training on the capital market, in preparation for the transition to advising centers; and a workshop on sales and marketing in mortgages was added to the course on mortgages, beginning in the July 2022 session.

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

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

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

organization's objectives while enabling employees to serve as partners in an organizational culture that promotes dialogue, transparency, and welfare as its cornerstones.

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

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



## Profile of the Group's employees<sup>33</sup>

**3,718**

In 2022, the FIBI Group had 3,718 employees<sup>34</sup>



**97%**

of the FIBI Group's employees work full-time



**98.6%**

of employees are directly employed by the Group are external contract workers



**74%**

Approximately 74% of the Group's employees hold academic degrees<sup>35</sup>



**47.7**

The average age of the Group's employees is 47.7, and their average seniority is 18.3 years



**13%**

of the Group's employees are temporary workers and the remainder are permanent employees

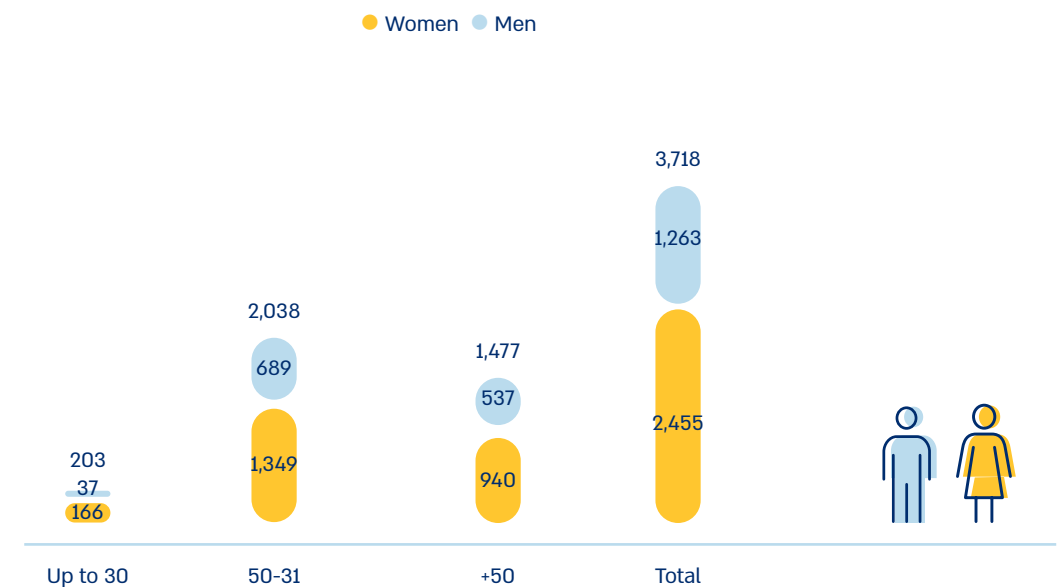


**97%**

of the Group's employees are employed under a collective employment agreement, and 3% are employed on a personal employment contract



## The FIBI Group's employees by age and gender (no. of employees) in 2022<sup>36</sup>



33. The methodology for data collection on human resources is based on data for December 31, 2022, as collected from the Bank's human-resources command and control systems, such as work time reporting systems, employee data systems, and more. All of the data is aggregated, unless otherwise indicated

34. Including external employees

35. Excluding external employees at MATAF.

36. Including external employees

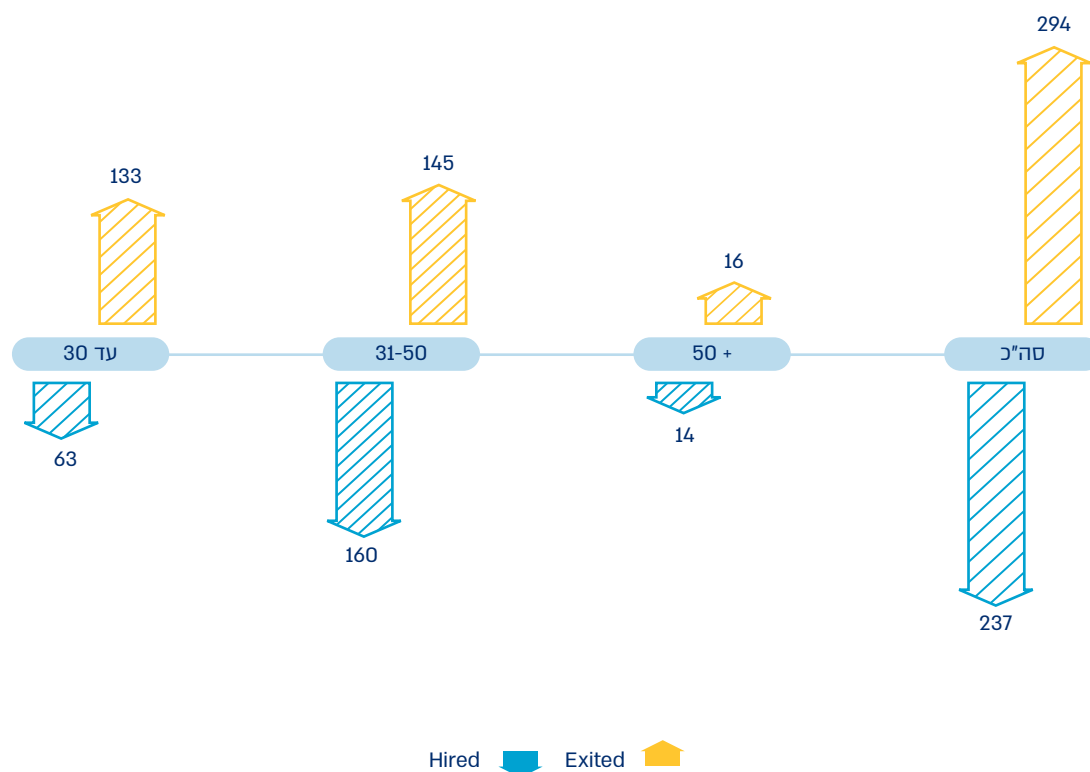


### Hiring of New Employees and Departure of Veteran Employees:

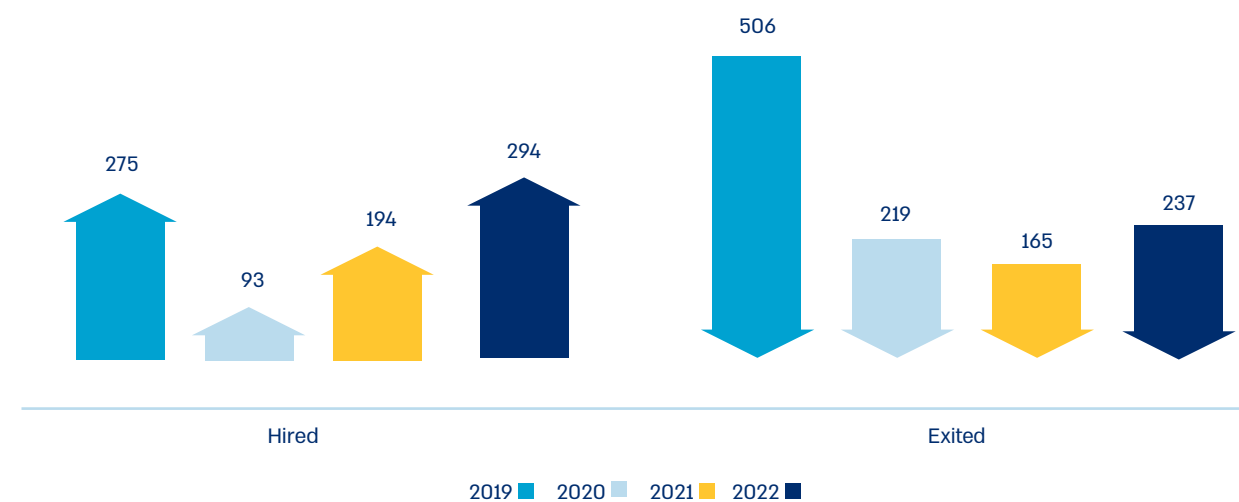
#### Employee Turnover in 2022

Age	Hired				Exited <sup>37</sup>			
	Women	Men	Total	%	Women	Men	Total	%
Up to 30	107	26	133	45%	52	11	63	27%
50-31	92	53	145	49%	95	65	160	68%
+50	10	6	16	5%	6	8	14	6%
<b>Total</b>	<b>209</b>	<b>85</b>	<b>294</b>	<b>100%</b>	<b>153</b>	<b>84</b>	<b>237</b>	<b>100%</b>

#### Employee turnover by age in 2022



### Group-Level Employee Turnover in 2022-2019



2019 2020 2021 2022

### Employee absences in 2022

#### No. of absence days

	Women	Men
No. of sick leave days <sup>38</sup>	50,280	16,373
No. of work accident days <sup>39</sup>	368	138
No. of leave days <sup>40</sup>	61,511	29,372
No. of military reserve duty days	4	565

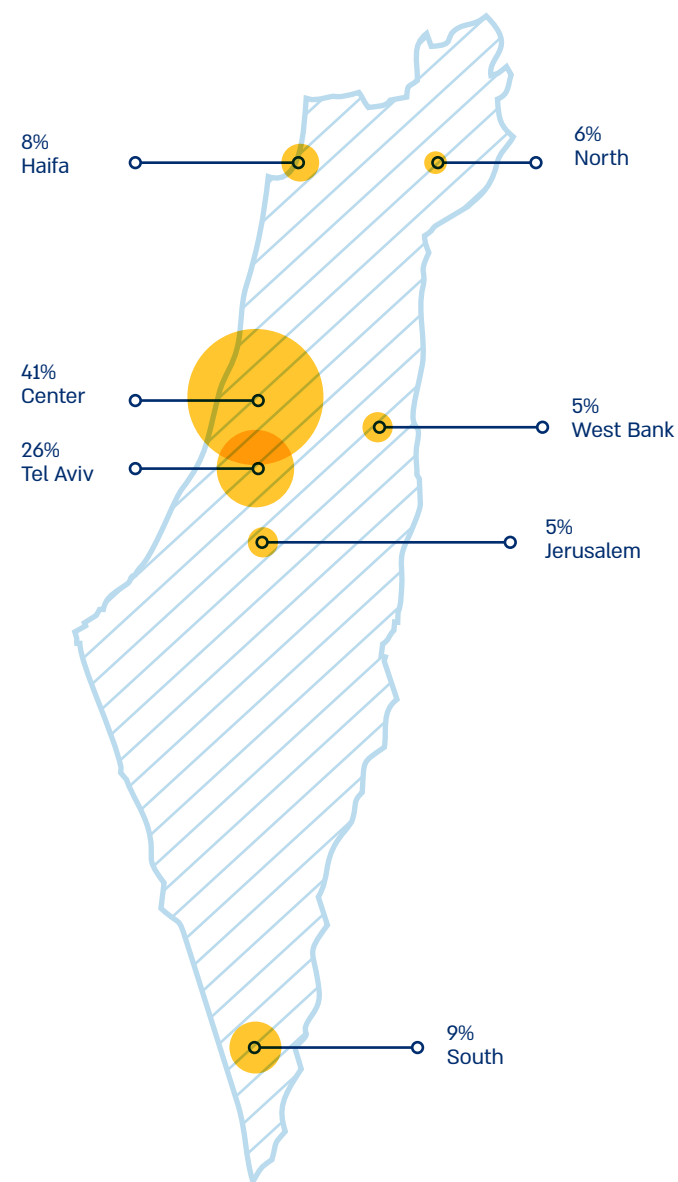
### The FIBI Group's Employees by Gender and Rank:

	2022			2021		
	Women	Men	Total	Women	Men	Total
Top management/ Top executives	50	78	128	50	77	127
Middle management	409	279	688	377	286	663
First line managers	133	100	233	143	105	248
Employees <sup>41</sup>	1,850	763	2,613	1,845	781	2,626
<b>Total</b>	<b>2,442</b>	<b>1,220</b>	<b>3,662</b>	<b>2,415</b>	<b>1,249</b>	<b>3,664</b>

37. Employee churn figures for 2022 are net of retirement

38. Including isolation days and sick leave for family  
 39. Sick leave due to workplace accidents: in 2022 there were 32 workplace accidents in the Group  
 40. Including holiday campaigns and holidays for non-jewish employees  
 41. Excluding external employees

FIBI Group Employees by Residential District<sup>42</sup>



## Employee engagement

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

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

<sup>42</sup> Excluding Massad employees



### Formal communication channels include:

- Open line to Human Resources
- Employee feedback sessions
- Employee inquiries supervisors
- The organizational portal
- A system for employee inquiries in the area of human resources
- Conferences for various ranks of employees and managers, including professional conferences for specific groups, such as mortgage advisors
- Operational efficiency forum
- Round tables – management and employees
- Organizational surveys
- Management visits (including by the CEO) to branches and various headquarters units

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.

During 2022, the management of the First International Bank held quarterly meetings with employees from all areas of the Bank's business. A total of approximately 10 roundtable meetings were held over the last year.

Bank Massad's management also held monthly meetings with branch managers.

### Open Door

In the Open Door program, implemented as part of the policy of open dialogue with human resources, employees of the Bank were invited to meet with the head of the human resources department and organizational development staff to raise various organizational and personal issues. The meetings provided an opportunity to get to know employees in person and become familiar with their capabilities, skills, and individual needs, as they relate to the needs of the organization. These encounters made it possible to examine processes from a broad perspective and provide solutions to enterprise-level and individual issues presented.



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 – a dialogue which is impossible during the busy work routine

### Internal Surveys

Also this year, an internal survey was conducted to raise awareness of management to the employees' needs and wishes, in order to identify strengths and weaknesses in respect of the different interfaces in the Bank, while the main purpose is striving for constant improvement and aspiring to internal service excellence. In the survey, which was answered by 31% of employees, employees rated approximately 50 internal organizational interfaces that significantly affect their success. The survey figures are analyzed on the section, department, and division levels and on the organizational level, providing the Group with insights on the organizational and personal level.

### Performance Reviews and Feedback - Direct Dialogue

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

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

### Feedback in the FIBI Group

At the First International Bank, the annual employee appraisal process begins at the end of the year and culminates towards the end of the first quarter of the following year. As of the date of preparation of this report, over 90% of the employees of the Group have been evaluated.

### Recognizing Outstanding Employees

The FIBI Group believe that recognizing outstanding employees contributes both to the employees, personally, and to the organizational climate in general. Therefore, the



Group recognizes outstanding employees and nurtures the value of excellence as part of an organizational culture that strives to excellence. The Group encourages the value of excellence among its employees and set a goal of striving toward constant improvement by setting development goals, setting objectives, professionalism and deepening the sense of commitment. In 2023, outstanding employee awards for 2022 will be given to approximately 35 employees, at a ceremony presided over by the Group's CEO and management members. At Bank Massad, outstanding employee awards for 2022 are expected to be given to approximately 20 employees in 2023, at a ceremony presided over by the CEO of the bank and members of management.

### Employee Performance Reviews at MATAF

The employee review process at MATAF is a material infrastructure in creating an organizational culture that strives to excellence. All performance evaluation processes are conducted both for MATAF employees and for external employees (in cooperation with their employers). The process included an interface evaluation questionnaire, as part of a corporate vision of partnership. The corporate themes in the light of which the employee 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.

In 2022, the employee evaluation process was improved, in light of lessons learned based on 2021, to coordinate expectations and create beneficial constructive dialogue between the employee and the manager. The process was amended in several ways, including questionnaires adapted to each rank, a department head review stage, and the introduction of an innovative "feedforward" method based on dialogue and employee motivation. As part of the process, all managers at the different levels were trained in dedicated workshops, and new tools were provided for conducting an effective feedback meeting.

### Dialogue and relationships with the workers unions<sup>43</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 ("clerks' committee"), and the workers' committee of the Otsar HaHayal collective agreement), one at Bank Massad and 1 at MATAF. The workers' unions are responsible for the rights and duties of all the employees represented by them, their welfare and entertainment, and assist employees where necessary. Conditions for non-unionized employees are established through direct negotiations between the Bank and the employee, in accordance with all laws. In 2022, 97% of the FIBI Group's employees were employed under collective agreements, while 3% 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 workers' committee. In December 2019, the bank signed a special collective agreement for the years 2019-2022 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.

In addition, in 2022, a collective agreement was signed with the managers' union regarding the method of recording global overtime hours in the attendance system, with an option provided to use a dedicated app for reporting actual hours worked.

The employees' organization at Bank Massad unites all the bank's employees. Bank Massad's management maintains an ongoing and open dialogue and good work relations with the workers' committee. In 2012, the Bank's management and the union signed a salary and employment terms and conditions agreement, which was extended and valid through 2018. A new agreement was signed in 2020, and it applies retroactively from 2018 until the end of 2022. 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. A collective agreement was signed with the union in December 2020, valid through the end of 2022. 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.

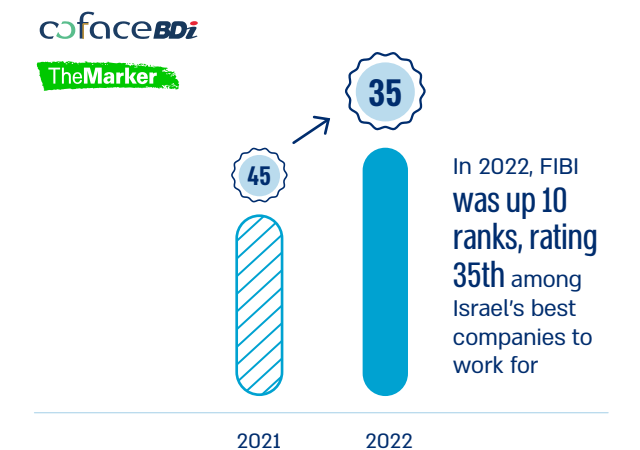
There were no labor disputes at the Group in 2022.

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 Bank has rated in the top 50 companies on this survey in the last few years; in 2022, FIBI leaped forward by 10 places to rank 35th

### Work environment

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

First International Bank, the largest employer in the FIBI Group, is regularly ranked among the 100 Best Companies to Work For list published by BDICoface and The Marker magazine. The rankings are based on an annual survey conducted among thousands of employees at hundreds of companies, and among the Bank's employees (a representative sample). The Bank has rated in the top 50 companies on this survey in the last few years; in 2022, FIBI leaped forward by 10 places to rank in 35th place. 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.







### 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 Group's human resources departments are responsible for handling employee welfare and their recreational development. These departments accompany the employees throughout their working life: At the work place, celebrations, leisure time, times of distress and on retirement. As part of this approach, the various banks and MATAF offer cultural activity year-round, including special recreational days for the entire family at various sites, trips, workshops, and representative teams in various sports).

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

The Group increases awareness to the importance of keeping healthy by encouraging its employees to participate in physical activities, sports through sports groups in various fields, teams, yoga workshops, group training, etc.

FIBI Group encourages its employees to lead a healthy lifestyle. Accordingly, the Group provides a healthcare package to employees including periodic physical examinations, and, as necessary, ergonomic workplace adaptations. The Group provides employees with access to influenza vaccinations and enables them to be vaccinated at the workplace every year. The Group supports employees also from the psychological aspect, provides a solution in dealing with emotional situations and enables them to receive psychological services.

### Safe Work Environment

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

### Supporting Reservists

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

### Work-life balance

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

that it is unnecessary to engage employees overtime. In 2022, the Bank began to prepare for a pilot project, in various departments, aimed at examining work from home, to achieve work-life balance. The pilot project will begin during 2023.

### Employee Transfers and Organizational Changes

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

### Retirement

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

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

- Participation in a preparatory retirement course to acquire basic tools for exhausting the various possibilities. The program consists of two Zoom meetings and two in-person meetings

### The workshop covers the following subjects:

- Retirement as a process of profound change - preparation
- Formulating the new life - developing a second wind
- Family and relationships in retirement
- Balanced and prudent financial management in retirement
- In addition, each of the participants was sent an online workshop, which was open for viewing for three months, with lectures on topics related to retirement

In view of the importance of the topic, the Group also offers employees' spouses the opportunity to participate in the workshops, free of charge. 73 employees and their spouses participated in the retirement preparation course in 2022.

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

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







**In 2022, all Group employees participated in 10,584 training days, representing an annual average of 2.8 training days per employee. In addition, Group employees participated in 13,988 study days through online courses, representing an average of 3.8 study days of online courses per employee**

## 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 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

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

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

In addition, all the departments routinely assess training needs by examining objective and subjective knowledge

gaps and using various mapping processes. The departments continuously review their professionalism through feedback from participants in the various courses and other tests which reflect the quality of the training. The FIBI Group also adapts the annual training program to market developments and regulatory requirements.

In 2022, all Group employees participated in 10,584 training days, representing an annual average of 2.8 training days per employee. In addition, Group employees participated in 13,988 study days through online courses, representing an average of 3.8 study days of online courses per employee.

### Professional training and development of soft skills

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

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

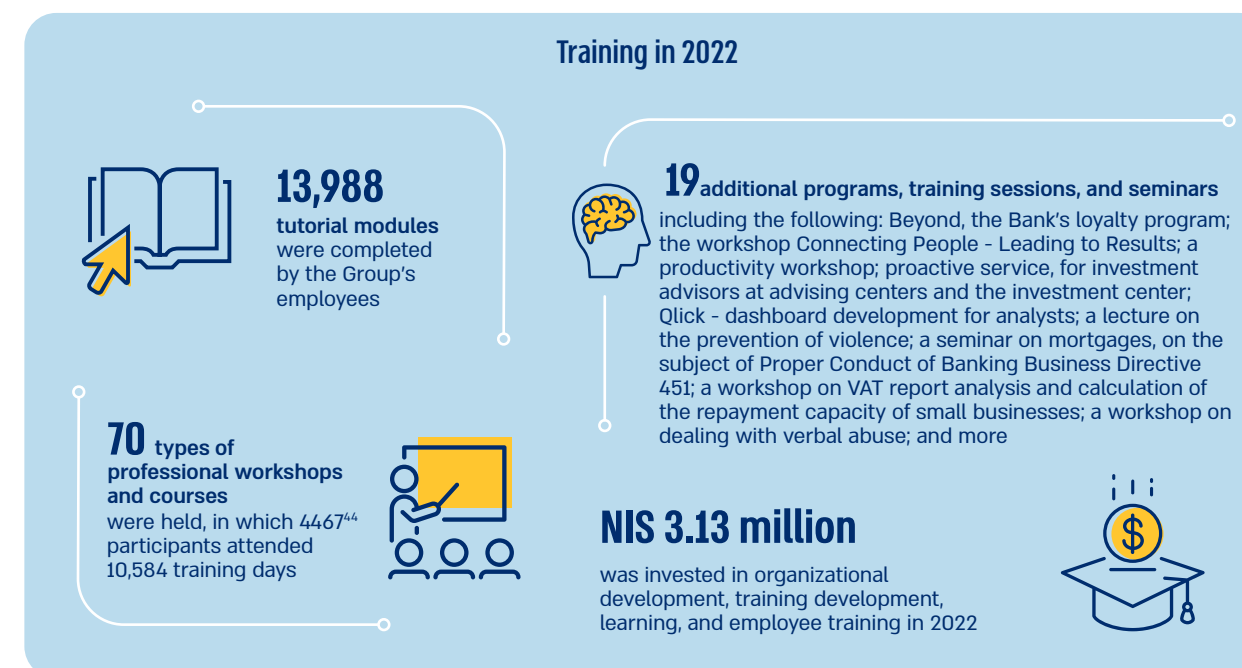
In addition to professional knowledge, workshops are held on soft skills (core skills which improve employees' abilities and personal skills, such as social and communication skills, personal characteristics as well and social intelligence and emotional intelligence, called "power skills" at the Bank),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

In 2022, we continued to develop and reinforce the set of required skills and the future skills of the Group's employees and managers through a range of courses on required soft skills such as resilience, agility, innovation and analytical thinking, digital literacy, and emotional intelligence. Employees participated in the following courses:

Topic	Number of types of courses	Total number of classes
Tools for conveying messages	3	17
A -360degree view of the customer	9	74
Understanding the characteristics of the business environment	4	19
Business leadership	2	67
Personal leadership and social skills	4	16

In total, in 2022, 1,822 employees and managers in the FIBI Group participated in power skills training, compared with 1,304 employees in 2021.

The return to routine conditions in 2022, following the Covid-19 pandemic, has made it clear that the hybrid work model is here to stay in Israel, with work from home permitted alongside work at the office. These changes have required the training system to adapt to the challenges of the period and organize digital programs as well as in-person programs. Accordingly, the training units have begun to adapt instructional content to a hybrid format combining in-person and digital training. The scope of upskilling also increased in 2022, through added workshops and sessions on various subjects related to skills for the future.



44. This figure includes participants in multiple workshops, and therefore refers to the number of employees who attended workshops and 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 2022, the training department held courses on a range of regulatory topics, such as prohibition on money laundering, the Fair Credit Law and the Reduction of Cash Law, opening an account for a minor and a recognized entity, credit for a private customer and creditworthiness, and accounts at cross-border risk. In these training courses, 2,696 employees underwent training in matters of regulation and integrity.

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

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

### The Bank has three types of employee promotion tracks:

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

## Re-skilling

## Up-skilling

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

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

## Re-careering

### In the Re-skilling track

This year the Bank worked on developing and reinforcing skills needed in the evolving world of work, with an emphasis on the development of a variety of occupational competencies for employees, based on strategic human-capital planning. This activity focused on development along three axes:

The first axis is the Trusted Advisor program – bankers as financial experts. The program comprised a storytelling workshop; expansion of lesson plans in professional classes on the systems of the Bank to encompass the customer perspective; development of a 4-session workshop on perception of the banker's role; and added workshops on the business environment and tools for coping with uncertainty and a disrupted world. A total of approximately 1,500 employees and managers participated in training in this area.

The second axis is the Business Leadership program. The program consists of workshops on proactive sales and service – targeted one-day workshops by customer line, based on the approach that sales and service are not separate processes. A total of approximately 500 employees and managers participated in training in this area.

The third axis is the Personal Leadership program, on leadership and social skills. The program includes training for managers on developing and strengthening management and leadership capabilities. A total of approximately 700 employees and managers participated in training in this area.

### In the Up-skilling track

the Bank has undertaken a commitment, as part of its ESG goals for 2025, for at least 75% of managers to participate in at least one training event every two years on power skills (core skills that improve employees' individual capabilities and competencies). In 2022, the Bank presented significant progress towards this goal: by the end of 2022, approximately 60% of department heads (some 490 managers) had participated in at least one power skills training event. The Bank has also committed to including at least one power skills training session in all of its longer core courses. Several power skills sessions were added to long training programs at the Bank in 2022. The topic Talk Like TED was added to the senior credit course; a workshop on sales and marketing in the area of the capital market was added to bankers' training on the capital

market, in preparation for the transition to advising centers; and a workshop on sales and marketing in mortgages was added to the course on mortgages, beginning in the July 2022 session.

### In the Re-careering track

over the last year approximately 140 employees participated in training providing new professional capabilities needed by the Bank. In the area of digital literacy, the Bank focused this year on developing its enterprise-wide analyst community, in collaboration with the data function, to promote organizational data literacy and build a data-oriented organization. Towards that end, analysts' and managers' needs in working with data were mapped, and a focused training program was created, adapted to analysts' needs, covering technological skills (dashboard development, data visualization, and more). 105 employees participated in training sessions and courses relevant to working with data as part of this track in 2022.

In addition, in 2022, 68 employees participated in training enabling them to work in the areas of mortgages and financial planning. 8 selected advisors gained entry to the Financial Strategist course.

### 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 2022, 565 managers underwent training in various disciplines, including an advanced management course, Influencers Program - Development of Middle Management, Talk like TED, course on agile leadership in a disrupted world, storytelling for executives, etc.

The Influencers Program, the flagship middle-level manager development program, is a platform for the development and empowerment of middle-level managers as leaders of proactive, influential and relevant banking. The purpose of the program is to formulate the concept and strengthen the skills of the new leadership, in light of the Bank's challenges. To examine how each manager can increase their sphere of influence, relevance and managerial value to form a sustainable competitive advantage. This 7-session program was built in cooperation with the Executive Education Center at Reichman University, including lectures, workshops and a hackathon, and deals with various fields relevant to the challenges of the manager in the 21st century, such as change and managerial courage, management through strengths, customer experience, data and intraorganizational initiatives.

### Evaluation of Satisfaction with the Training

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

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







## Equal Opportunity, Diversity and Inclusion

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

As part of its hiring policy, the Group supports employment diversity 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.

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

## Employment diversity in the FIBI Group

The FIBI Group, as a bank operating with diverse populations in Israeli society, recognizes the importance of diverse employment. Apart from the immense social value in providing employment opportunities to talented employees from all parts of Israeli society, the Bank also regards this as having business importance, recognizing the value of a deep and personal knowledge of the diverse needs of their customers from all sectors by the Bank's employees. The diversity in the Bank is reflected in the fair and equal employment of employees from all aspects of Israeli society, regardless of religion, race, gender, geographical location, or any other aspect. No complaints regarding discrimination were filed in the FIBI Group in 2022. 22.4% of employees hired at FIBI this year were from population groups underrepresented in the job market, an increase of almost 80% compared with 12.6% in 2021.

## Promoting Employment in Ultra-Orthodox Society

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

As at the end of 2022, the Bank estimates that 200 employees from ultra-Orthodox society are employed in its services, of which 57 are in management positions, representing 6.5% of the FIBI Group's managers. Accommodations for ultra-Orthodox society at the Bank take the form of special adjustments in dialogue with ultra-Orthodox employees and in platforms for communication between the Bank and its employees, adapted vacation getaways for employees, and mehadrin Kosher food supervision. To ensure an appropriate work environment for ultra-Orthodox employees, there is a dedicated officer at the Group's headquarters who coordinates the human resources aspects of PAGI employees, while providing a targeted response to the sensitivities and unique requirements of ultra-Orthodox employees.

The Bank supports two ventures aimed at promoting employment in ultra-Orthodox society, through both philanthropic donations and employee volunteering:

**High Tech Leaders** – A training program for ultra-Orthodox women with a technological background and professional experience, for promotion to significant roles in the technology industry. The program is run in collaboration with leading employers in the Israeli technology industry, with the goal of realizing the employment potential of ultra-Orthodox women as a driving force in the Israeli economy while preserving their identity. Concurrently, it promotes practical diversity and inclusion processes, for the optimal inclusion of ultra-Orthodox women in quality beneficial employment in the technological field. This program, operated in ultra-Orthodox areas nationwide, supports training for participation in the new world of work, including preparation for developments in technological industries, presentations, messaging, practices, continual improvement in English-language skills, and more. Employees of the Bank take part in screening, training, and mentoring processes for the program.

**Career 21** - A program for imparting practical tools and skills to ultra-Orthodox young adults for the world of work in the 21st century. This program includes in-person as well as digital sessions, guided by mentors from the Bank and content experts. Approximately 200 ultra-Orthodox young people who have completed various professional training programs will participate. Participants will gain skills through hands-on exercises in the areas of thinking, occupational intelligence, familiarity with the changing world of work, intercultural capabilities, initiative, responsibility, and more.

## Promoting employment in Arab society

About one third of the Bank Massad's branches and agencies operate in geographic areas where the majority of the population are from Arab society. Accordingly, the Bank endeavors to hire many employees from this sector. Hiring is made through ads in media outlets which cater to relevant target audiences (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 2022, 19% of Bank Massad employees are from Arab society, of which 15% are executives who constitute 9% of all executives at Bank Massad.



## Hiring People with Disabilities

The Group attributes paramount importance to integrating people with disabilities, providing them with equal opportunities, and hiring them with an equal, respectful, and non-discriminatory outlook, while providing them with a work environment adapted to their needs. The FIBI Group invests heavily in making the work environment accessible to diverse populations, adapting it to employees with disabilities and allowing the absorption of new employees with disabilities at the Bank. The Group regularly complies with the Expansion Order for the Encouragement and Increased Employment of People with Disabilities, adapting the work environment for their needs in the following ways:

- The Group keeps contact with entities specializing in hiring employees with disabilities in order to fill vacant positions, with priority given to this population.
- The First International Bank has appointed officers responsible for hiring persons with disabilities. These officers were trained and took part in events and activities related to the employment of people with disabilities, in cooperation with organizations specializing in this field, such as Access Israel, Esek Shave, the JDC, and the Ministry of Economy and Industry.
- The Bank is careful to provide a suitable work environment for employees with physical disabilities or employees who undergo a change in their medical condition.
- If needed, the Group strives to identify a role suited to employees with disabilities, in terms of distance from their place of residence, work hours and type of position.

- If necessary, screening processes are adapted to the needs of job candidates or the Group's employees in managerial or professional career tracks. The Group's human resource departments cooperate with placement and screening companies to provide maximum adaptations in screening and placement tests.

- Once a year, the Bank holds a survey to raise awareness of the rights of employees with disabilities, including the report of an employee of being a person with a disability.

Furthermore, the Human Resources Department performs processes to increase awareness among its employees through appropriate training and lectures, with the aim of maintaining an accepting work environment for employees with disabilities. Furthermore, the Group cooperates with NGOs specializing in empowering and integrating diverse population groups in the labor market. FIBI estimates that 5.08% of its employees are people with disabilities.<sup>45</sup>

The Supervisor of Employment of Employees with Disabilities Procedure was updated in 2022. Within the update, the process for work environment accommodations for employees (including documentation) was amended, and solutions provided to candidates with disabilities were specified (including the addition of an employee declaration to the hiring process).

A workshop was held for FIBI hiring staff, led by the organization Taasuka Shava (Equal Employment), on the employment of people with disabilities. The workshop highlighted topics relevant to the participants' work: orientation for employees with disabilities, posting job notices, interviewing, emphases and sensitivities, the work environment, treatment of other employees in the unit, and more. In 2022, approximately 30 requests by employees for work environment accommodations were processed (including ergonomic IT equipment, orthopedic chairs, and adaptation for work standing up).

## 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 2022, 116 female and male employees went on parental leave, and 124 employees returned to work from parental leave.

## Gender Equal Opportunity

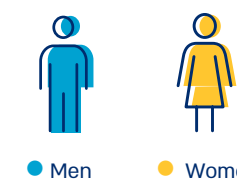
The FIBI Group works to promote equality for women in the workplace. The Group maintained a high proportion of women at every level, appointing them to key positions. Women constitute 67% of all employees in the Group - 57% of first line managers, 59% of mid-managers, and 39% of senior managers. In total, women represent 56% of employees on the highest salary level in the Group, a one and a half percent increase since 2021.



### Parental leave data

	Men	Women	Total
Went on parental leave	1	115	116
Returned from parental leave	2	122	124
Returned from parental leave and remained in the workplace for another 12 months	5	94	99

### Breakdown of Management Levels by Gender in 2022



<sup>45</sup> This estimate pertains to FIBI employees only. The estimate is based on employee declarations at intake and on additional sources of information



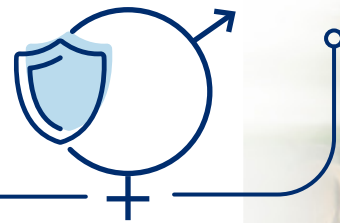
## Prevention of Sexual Harassment

FIBI Group takes cases of sexual harassment seriously and each of the Group's banks, MATAF and other employer enterprises have appointed a sexual harassment prevention officer. All units of the Bank have rules and regulations describing, among other matters, the main points of the law regarding sexual harassment and workplace mobbing, and the ways of contacting the supervisor to file a complaint. The rules and regulations are also posted on the Bank's website. Group employees receive relevant information with the aim of avoiding sexual harassment incidents. The rules and regulations are distributed annually to each individual employee. In addition, every three years employees are required to refresh their familiarity with the rules and regulations and the desired workplace culture, and are required to undergo training in the subject through

a mandatory tutorial or training. The most recent training on this subject was conducted in 2021. A refresher is issued to employees in a circular on this topic every year.

All new employees are also required to complete a tutorial on the prevention of sexual harassment at the Bank. 260 new employees completed the tutorial in 2022.

In 2022, a number of complaints of sexual harassment were filed at the Group. These complaints were investigated in accordance with the law, with maximum protection of the dignity and privacy of everyone involved. Based on the findings of the investigations, in relevant cases the appropriate actions were taken to prevent recurrence of the incidents and to raise awareness and increase sensitivity in this area.



## Fair wages

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

employee was 11.9 times the median salary at the Bank (excluding the highest salary, in order to calculate the median salary). In 2021, this ratio stood at 13.25. As at 2022, the minimum wage paid to a FIBI Group employee was 46% higher than the minimum wage in Israel; in 2021, this ratio was 38%.

The chart below shows the ratio between women's and men's wages by rank<sup>46</sup>. Calculation of the ratio was calculated according to the gross monthly wages for each rank.

In 2022, the highest salary paid to a First International Bank

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

	2022	2021 <sup>47</sup>
Top management	-3.7%	0.9%
Middle management	11.1%	10.7%
First line management	21.0%	19.1%
Tellers	23.5%	15.4%

In other words, in the Group's senior management, women's salaries are approximately 3.7% higher than men's salaries, on average; in first-line management levels, men's salaries are approximately 21% higher than women's; in middle management, men's salaries are 11.1% higher than women's; and for clerks, men's salaries are 23.5% higher than women's salaries, due to the different characteristics of each employee.

46. The calculation refers to men's wages divided by women's wages minus one

47. Data for 2021 were amended such that the updated data include the entire FIBI Group, rather than only the data of FIBI, as published in 2021

## 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. The Group holds a broad and extensive range of community activities, in ongoing strategic collaboration with social organizations. These activities are aligned with the vision, strategy, and values of the FIBI Group, its important role in the Israeli economy, and its business leadership.

The Group banks' donations policies are approved annually by the Bank's board of directors. The First International Bank's management, through the bank's Resource Division, is responsible for managing the donations budget.

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 area of activity in this area, and monitors its performance.

This year, the Group decided to focus its community investment policy and concentrate its efforts in two key areas: support for the IDF and security forces, and ultra-Orthodox society. The activity is managed day to day by the Investing in the Community unit in the Bank's Resources Division. Once a year, a discussion of community outreach activity is held by Board of Directors Technology, Innovation and Administration Committee. A discussion is also held by the Group's management to approve the budget and work plan.

The Bank works with social non-profit organizations operating in its selected arenas to build a shared outline aimed at maximizing the positive impact of invested resources. The outline addresses the nature of the donation, the method and goals of the investment, and an examination of the effectiveness of the activity conducted through the donation. Besides the Bank's traditional activities, further needs and opportunities for additional collaborations are constantly being examined. New social outreach initiatives come to the Bank from both employees and civil society, and are reviewed from time to time by the professionals at the Bank and the Steering Committee.

The Group's community investment is conducted on two levels: social involvement of employees, and donations to social organizations. The FIBI Group does not donate money or cash equivalents to political parties, politicians, or political institutions. The Group's collaborations with social organizations are subject to certification of each organization as properly administered, as well as to an examination of the quality of its activity, with the clear objective that the activity will have a significant positive 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 it cooperates. Thus, for example, volunteers from First International Bank provide financial education in the framework of some of the volunteer programs.

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## Community outreach

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

Donations are approved only to lawfully managed NGOs (with all required certificates, approvals, exemption clauses, and with no political affiliations). Any donation that meets the aforesaid criteria is examined and considered, with tests to ensure that aid to organizations supported by the Bank is granted in accordance with a clear policy that reflects the Bank's vision. The donation process is structured and regulated, with an assessment of the need and the necessary approvals.

In 2022, FIBI Group donated NIS 5 million to various social causes, in accordance with the Group's policy, a 66% increase over the Group's donations in previous years. 14% of donations were directed to non-profits and activities in the area of promoting quality employment in ultra-Orthodox society; 12% of donations were directed to aid for the acquisition of medical equipment. The remaining 74% of the donations budget was used in projects and collaborations with NGOs and organizations supporting the security forces, such as the Adopt a Soldier project and "Bayit Ham", which provides a home for lone soldiers.



## Our key partnerships in the area of the security forces

### Bayit Ham

The Bank acts in favor of the security forces, with emphasis on meeting the needs of IDF combat soldiers with no family in Israel. In collaboration with the Together for the IDF Soldiers organization, the Bank provided 30 fully-equipped apartments for soldiers throughout the country, allowing them to maintain a comfortable daily routine with the sense of a warm home. Each home has an adoptive branch, with employees who accompany the soldiers living in the apartment and are in constant contact with them, providing support and a response to the soldiers' routine needs.

### Leading for Success

The Bank places significant emphasis on the reduction of gaps in the population and on providing an opportunity to integrate low-income soldiers and veterans into society. The Bank formulated a scholarship program to fund academic courses

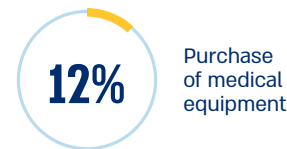
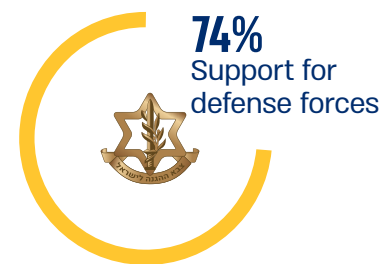
and personal growth program targeted to women injured or disabled during their service in the IDF. The program is designed for women who are interested in experiencing a personal development and fulfillment process, coping with their injury, and becoming part of a warm and caring community of women. Women employees of the Bank will participate as mentors, to offer empowering support.

### Lior Foundation

The Bank contributes to the promotion of cultural experiences for IDF soldiers. In cooperation with the Lior Foundation, the Bank granted a donation supporting events held nationwide for soldiers to meet with authors, and Tarbut Yom Alef (Cultural Sunday) events to contribute to soldiers' well-being. The Bank also donated to a program in which newly discharged IDF soldiers train to work as guides at the ANU Museum of the Jewish People.

# NIS 5 million

FIBI Group's contribution in 2022



at the Open University for these students, to provide them with a key to financial independence, allow them to change the course of their life, increase their earning capacity, and lead them to optimal integration in society.

### Ametz Lochem (Adopt a Soldier)

For several years, the Bank has adopted an IDF combat battalion through the Adopt a Soldier program; in the last year, the Bank adopted an additional combat unit. Within the program, the Bank takes part in events held by the units and supports the soldiers' well-being throughout their service.

### Gdolim Bemadim (Special in Uniform)

During the year, the Bank joined the Special in Uniform program, dedicated to the inclusion of people with disabilities in military service, so that they can enlist and serve like any other young person in Israel. The program also acts as a stepping stone for inclusion of the participants in the job market, in every industry in Israel. The Bank has adopted 2 units through this program; each unit is assigned an adoptive branch of the Bank that maintains contact with it throughout the soldiers' service.

### Achshav Ani (Now Me)

The Bank, in cooperation with the IDF Disabled Veterans Organization, contributed to the creation of a coaching

## Partnerships for the promotion of ultra-Orthodox society

As part of its commitment to promoting employment in ultra-Orthodox society, the Bank supports two significant ventures, through both philanthropic donations and employee volunteering:

- The High Tech Leaders program, for the inclusion of ultra-Orthodox women in jobs at technology companies.
- and Career 21, a program for equipping ultra-Orthodox young adults for the world of work in the 21st century

(For details regarding both programs, see the section "Promoting employment in ultra-Orthodox society".)

### Additional donations

Amid the war in Ukraine, in 2022 the Bank donated an advanced portable X-ray imaging device to a field hospital in Ukraine run by the Sheba Medical Center, for the treatment of both young and old patients during combat. The Bank also donated a lifesaving medical device used with premature infants to the Kaplan Medical Center. Concurrently, employees of the Bank continued to contribute through financial lessons for at-risk teenagers.

## Contribution to the community at PAGI

In 2022, PAGI expanded its engagement in innovative initiatives promoting employment in ultra-Orthodox society, contributing approximately NIS 700 thousand to projects designed to overcome cultural and professional barriers and enable ultra-Orthodox men and women to develop professionally, access a broader range of employment opportunities, earn higher pay, and attain greater fulfillment in the job market in Israel. PAGI chose to donate to 2 key projects: High Tech Leaders and Career 21. For details regarding both programs' activities, see the section "Promoting employment in ultra-Orthodox society".

## Community outreach at Massad

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

### Athena Foundation

Bank Massad is a strategic partner in the Toolbox for Every Teacher program led by the Athena Foundation as of 2010. The aim of the program is to empower teachers and advance their professional status, including in online lessons. In this program, the Athena Foundation works with Bank Massad and its partners at the Israel Teachers Union and the Ministry of Education to provide laptop computers for teachers and educators and tablets for special-education teachers across Israel. The program aims to empower teachers in Israel and enhance their professional standing through advanced technologies. The Athena Foundation has gained substantial achievements to date, providing laptop computers and tablets, as well as professional training, to approximately 30,000 school and preschool teachers at 174 municipalities nationwide; this activity is continuing, in order to achieve its goals in full. 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. The donation to the Athena Foundation in 2022 totaled approximately NIS 500 thousand.

### Teacher of the Year

Bank Massad, in cooperation with the newspaper Yedioth Ahronoth, the website Ynet, the Israel Teachers Union, and Mifal HaPais (the Israel National Lottery), has led a project spotlighting the work of outstanding educators in Israel. Thousands of recommendations of teachers across Israel are submitted for the project, and the outstanding teachers are selected by a panel of judges consisting of leading figures in education, society, industry, and the economy. The Bank awards all of the finalists a laptop computer at the ceremony held at the end of the project, which is attended by the President of the State of Israel, the Minister of Education, the Secretary-General of the Israel Teachers Union, and the CEO and Deputy CEO of Bank Massad.

### Shiur Acher (A Different Lesson)

A Different Lesson is a non-profit organization promoting equal opportunities for children from peripheral regions through volunteers from workplaces who visit schools, exposing students with fewer opportunities to volunteers from various fields. In the program's group track, groups of volunteers rotate to run hands-on enrichment courses at schools serving population segments with fewer opportunities. The course consists of 12 weekly sessions, held during school hours with the classroom teacher present. A Different Lesson offers volunteers over 500 ready-to-use lesson plans on a wide range of subjects. In December 2022, employees at Bank Massad branches and headquarters signed up to participate in the program in 2023. Branches in Holon, Tel Aviv, Netanya, Haifa, Karmiel, and Kfar Saba are participating, as well as headquarters employees.

## Volunteering of employees in the community

In 2022, 196 employees volunteered, contributing 644 volunteer hours to the community, of which 316 hours (about 50%) were at the Group's expense. The number of volunteering hours this year was influenced, among other factors, by the Bank's wish to refocus its volunteering efforts. In this manner, the employees' volunteering is takes place as part of the Group's flagship program for community outreach - "We Believe in You". The program is operated in collaboration with the organization Alon and Ella - People for the Community, which connects potential volunteers with venues matched to their skills, and the organization Veshtaltem Nigunim, where employees of the Group volunteer to hold classes on financial education for young adults and adolescents.





# ESG

# Corporate Governance





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

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



## Corporate Governance Structure

As part of managing the corporate governance function of the FIBI Group, each of the Group banks' corporate governance functions is headed by the Board of Directors that is in charge of outlining the Bank's policy and oversee its implementation. In accordance with Proper Conduct of Banking Business Directive 301 - Board of Directors, the Group banks' boards of directors are charged with setting the banks' business strategy, and their risk appetite, approving policies that guide their current activities, and overseeing the banks' managements, and the extent to which their activities are in line with the policies. In addition, the board of directors of each of the banks also approves the bank's Code of Ethics, ensures that the bank complies with the provisions of the law and regulations, and outlines proper professional practices as part of the bank's organizational culture. The various boards of directors operate through sub-committees that specialize in specific topics that fall within the scope of the board of directors' responsibilities. Oversight of bank's management by each of the banks' board of directors is also achieved by defining the CEO's powers and duties. In order to achieve this, the boards of directors define methods for reporting and information delivery between the CEO, management and the board of directors. The CEO is charged with guiding, managing and coordinating the activity of all other members of management and through them the activity of all units of the bank.

Certified Public Accountants Somekh Chaikin (KPMG) have been the Bank's independent auditors since 1972. The independent auditors are appointed by the general meeting every year, in accordance with the recommendation of the Audit Committee. In accordance with Proper Conduct of Banking Business Directives, every three years, the Audit Committee discusses the option of replacing the independent auditor.

### The Board of Directors' Activity and Composition

FIBI Group has two key Board of Directors - the Board of Directors of the First International Bank, and the Board of Directors of Bank Massad. The managements of the banks in the Group are directed and guided by the Board of Directors and the committees of each bank with regards to the business strategy and policy of that bank, with Bank Massad operating in line with the policy of the Group as set by First International Bank. In this context, two members of First International Bank's management serve as directors in Bank Massad; one of these directors serves as the Chairman of the Board of Directors. Five of the board members of FIBI are external directors (in accordance with Proper Conduct of Banking Business Directives). The Board of Directors approves the objectives, qualitative and quantitative targets, the Bank's areas of activity, and the allocation of resources to the various domains.

The Boards of Directors of First International Bank and Bank Massad operate in accordance with the corporate governance guidelines set in law, and serve as the guiding hand for the bank's management, including setting risk management policies and a risk appetite in all areas of the Bank's activity and the various risks to which it is exposed. On the basis of the Group's multiyear strategic plan, management submits to the Board of Directors an annual work plan which includes 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.

Additional functions of the board include supervision over the effective implementation of the bank's risk management policy. Once a year, the boards of directors and/or their committees at FIBI and Bank Massad approve the annual work plan and the risk management policy in the various material risk areas, such as credit risks, market risks, liquidity risks, operational risks, including business continuity, cyber and information security and compliance risks, including prohibition on money laundering and financing of terror, cross-border risks, internal compliance plan for securities and competition laws. Every year, the Board of Directors assesses the definition of appetite and tolerance for compliance risk, and supervises the effective handling of compliance findings by the Bank's management and once every two to four years, policy in other areas, including strategy risk, reputational risk, legal risks, and model risks.

The work plans, policy and derived KPIs 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. For example, the Board of Directors approves the work plans of the Compliance Department and ensures that the plans are soundly based and risk-oriented and will provide an effective response appropriate to the Bank's risk appetite.

The Board of Directors and the various committees also discuss ESG issues which are material to the Group. In this context, the Head of the Resources Division presents the Bank's annual ESG Report to the plenum of the Bank's Board of Directors. Various social and environmental topics managed by the Bank are supervised by the Board of Directors and discussed in several forums, both by the Board of Directors' plenum and by the various committees. The topics discussed by the Board of Directors include, among others, responsible employment, control mechanisms in the Bank, regulatory compliance aspects, providing credit for environmental projects and managing environmental risks in the credit domain, mitigating environmental impacts, donations policy, etc. In 2022, the Board of Directors held two key discussions relating to ESG aspects: in June the Board of Directors approved the ESG report for 2021 and in August the Board of Directors approved the Bank's ESG policy.

The Board of Directors also has an important role in supervising the Bank's senior executives, so as to ensure that they comply

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





**The Board of Directors 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 oversight of its management**

with the organization's policies. The Board of Directors appoints the CEO and determines the nature of his/her work and duties toward the Board of Directors, and approves the appointment of senior officers and other officers, and their compensation. The Board also discusses the performance of these factors.

The Board of Directors of each bank in the Group is responsible for: setting the vision, values, strategy, and objectives in the bank's areas of business; outlining the organizational culture and standards of professional conduct and a plan for instilling them at all levels at the bank; ensuring the presence of clear areas of accountability and reporting with regard to compliance with laws and regulation; and reporting any exceptional incident and any matter of material importance to the activity of the bank or supervision and control of its management. The members of the Board approve the capital planning, periodically discuss the bank's financial position, and are also responsible for approving the financial statements. Furthermore, the Board's areas of responsibility also cover the appointment 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.

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.

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

The Board conducts a comprehensive evaluation of management performance once a year. In addition, the performance of the Board of Directors is evaluated every two years. From these evaluations, goals for improvement and actionable items are derived, in order to strengthen the operation of these bodies and the corporate governance of the Group in general. Furthermore, in order to advance the knowledge and understanding of Board members of the FIBI Group, a dedicated training program is created each year for the directors. The last assessment of the Board of Directors took place in 2021 and the next assessment will take place in 2023.

The directors participate in professional courses on business, regulatory, technological and other issues throughout the year, in order to increase the effectiveness of their oversight, and in order to ensure that they are fully informed of new and significant developments and trends in the banking system and financial sector.

In 2022, the Board of Directors of FIBI held several courses, some of which directly addressed ESG. The courses included the following topics:

- Financial trends and aspects in ESG
- Innovations and updates in competition laws
- Current trends in organizational automation
- Review of the banking system for 2021 and onwards
- The world of future payments
- The new world of financial information
- Trends in stricter global regulation for climate and sustainability
- Impact investments
- Modern cyber warfare

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

**The composition of the Boards of Directors of the FIBI Group at the end of 2022**

	First International Bank	Massad
The overall number of directors	10	9
No. of independent directors	4	3
Directors with accounting and financial skills	10	7
Directors with accounting and financial skills in the Audit Committee	5	4
No. of women on the Board	2	2
Directors under 30 years of age	0	0
Directors aged 50-51	1	0
Directors aged +51	9	9
No. of the Board plenum meetings	31	14
No. of the Board's committees' meetings	55	17
Is the Chairman of the Board independent (yes/no)	No	No
What is the age of the youngest director	47	55
What is the age of the oldest director	81	79
Average age on the Board of Directors	64	67.3
Average duration of service in the Board of Directors, in years	8.5	8.6
Year of appointment of the newest director	2021	2021
Year of appointment of the longest serving director	2003	1985

For further information about the composition of the Board of Directors, appointments, retirements, areas of responsibility, compensation, expertise, conflicts of interest, and other positions held by the members of the Board of Directors, refer to the annual report in the corporate governance chapter.



### 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 overseeing the activities of the Bank's internal and independent auditors, and for ensuring the quality of their work. 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 another subcommittee. The Committee discussed the financial statements and recommends that the Board of Directors approves them. The Committee discusses employee complaints about deficiencies in the policy regulating the manner in which the complaints are forwarded and handled, as well as the protection of employees who have complained.

The board of directors establishes procedures for disclosure of conflicts of interest in the Bank. The Audit Committee discussed the approval of transactions with related parties in accordance with the provisions of the law and the directives of the Bank of Israel. The committee discussed the financial statements and recommends that the Board of Directors approves them. The material risks facing the Bank include compliance risks (including prohibition on money laundering and financing of terrorism). To maximize its ability to assess the effectiveness of compliance risk management and to address the challenges, failures and quality of risk management at the bank and the Group, the Board of Directors conducts - via the Audit Committee, at least once a year - a meeting with the Compliance Officer only.

The Compensation Committee discusses the compensation policy and retirement conditions for employees, managers, and officers and recommends that the Board of Directors approves them. The discussion in the Committee takes into account, among other things, 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 IT, Technological Innovation and Administration Committee discussed, among other things, the Bank's innovation and technology strategy, taking into account the risks involved. The Committee defines the bank's technological risk appetite. The Committee oversees the implementation of the innovation and digital work plans, as well as allocation of resources for the realization of these goals. In addition, the Committee deals with other areas related to administration, including the Bank's managerial resource plans, leadership succession training programs, corporate organizational plan, and the annual training program of the training function. In addition, the Committee discusses and approves general and exceptional issues concerning human resources, such as headcount, employee mobility, rotation, continuous vacation leave, etc. 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 Committee receives annual reports on community outreach, and occasionally receives requests for exceptional donations.

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, and to bring it for approval by the board of directors.

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

as professional conduct and integrity standards, and to ensure that they are instilled at all levels of the bank.

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

### 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	No	No
No. of the board's committees' meetings	7	24	5	10	9

#### Bank Massad

	Credit and Risk Management Committee	Audit, Balance Sheet and Compensation Committee	The Strategy Committee
No. of directors who are members of the committee	5	5	4
No. of independent directors	3	3	2
Percentage of independent directors relative to total number of directors	60%	60%	50%
Is the committee chairman independent	No	Yes	No
No. of committee meetings	11	13	3



## The directors' skills and experience

According to the Bank of Israel's directives (Proper Conduct of Banking Business Directive No. 301 – hereinafter – the «PCBB»), 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. The PCBB also states that at least one third of the directors must have «banking experience,» at least one fifth must have «accounting and financial expertise,» at least half must have «professional qualifications,» at least one director must have proven knowledge and experience in information technology, and at least one director must have expertise and experience in risk management and oversight (as these terms are defined in PCBB 301).

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

- The Companies Law (Section 57) provides that the appointment of external directors shall be approved by the general meeting, by a special majority.
- In Chapter D of the Bank's Articles of Association (hereinafter – the "Bank's Articles of Association»), provisions were set out regarding the process of appointing directors. Accordingly, article 86 of the Articles of Association states that the shareholders' general 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 64, 63, 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. There are also dedicated procedures for disclosure and reporting conflicts of interest or a personal interest, and for the process of approving transactions in which officers have a vested interest. None of the directors, including the chairman of the board at each of the banks in the Group, serves in another management position at the Bank where he/she serves as director or chairman of the Board of Directors..

## Assessing the Performance of the Board of Directors

Every two years, the Board of Directors of each of the banks in the Group conducts an internal self-assessment process intended to improve the Board of Directors' work. The assessment process is included in a procedure drafted by the bank pursuant to the requirements of Proper Conduct of Banking Business Directive 301. The process is intended to evaluate the efficiency of the work by the Board of Directors, identify weaknesses, and make changes and adjustments to its work and the work of its subcommittees, as needed. The assessment process focuses on aspects of corporate governance, risk management, and the control and supervision undertaken by the Board of Directors. In December 2021, the Board of Directors of First International Bank conducted a self-assessment process. As part of the process, the directors filled out a questionnaire on the subject. The Board of Directors held a discussion regarding the directors' replies and passed resolutions accordingly. The next independent assessment will take place in 2023.

## 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 2022, FIBI held one general meeting and Bank Massad held one general meeting.

## Employee Compensation Policy

In accordance with Proper Conduct of Banking Business Directive No. 301A regarding compensation policy in a banking corporation (hereinafter – The "Directive»), every three years, the board of directors approves 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. The Bank's officers are entitled to compensation in accordance with the policy set by the Compensation Committee of the Board of Directors and the Board of Directors of the Bank, and with the approval of the general meeting of the Bank's shareholders. The officers are entitled to fixed and variable compensation, subject, among other things, to meeting business goals, in accordance with the Bank's compensation policy.

At the beginning of each year, the Compensation Committee

and Board of Directors approve Key Performance Indicators (KPIs), in accordance with the approved compensation policy, and at the end of each year the proposed compensation is brought for approval by the Compensation Committee and Board of Directors.

Directors compensation is based on annual compensation and compensation per meeting, in accordance with the

regulations, with reference to the size and nature of the bank. The Bank's directors are entitled to fixed compensation only. For further information about the compensation of the various officers and compensation of the directors, see the Bank's compensation policy published on the websites of the TASE and the Israel Securities Authority.

## Effective communication with stakeholders<sup>48</sup>

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

Stakeholder group	Key Dialogue Channels in 2022
<b>Customers</b>	<p><b>Branches</b> The FIBI Group maintains direct contact with its customers through its many branches throughout Israel. The branches offer customers a wide range of banking services, provided by high quality professionals, to all FIBI Group customers - private banking, capital market and/or business customers. The Group strives to strengthen its relationship with the customers through the branches, while maintaining a unique direct dialogue between the employees and the customers.</p> <p><b>Direct channels</b> 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.).</p> <p><b>Conferences and workshops</b> 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, ultra-Orthodox society, 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.</p> <p><b>Customer satisfaction surveys</b> 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 customers of various population segments.</p> <p><b>Inquiries and requests</b> The FIBI Group's customers can submit proposals, requests and complaints to its Public Inquiries Unit via the website, 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.</p> <p><b>Business customers</b> First International Bank maintains direct contact with its business customers through regional business branches providing financial support for every business need. The FIBI Group has even retargeted its business customers, by dividing them into three operating segments (according to their business volumes): small businesses, commercial businesses - medium and large. A manager was assigned to each sector, in order to adapt the products and services to the nature of each population and provide adequate solutions to their needs. In addition, the Group maintains direct and ongoing contact with the small and medium business sector through dedicated business units at the branches and teams in the credit units at headquarters. Furthermore, the various digital channels offer services tailored to the needs of business customers, which can also use the services offered through the various digital channels.</p>

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

**Financial statements.**

**ESG report.**

**Risk management report.**

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

**The shareholders' general meeting mechanism.**

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

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

## Suppliers

### Periodic meetings

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

### Direct contact point for complaints and inquiries by contract workers

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

## Society and the Community

### A close ongoing relationship with NGOs and social organizations

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

## The Environment

### Measuring the FIBI Group's key impacts on the environment

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

## Government Authorities

### Ongoing cooperation and contact

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

### Lobbying

The Bank's lobbying activities are carried out in accordance with Chapter 12 of the Knesset Law, 1994, and the Bank's lobbying company on the Knesset website reports that the Bank is its customer.



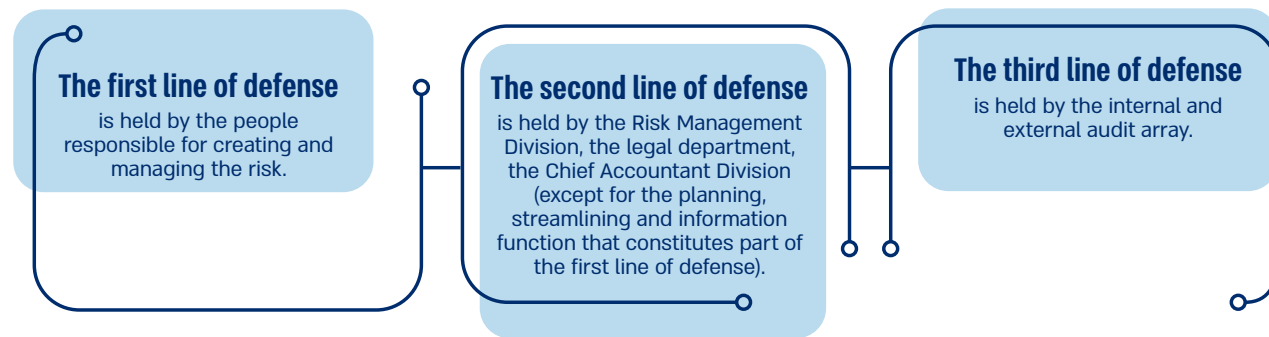


## Risk management

FIBI Group considers effective risk management an integral part of its responsible business conduct. The banks in the Group are committed to act responsibly and manage all risks they face in accordance with the Group's risk appetite, which was defined by the Board of Directors. We consider proper and responsible risk management a precondition for proper operation of the Group and for the fulfillment of our various goals. The Group's diverse activities give rise to exposure to

a range of financial and other risks; the Group manages those risks in accordance with the provisions of Proper Conduct of Banking Business Directive 310 of the Bank of Israel's Banking Supervision Department, and in accordance with the provisions of other Proper Conduct of Banking Business Directives that pertain to specific risks. We update our risk management work methods in accordance with regulatory and business changes on an ongoing basis.<sup>49</sup>

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



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

In addition, the Bank prepared a code of ethics (for further information see the chapter Ethics – the Moral Compass of FIBI). The processes for implementation of the Code of Ethics, which include workshops, ethics officers, and the book of ethical dilemmas, assist the Bank's employees in addressing challenges constituting a risk to the Bank in non-regulatory channels such as reputational risks.

### The Bank's risk profile and its management methods

Similar to any business activity, the Group's activity involves exposure to risks. The main risks to which the Group is exposed are: credit risks (including the concentration of economic sectors and borrowers), market risks (primarily interest rate risk), liquidity risks, operational risks (including cyber and information security risk), compliance and anti-money laundering risk, strategy risk, legal risk, reputational risk, legislative and regulatory risk, and model risk.

In general, the Group's risk appetite is reasonable. All the main risks are managed by management members or senior officers. Each risk is managed under a dedicated policy paper that establishes, among other things, the risk appetite.

The Group's risk management policy aims to achieve the defined strategic goals, while nurturing specializations in the Group, taking advantage of diversity and size, while maintaining the approved risk levels and the existence of adequate management, control, audit, and reporting mechanisms.

The Group's overall risk perception is consistent with the regulatory system established by the Banking Supervision Department and with the sound practices of the Basel Committee, which is based on the principle that any banking activity entailing risk will be defined and characterized: risk policy and appetite, limits for defining the scope of exposure, control and audit circles, reporting systems, and a mechanism for quantifying, measuring, and reporting profit according to accepted standards.

The Bank's chief risk officer (CRO) is CPA Eli Cohen, a management member who is responsible for risk management and organization-wide comprehensive risk management. The CRO also serves as the operational risk director, the internal compliance officer for securities, and the director of business continuity.

The CRO heads the risk management division, which is the second line of defense. The role of the division is to complete the risk management activities of the business lines (the

first line of defense), with ongoing planning, maintenance, and development of the work policy for risk management, challenging the adequacy of inputs, risk management for business lines, risk measurement, and reporting.

The division includes the credit risk management department, the unit for risk management and implementation of Basel directives, the compliance and prohibition of money laundering and terrorist financing department (including internal enforcement in securities laws and economic competition laws, cross-border risk management, FATCA, CRS, QI, and privacy protection), the unit for market and liquidity risk management unit and model validation, and the operational risk management unit. The risk management division leads the formulation of the various policy papers and challenges the other risk management policy papers under the responsibility of various CROs. The division also develops methodologies and quantitative and qualitative tools for identifying and measuring exposure to risks, supports the entities assuming the risk in everything related to management of the risks under their responsibility, engages in controls, analysis, and reporting relating to the exposure of the Bank and the Bank Group to the various risks.

In addition, the division assesses the effectiveness of control of first-line control factors, formulates recommendations for risk management, including the risk appetite, submits independent opinions on credit, recommends capital adequacy targets, and more. As part of the annual ICAPP process, for which the division is responsible, a comprehensive process of challenging the risk centers identified within Basel Pillar I and identifying additional risk centers is performed, and if necessary, additional capital is allocated for the risks.

There is a risk management process in each Group subsidiary that has separate business activity, according to a policy defined by the subsidiary's board of directors, based on the Group's policy and risk management methodology, with attention to the special nature of the activity in each subsidiary. The banking subsidiary (Bank Massad) has a CRO who reports to the CEO of the subsidiary and is guided professionally by the Group's CRO.

The Bank Group manages the risks while striving for proactivity and initiative when facing exposure to risk and not only in response to the materialization of risks. The Bank Group maintains ongoing processes of identifying, assessing, documenting, and monitoring the material risks to which it is exposed, to ensure at all times that the material risks of exposure are identified and managed effectively. The Bank Group considers corporate governance as a cornerstone for the assessment of its capital adequacy.

### Control mechanisms of the risk management process

The control, supervision, and audit of the adequacy of risk management at the Bank is performed, among others, by the Board of Directors, committees on its behalf, the management, and management committees in the different risk areas.

### Management supervision and control

The Bank's management is responsible for generating profits for the Bank in accordance with the risk appetite that was established, while complying with risk exposure limits. The management is responsible for executing the resolutions of the Board of Directors, including implementation of the strategic plan, and implementation of the Bank's policy as part of the risk appetite as approved by the Board of Directors. The Bank's management, headed by the CEO, convenes at least once a week and discusses, among other things, a range of issues related to risk management and control, including risk management policy papers, the quarterly risk document, findings of key audit reports, events of default, progress reports for various programs, stress scenarios, and new products or processes. The management forwards its recommendations on the relevant issues to the Board of Directors and its committees.

In addition, the committee for current affairs, chaired by the CEO or the financial risk officer, meets three times a week, with the participation of management members and senior managers, including the CRO, and discusses, based on management reports, the liquidity situation in NIS and foreign currency, the market risk (including the Bank's interest rate risk), financial developments in financial markets, new products, and there is a weekly review of the intermediate system on fundamental nostro issues. The committee also receives a routine report on the Bank's mortgage performance and a report on credit transactions exceeding a certain amount carried out on the last day. In addition, the Credit Committee, chaired by the CEO, convenes at least once a week and discusses new applications for credit and renewals of credit facilities under its authority.

In addition to these frequent meetings, several other meetings are held periodically, as part of the Bank's risk management processes. The operational risk management forum (including cyber protection), chaired by the Bank's CEO and with the participation of the board members and the CEO of Bank Massad, meets once every quarter, and routinely monitors exposure to operational risks, including technology risks and information security and cyber risks, based, among other things, on the findings of risk surveys, and the actions taken by the various units and subsidiaries to minimize these exposures. The forum also serves as a forum for prevention of embezzlement and fraud risks.

<sup>49</sup> For information regarding the material risks and their mitigation see the Risks Report posted on the Bank's website, and in "risk review" chapter in the annual Report of the Board of Directors and Management

A discussion on asset and liability management, nostro investments, and developments in the financial markets, chaired by the CEO, is held at least once every two months. At the meeting, developments in the Bank's financial exposures are discussed, including interest rate risk, liquidity risk, macro developments, nostro portfolio activity, and other issues related to management of the Bank's assets and liabilities.

The Bank's forum for internal compliance and enforcement with securities laws and the Competition Law, chaired by the CEO and with the participation of the heads of the divisions and organizations in the Bank and the subsidiaries, meets once every quarter.

The troubled debt committee chaired by the CEO and with the participation of the heads of the business and risk management divisions meets once every quarter. The committee recommends that the Board of Directors make credit loss provisions for troubled debts.

There are also committees in the different divisions, headed by management members and senior officers in their area of activity.

### Supervision and oversight of the board of directors

The Board of Directors is responsible for the banking corporation's business and its financial robustness. The Board of Directors charts the overall risk strategy, including the risk appetite.

Once a year, the Bank's Board of Directors and/or its committees discuss and approve the annual work plan, and periodically, the risk management policy in material risk areas, which include the overall risk appetite, risk frameworks, and the permitted exposure limits in the different areas of activity and sectors, and also sets standards for management, measurement, control and reporting on the exposure to the different risks. In this context, the board of directors and/or its committees adjust the exposure policy for the various risks to changes in the bank's financial markets and business environment.

The Bank's Board of Directors and/or its committees approve material new activities and products that may result in new exposures, while assessing the risk that the activity generates and the Bank's ability to manage, measure, and perform independent control over operating risks. As part of the work of the Board of Directors, there is a Board of Directors committee for risk management which convenes about eight times a year. The committee receives a report on the exposure of the Bank and the Group to the various risks, and on the compliance of the Bank and the Group with regulatory restrictions and restrictions established by the Board of Directors. In addition, the committee assesses the adequacy and effectiveness of the Bank's risk management and control system. Among other things, the committee discusses the quarterly risk document.

### Internal auditing

In its audits in the branches and headquarter units, the Bank's internal audit system assesses the Group's risk management process, implementation of the policy, and actual execution of the decisions of the Board of Directors in the different risk management aspects. It also assesses the adequacy, effectiveness, and quality of the Group's control processes.



The system also performs the independent annual ICAAP review at the Bank, with the aim of challenging the process and assessing the reliability and completeness of the data presented and its compliance with the requirements of the Banking Supervision Department.

The internal audit operates on the basis of a multiyear work plan of four to five years and an annual work plan derived from it, covering all of the Bank's activities and entities, including the subsidiaries. The work plan is based on a risk assessment methodology; it takes into account, among other things, the risk assessment as reflected in the ICAAP document and in assessments conducted by the internal audit function regarding the risk centers arising from the Bank's activity, including the various risk centers, and findings of previous audits carried out by the internal audit function and by external entities. The work plan includes the allocation of inputs and the frequency of the audit in line with the audited entity/activity's risk level.

The work of the internal audit function is carried out in accordance with the various legal requirements, including the Internal Audit Law, the Banking Ordinance, the banking rules, the directives and guidelines of the Banking Supervision Department, including Proper Conduct of Banking Business Directive 307 (which regulates, among other things, the roles of the function, the scope of its activities, its work methods and the reports it is required to submit), guidance issued by other regulators, as well as in accordance with accepted professional standards established by the international Institute of Internal Auditors.

The periodic internal audit reports include a monthly report, a half-yearly report, and an annual report, and they are submitted to the CEO and the members of the Bank's management, members of the Audit Committee, and the chair of the Board of Directors.

The half-yearly report and the annual report of the internal audit include a report on the application of the work plan compared with the plan, a list of all the audit reports distributed in the reporting period, reporting on the monitoring findings of rectification of deficiencies arising from the audit reports, and a summary of material findings arising in the audit reports and the annual reporting, as well as an assessment of the effectiveness of internal control.

## Business Continuity

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

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

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

- Formulation of a policy paper and work framework on business continuity, discussed and approved by each of the managements of the Group banks and by the Technology, Innovation and Administration Committee of the Bank's Board of Directors once a year, and by the Boards of Directors of each of the banks at least every two years.
- Conducting a Business Process Impact Analysis (BIA) in terms of business continuity, at a three-year frequency or at times material changes.
- Maintenance of a process for improving preparedness for business continuity on an ongoing basis, in which the mapping of all the essential activities and resources required in an emergency, emergency scenarios, and the policy paper, are all 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

**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 preparedness 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**

Group. The forum is responsible for implementing the policy and procedures, and monitoring the Group's preparedness for various types of emergencies. The forum convenes at least once per quarter.

- Management and the Board of Directors receive a quarterly report on business continuity and emergency preparedness.
- Formulation of a multi-year practice drill plan, and execution of drills that simulate various emergencies, as well as conducting training.
- In an emergency, the Bank maintains a Group situation room, headed by the Head of the Risk Management Division, which coordinates the switch to an emergency footing, the emergency routine, the return to regular routine, reporting to various parties in and outside FIBI, and so forth.

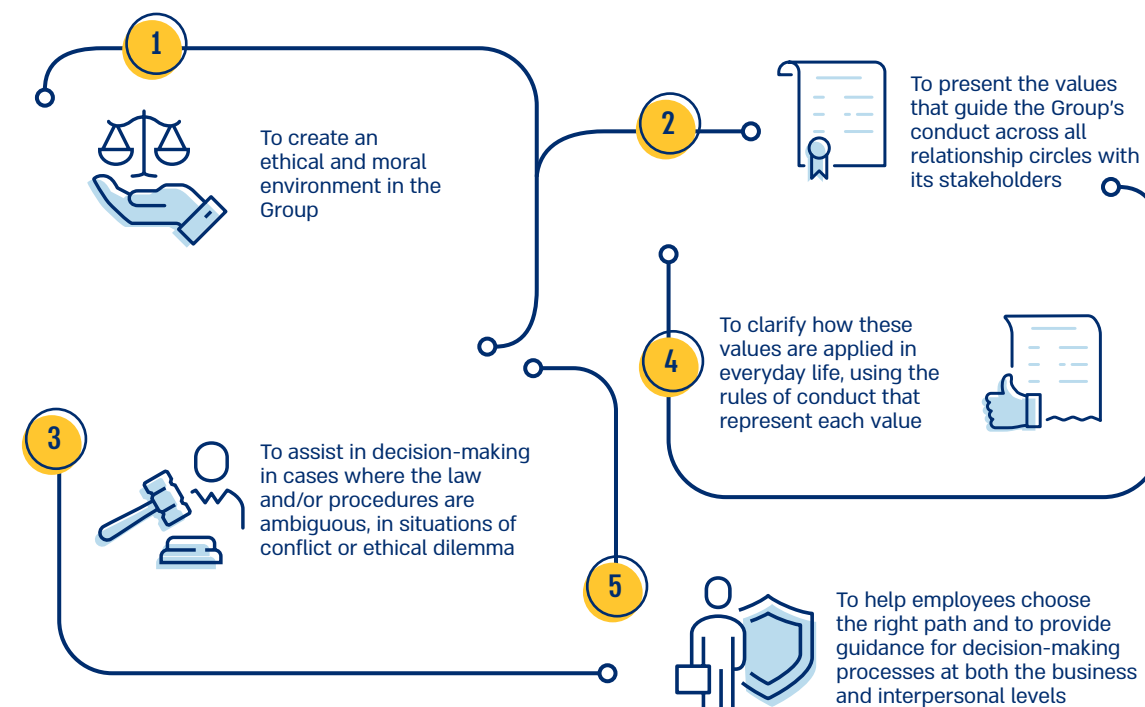
In October 2022, the FIBI Group approved a policy paper and work framework to manage business continuity; the policy paper included: The targets and goals and how they are to be applied; areas of responsibility and authority; actions the Group should take to maintain its readiness; a list of emergency scenarios and possible failures; the framework for managing business continuity; the framework of and reporting on business continuity management.







## Main Objectives of the Code of Ethics



## Ethics, regulatory compliance and integrity

### Ethics - the Moral Compass of FIBI

#### Status of Meeting Objectives for 2025

**Goal:** In addition to the comprehensive assimilation processes of the Code of Ethics to be carried out every two years until 2025, at least 2,500 employees will be updated on a quarterly basis on ethics issues through dedicated communication on this issue that will be published to all Bank employees.

**Status of meeting the objective:** 100%. Completed according to the plan for 2022.



In each quarter in 2022, several circulars about ethical issues are distributed to all Bank employees.

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.<sup>50</sup>

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

The FIBI Group operates and promotes a culture of ethics and corporate social responsibility that constitutes the infrastructure and milestone for all the relationships and spheres of influence in the Group vis-à-vis employees, customers, suppliers, competitors, the community and the environment. The Group respects the rights and dignity of every person, regardless of who they are, and this is reflected in the Group's Code of Ethics.

### Activities for implementing the Code of Ethics

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

In 2022, the Ethics Committee of FIBI held two meetings on conflict of interests, in which requests from employees who reported on business conduct at the Bank were discussed; the discussions were company-wide with reference to aspects of conflict of interests and their effect on the business activity. Furthermore, in order to implement the Code of Ethics and its contents among the employees, First International Bank has made the content of the Code of Ethics accessible for managers and employees via the organizational portal. In order to make the Code of Ethics a practical and everyday tool for guiding Bank employees, there is a book of dilemmas on the enterprise portal that describes ways of dealing with and solving possible dilemmas in a banker's work. The

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

Every three years, the Group's employees undergo digital training on the Code of Ethics, as one of the means of refreshing their familiarity with the subject. Each new employee hired by the Group reads the Code of Ethics when he/she begins working. The period during which each employee is required to take a refresher course on the Code of Ethics, using a tutorial, differs for each Group company (ranging between one and three years). 293 of the Group's employees completed the tutorial in 2022.

In addition, in 2022, we took steps to refresh ethical issues with the employees and revise the book of dilemmas. The process was carried out in collaboration with the Risk Management Division, and dilemmas relating to customer privacy were added to the book of ethical dilemmas, the prohibition on viewing employees' accounts was emphasized, and three examples of required employee conduct were presented. At the same time, the book of ethical dilemmas for the transaction room, which is published on the Bank's portal, was validated. Over the past year, monthly messages regarding ethical dilemmas that arose were sent to all employees, with an examination of how they should be addressed. Each message was selected to address a different topic in a creative and refreshing way. Memos that include the values of the Code of Ethics were also sent to all employees.

50. The Group's Code of Ethics can be reviewed at: <https://www.fibico.il/wps/portal/FIBIMenu/Marketing/Private/General/About/Ethics>





## 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 Ethics Officer. The ethics entities can also be contacted anonymously. Names and contact information for Ethics Committee members are published through various channels in the internal communications system, as well as through various implementation devices for employees.

The means available for requesting advice or reporting ethical issues are regularly advertised and available to all of the Group's employees. The Group allows managers or employees who so desire to remain anonymous when reporting. To ensure that the employees who submit reports are not harmed or injured by reporting, the Group allows employees to report to an objective and independent party in cases of suspected significant irregularities in the conduct of the Bank's business, moral integrity and financial reporting controls. 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 and Financial Management Division and the Employee Complaints Ombudsman are responsible for providing protection to the employees who have complained in order to ensure that their rights are not violated as a result of the filing of the complaint.

A few ethics-related inquiries were received by the ethics entities in 2022. These inquiries were checked by the internal audit function, and lessons were drawn, and disciplinary proceedings were instigated against the relevant employees in connection therewith, if the instigation of such proceedings was relevant to the inquiry. For two of these events, there was a suspicion of embezzlement in two of the Bank's branches; the Bank's customers were compensated, and the incidents were reported to the Bank of Israel, as required by Proper Conduct of Banking Business Directive 351. In addition, in 2022, an employee of the Bank filed a claim against the Bank, alleging that during her work at the bank, she experienced abuse, sexual harassment, and discrimination due to the fact that she has a disability. A statement of defense was filed on behalf of the Bank.

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## Compliance with the Law

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

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

The Group's compliance function - headed by the Group's Chief Compliance Officer (to whom the compliance officers at the branches report) - is in charge of ensuring the implementation of legal provisions, including with regard to bank-customer relations, is responsible for ensuring the implementation of legislation related to money laundering and terror funding and cross-boarder risks, manages internal enforcement of securities laws and economic competition laws (including, among other things, implementing control and providing ongoing training on these topics), is responsible for the Code of Ethics, fair banking business conduct with customers, serves as the responsible officer for the FATCA and CRS provisions (identification and reporting on nonresident customers for foreign taxation

against various countries, primarily Russia and Belarus. The Bank operates with the required responsibility and caution in this sector, to comply with agreements and contracts that require it to operate in accordance with the different sanction regimes, while complying with the rules set out by the Banking Supervision Department, including supporting and assisting new immigrants from these regions in opening accounts and managing their activities as required.

As part of our efforts to comply with the provisions of the law, in 2021 we commenced conducting a compliance infrastructure survey, which was concluded in the first quarter of 2022. The survey reviewed the completeness of the relevant directives and risks, ensures that the directives are properly allocated to the relevant organs or employees, checks the risk level of the directives, and ensures that sufficient infrastructures are in place regarding directives defined as carrying high risk.

The survey findings, which were presented to the management and the Board of Directors, demonstrated that the Bank operates in an orderly and structured manner in the management of compliance and regulatory risks. The survey also indicated the existence of system of procedures, processes, and control that support the application of relevant compliance instructions and work procedures, while the entities in the first and second lines are aware of their role in risk management and are familiar with the instructions relevant to their activities and responsibilities. In addition, in the context of the survey, improvements were made to the control environment questionnaire, changes were made in the association of some of the instructions to other risk managers (while reviewing the need for revalidation), and the risk rating of a number of instructions was transferred to the risk managers for assessing the risk level and revalidation. The gaps that arose in the survey were addressed.

The Bank also carried out a gap survey for protection of privacy. The survey findings, which were presented to the management and the Board of Directors, demonstrated that the Bank generally operates in an orderly and structured manner in the management of compliance and regulatory risks regarding privacy protection. Gaps that arose in the survey were found to be at a medium risk level or below and are addressed by the Bank's privacy protection officer. The gaps will be addressed no later than the third quarter of 2023.

In 2022, the Compliance Department, in collaboration with the training department, held more than ten study days for the branch managers, the compliance officers, and their substitutes, using digital platforms and innovative apps to establish an effective alternative learning experience. The feedback received for the training indicated a positive and good learning experience for the participants. The compliance unit also provides training for employees in the course for new employees, is available to the branch managers, compliance officers, and branch employees, for guidance in individual cases, and assists and provides guidance as required. In addition, in coordination with the training department, compliance tutorials are improved and revised, and there is routine assessment of the need for further tutorials and the expansion of the groups that are required to participate in the tutorials.

In 2022, a forum was held twice that was attended by compliance risk managers, who are not part of the Compliance Unit; the forum, to which the compliance function is responsible,

**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**

purposes), and the declared money policy (the objective of which is to address risks derived from the possibility that money deposited in the bank originates from evasion of taxes in the source country), and is also responsible for privacy protection. The Group's compliance function officer at each bank in the Group participates in drawing up work procedures by approving procedures and circulars, developing new products, systems and processes, and advising on aspects of proper disclosure, proper business conduct, money laundering prohibition and the financing of terrorism, etc. In addition, the Group assumes a conservative policy of low risk with regard to entering into agreements and legal commitments, and conducts its business with customers by proper banking business conduct, using adequate legal advice, while scrupulously complying with any legal provision and regulation and the restrictions and duties derived thereof. Furthermore, the Group has a strict policy toward the Group's managers and employees in all matters pertaining to administrative or criminal violation of the provisions of the law that apply to the Group's activities.

All employees of the FIBI Group, both clerks and managers, at the branches and at headquarters, have free and direct access to the Chief Compliance Officer and/or a representative thereof at the various units of the Compliance Department, in order to obtain expert advice and/or report flaws discovered in aspects of compliance. Inquiries are made directly by telephone, email, through dedicated systems. Furthermore, FIBI Group employees undergo training on issues of compliance through a range of online tutorials on various topics; tutorials are assigned to Group employees in accordance with their role and areas of responsibility.

The risk environment has changed in view of the Covid-19 crisis, and in particular when there was limited access to the Bank's branches during the crisis, and in view of the increased use of various digital means. Thus, during the year there was an increase in cyber fraud, money laundering through digital means and more.

In 2022, due to the war in Ukraine, there was a substantial increase in the use of economic sanctions by Western countries



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

In 2022, as far as the Bank is aware, there were no incidents of bribery and corruption. In addition, no fines or regulatory sanctions were imposed on the Bank due to compliance violations.

### Tax policy

The Bank manages its tax policy at the Group level and pays taxes in compliance with the requirements of the law and all the directives, laws, rules, and guidelines, while ensuring cooperation with the relevant tax authorities and the law, and applying compliance, disclosure, and reporting provisions, in full coordination with these authorities. The Bank complies with the provisions of the law.

### 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 promotes mechanisms and work processes for preventing such incidents through risk assessment processes and control thereof, so as to ensure that these incidents are fully and thoroughly covered. These mechanisms are similar in nature to the Group's general risk management mechanisms; they include a first line of defense that includes each Group employee and manager, a second line of defense that is managed by the Risk Management Division, and a third line of defense, which is managed by the Group's internal audit function.

The Group's employees are regarded as public officials for purposes of accepting gifts; the provisions of the criminal code forbidding acceptance of a bribe apply to them. Gifts and discounts beyond the reasonable discounts given by a customer or supplier are therefore liable to be considered a forbidden benefit, with all the relevant implications. As part of each Group employee and manager's commitment to uphold integrity, they are required to acquaint themselves with the legal provisions that are relevant to their roles and which pertain to integrity, and must comply with those provisions. In that context, we hold training sessions on integrity to our employees and managers. In 2022, 2,873 employees completed the tutorial for prevention of bribery and corruption.

The Risk Management Division regularly acts to improve the management and prevention of risks associated with integrity and conduct which do not meet the requirements of the FIBI Group's procedures. Before promoting any employee to a first managerial position, to the next managerial rank or to any position, or to a new managerial position (in the same rank) or to the position of a branch manager, the relevant Human

Resources Division employee asks for a "no objection" from the Chief Compliance Officer at the Risk Management Division and from the Internal Auditing Unit. This process is carried out in order to verify that there have been no incidents involving the candidate in respect of which his/her promotion should be prevented.

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

#### Preventing Conflicts of Interest:

A key risk of undermining integrity might arise from a conflict of interests. To address this risk, the FIBI Group applies a procedure for preventing conflicts of interest, which specifies what is permitted and what is forbidden in relationships with customers and suppliers. This is a mandatory procedure, applicable to all employees of the Group. The procedure was revised during 2021, and a refresher memo about the new procedure was distributed among all Bank employees. 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 relevant employee is responsible for declaring and reporting, in the system that was specifically established for this issue, regarding the existence or non-existence of accounts kept by their relatives at the bank at which they work. The Bank invests many resources in ensuring that the Bank's employees are aware that they are forbidden to manage and/or authorize transactions in accounts reported as belonging to their relatives. Furthermore, special procedures and arrangements have been established regarding the prevention of conflicts of interest of officers, which include specific rules regarding the disclosure of related parties and the way the Bank handles this matter

During 2022 **2,873** employees completed the anti-bribery and corruption tutorial



### Fairness

#### Fairness of Products and Services

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

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

In this context, before launching a new financial product or service, an orderly process takes place in which the new product or service is thoroughly tested by parties in the business units, legal department, operational risk management unit, and the compliance officer to ensure that the new product or service meets, first and foremost, legal and regulatory requirements,

and that it contains no aspects that deviate from the ethical and fairness principles to which the Group adheres:

- The FIBI Group ensures proper disclosure and provides its customers with any information that may be relevant to their case, with the aim of helping them make more informed and better-balanced financial decisions. In addition, the FIBI Group makes sure that its banks' websites feature the Group's Code of Ethics, the price list for products and services, and more.
- The Group works with its customers to ensure compliance with the legal provisions applicable to the FIBI Group. Alongside the obligation to comply with the provisions of the law, the FIBI Group regards compliance with the law as a means to promote the welfare and satisfaction of its customers.
- Each of the banks in the Group notifies its customers about everything related to their assets and liabilities toward that bank in each of the accounts managed with that bank.
- When FIBI Group representatives introduce customers to the range of solutions and products relevant to them, the value proposition includes clear information about the various options available to customers and the pros and cons of the products and services according to the customers' profile and preferences.
- In its relations with its customers, the Group takes care to provide full information and comprehensive explanations, and to correct and improve, whenever necessary, deficiencies identified in its products and services. (from the First International Bank's Code of Ethics).

The Bank general holds comprehensive surveys together with each major advertising campaign, among other things, by



segmentation based on the ages of the customers participating in the survey, with the aim of checking and validating how the messages that the Bank wishes to emphasize were received and their effect on the population. This segmentation, which includes an examination according to the age differences of the customers, is performed every year, at least once a year.

To assimilate the values of fairness and transparency by all employees of the FIBI Group, dedicated training content on the FIBI Group's Code of Ethics is implemented, and tools are provided for coping with ethical dilemmas. Furthermore, this topic was integrated into the checks conducted by the internal audit function. Thus, during the course of 2022, the internal audit function conducted checks pertaining to fairness and the manner of disclosing information to customers.

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

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

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

#### Fairness in Investment Consulting

The approach of the FIBI Group to investment advisory services places the benefit of the customers and their financial future as primary goals. The FIBI Group's investment consulting is tailored to the characteristics and needs of its customers. Investment consulting in the FIBI Group, which has a wide range of customers, is based on an orderly methodology developed by the Group. The methodology involves adapting

defined milestones for investment consulting and adaptation of the risk level to the needs and personal characteristics of each customer. Alongside the value that the FIBI Group sees in meeting the needs and personal preferences of each customer, the Group regards as no less important instilling financial understanding in its customers that will allow them to make smart investment decisions, with a sense of confidence. The advisory process is carried out in full transparency with the customers, and in compliance with relevant regulation, including avoidance of conflicts of interest.

#### Fairness in Marketing, Advertising and Sales

As a direct derivative of the Group's professional liability and its obligation to comply with the law, the FIBI Group adheres to proper disclosure practices, responsible marketing and compliance with accepted ethical principles. The FIBI Group believes that the key to forging long-term relationships with customers is to provide professional, fair, courteous, and efficient service, while exercising constant control, such that customers of the different banks in the FIBI Group receive added value from the products and services offered by the Group.

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

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

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



## Innovation

### Product and Service Innovation

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

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 and in cooperation with FinTech and other technology companies. 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, expanding the communication channels with them, and providing world-class information security.

To meet its strategic objectives in innovation, the Group

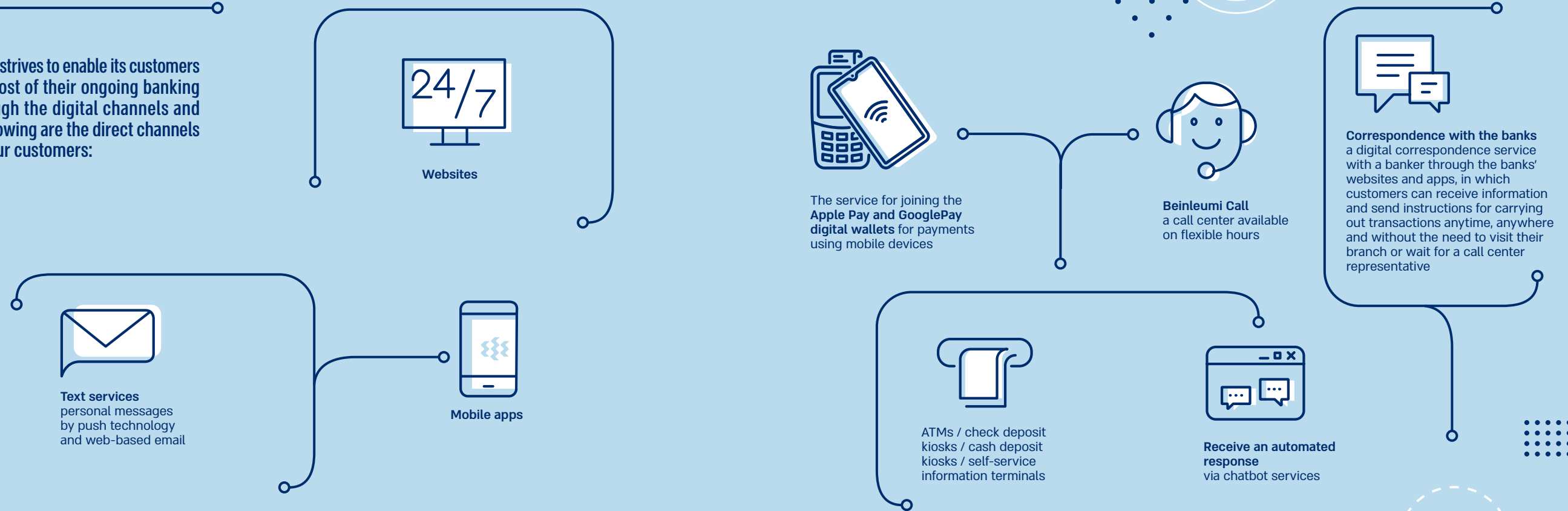
**Innovation at the Group is focused on creating value for the Group's customers. To achieve this, the Group conducted a comprehensive process of mapping available technological options to empower customers and provide a high-quality response to their needs; in addition, it defined focal points for investing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

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 collaborations, the Group also contributes to the development of the local high-tech industry, the main driver of the Israeli economy. Among the FinTechs with which the Group cooperates are Finnvest, Scanovate, Levent, Transmit Security and Personetics, BridgeWize, TipRanks.

One of the focal points in the Group's innovation endeavors is to boost the availability of digital banking services, in order to enable customers to carry out transactions and manage their financial lives quickly and efficiently, anytime, anywhere, without needing to physically reach branches.



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



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

While continuing to develop digital services, the Group maintains a high level of service and human response.

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

## Key activities in 2022

### First International Bank

In 2022, the Bank continued the momentum of developing new products and services for its customers.

Thanks to the extensive investment in innovation in recent years, the FIBI Group is well prepared for the shift in customer preferences and the accelerated adoption of digital tools. The increase in the use of digital services continued to grow in 2022, and the percentage of use of digital tools continues to be high. In 2022 more than 80% of banking transactions, more than 80% of the securities transactions, and more than 90% of money transfers were executed through the Bank's website and app. Subscriptions to the Bank's digital services reached a rate of 88%, of which the rate of use by private customers on the Bank's website and app reached an average of 80%.

In 2022 as well, the Bank continued to develop, improve, and expand the digital services offered to its customers, and new services were also launched:

- **Expansion of the MultiBank service.** FIBI was the first bank in Israel to provide an aggregation service of financial data from different bank accounts in Israel as part of the Open Banking reform.

- **Digital mortgage** – an option for digital application for a mortgage until approval in principle
- **Expansion of the digital credit service** for the Group's customers
- **Opening an online account** – expanding the types of accounts that can be opened without visiting a branch, including for teenagers, using face recognition technology for joint accounts as well. This service increases the accessibility of the Bank's services for those who wish not to arrive at branches, such as the disabled, people living in the periphery and young persons
- **Life Plan** – an innovative platform for planning life and retirement goals and holistic capital management
- **Credit cards** – an option for digital ordering of cards to the customer's home
- **Development of API interfaces** to the IT system of business customers and the continued expansion of the services offered, including extraction of information and transfer of funds from the customer's systems

Thanks to the extensive investment in innovation in recent years, the FIBI Group is well prepared for the shift in customer preferences and the accelerated adoption of digital tools. The increase in the use of digital services continued to grow in 2022, and the percentage of use of digital tools continues to be high. In 2022 more than 80% of banking transactions, more than 80% of the securities transactions, and more than 90% of money transfers were executed through the Bank's website and app

### Bank Massad

In 2022, the number of customers using the Bank's digital channels continued, as part of the Bank's strategy and customer routine during the Covid-19 period. Over the year, Bank Massad continued to increase activity in the direct channels, and to assimilate the Group's advanced technological solutions in its app.

Over the year, customers are contacted directly to increase their awareness of the new services and to connect populations

that had so far found it difficult to use these channels, so as to allow them to benefit from the newly developed platforms.

In 2022, tablets were sent to all branches and offices to allow instruction of customers on how to perform digital operations. In addition, digital attendants were placed in several branches to assist customers when performing operations through direct channels, using machines and when opening an online app account.

## 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 367,363,361,362,357, and 368) and other relevant authorities, including international entities, the Protection of Privacy Law and its related regulations, Regulations for Cyber Risk Management at Institutional Entities of the Commissioner of the Capital Market, etc. The Group's IT function is ISO 27017, ISO 27001 and ISO 27032-certified in information security and cybersecurity, requirements which are mostly included in mandatory regulations.

Accelerated technological development both poses challenges to the Group and provides it with opportunities. Cyber attacks, which are increasing worldwide, especially in the financial sector, are posing more sophisticated threats of increasing magnitude and frequency. This fact requires the Group to take action to ensure banking stability and protect its customers. At the same time, digitization enables the FIBI Group to become more efficient and deploy stronger defenses against cyber attacks. In order to ensure that the most up-to-date security methods are applied, the Group cooperates with the stakeholders relevant to this sphere, is updated on a regular basis, and informed of all technological innovations in this domain both in Israel and around the world. In addition, in order to be at the forefront of technological developments in this field, First International Bank has been operating, for the sixth year, a cybersecurity incubator for start-ups engaged in boosting cybersecurity capabilities. The incubator is located at MATAF, the FIBI Group's IT arm, in an effort to identify cybersecurity technologies and integrate them quickly into the Group's systems.



**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**

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

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

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

To validate its level of information security and cybersecurity defense mechanisms, the Group conducts regular drills and tests designed to test the level of defense for the existing systems and thorough tests before activating new services.

These drills test the technological and human aspects of defense. Realistic drills are conducted, as well as simulation drills based on actual incidents that occurred in various organizations in Israel and elsewhere, focusing on drawing lessons from the events.

This year, special emphasis was placed on employee training and awareness, and together with National Cyber Week, there were explanation activities and active participation of Group employees.

In addition to protection, controls, and drills, the Group was also prepared for a cyber incident and contracted with a company specializing in cyber crises management at all levels and also purchased cyber insurance and complies with the requirements for preparedness of the insurance companies.

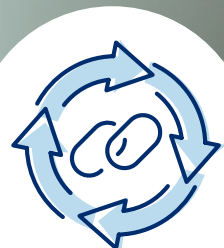
According to the Group's lawful disclosure requirements, the Group and its employees are bound by secrecy and the duty to safeguard the customers' privacy, whether they be individuals or corporations. The details and data about the customers and others related to the account (whether given by them or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

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





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



### Responsible Supply Chain

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

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

The procurement process at the FIBI Group is transparent, and includes notifying the suppliers and bidders about the Group's practices vis-a-vis suppliers. Procurement is based on principles of fairness, integrity, upholding employees' rights, and reciprocity.

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

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

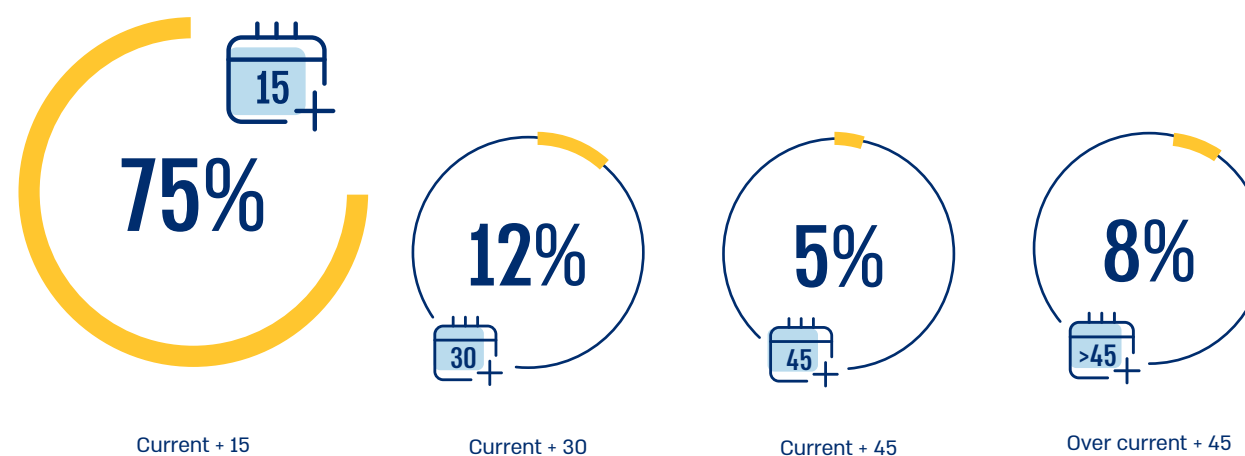
Before signing any contract, the Group's Procurement Department conducts a thorough review of the market and relevant suppliers. The aim of this review is to allow the FIBI Group to select the most suitable suppliers. To be entered in the Group's procurement systems and to begin working with the Bank,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

of equal opportunity, environmental protection and the use of environmentally friendly materials.

As part of the Bank's policy to encourage competition and efficiency, the maximum term of a contract with any supplier is limited to 7 consecutive years or 7 non-consecutive years within a period of 10 years, except for extraordinary cases defined in the Group's contract procedure. This procedure encourages new suppliers to enter the market, accumulate unique experience in working with the banking sectors, thus supporting their ability to grow. In addition, the Group takes care to continually add new suppliers and service providers to its roster, which we consider to be a mutual opportunity that allows the Group to learn about new products, services,

and ideas, and, of course, to be exposed to new work methods. As part of its activity, the FIBI Group arranges the payment schedules with suppliers upon first contracting them. This agreement is based on the FIBI Group's awareness of the financial capabilities of small suppliers with limited credit capacity. Thus, the Bank tries to transfer payments to suppliers as soon as possible from the time of receipt of a payment demand; indeed, more than 75% of the payments to suppliers in 2022 were made within no more than 15 days of the invoice issuance date, a **25% improvement over last year**. Furthermore, the FIBI Group shows empathy and support for suppliers in times of crisis, while exercising judgment.

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



### Social procurement

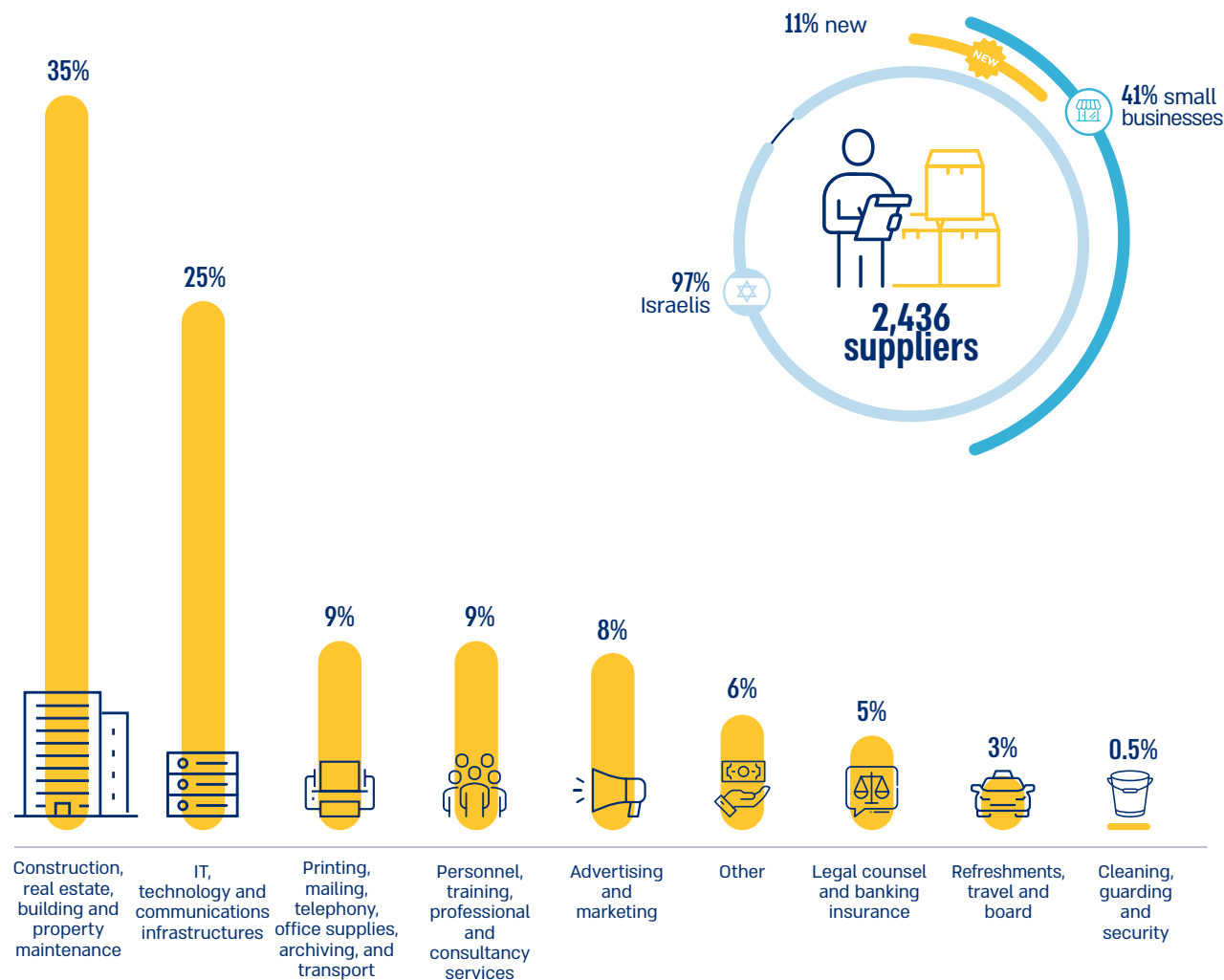
As part of our commitment to social responsibility in the procurement process, we act to increase the volume of procurement from social associations and organizations, and specifically from organizations that employ people who are disabled. Procurement from organizations that employ people who are disabled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



## Profile of the Bank's suppliers

- In 2022, the Group worked with 2,436 suppliers.
- 262 (approximately 10.8%) of the suppliers with which the Bank worked in 2022 were new suppliers with which the Bank had not worked before.
- The Group's portfolio of suppliers allows it to contribute to the development and activity of the Israeli economy. The Group maximizes its purchase locally-sourced goods and services; this year too, most of the suppliers (97%) were Israeli. Furthermore, as part of the Bank's efforts to boost the small business sector, 995 suppliers (41%) were small suppliers. Of the new suppliers with which the Bank began working in 2022, 156 (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, FIBI continued to strengthen collaborations with non-profit organizations that employ people with disabilities by purchasing from them gifts for employees and for workshops given on behalf of the Bank.
- The Group's procurement function is divided into four main categories: technological procurement, personnel-related procurement, general procurement, and procurement in the construction and real estate domain. In 2022, as in previous years, the main procurement categories (87% of all Group procurement) were:
  - Construction, real estate, building maintenance (35%)
  - IT, technology and communications infrastructures (25%)
  - Printing, mailing, telephony, office supplies, archiving, and transport (9%)
  - Personnel, training, professional and consultancy services (9%)
  - Advertising and marketing (8%)
  - Other (6%)
  - Legal counsel and banking insurance (5%)
  - Refreshments, travel and board (3%)
  - Cleaning, guarding and security (0.5%)

### Main Procurement Areas 2022



## Protecting the rights of contract workers

In 2022, the Group contracted with 14 manpower providers in the areas of cleaning, guarding and security (10 cleaning providers and 4 guarding and security providers) who provided a total of 199 workers (this excludes workers employed by the management companies of the properties in which the Group's offices are located). The Bank does not contract with manpower providers in other areas. Manpower providers constitute approximately 0.6% of all active suppliers in the FIBI Group.

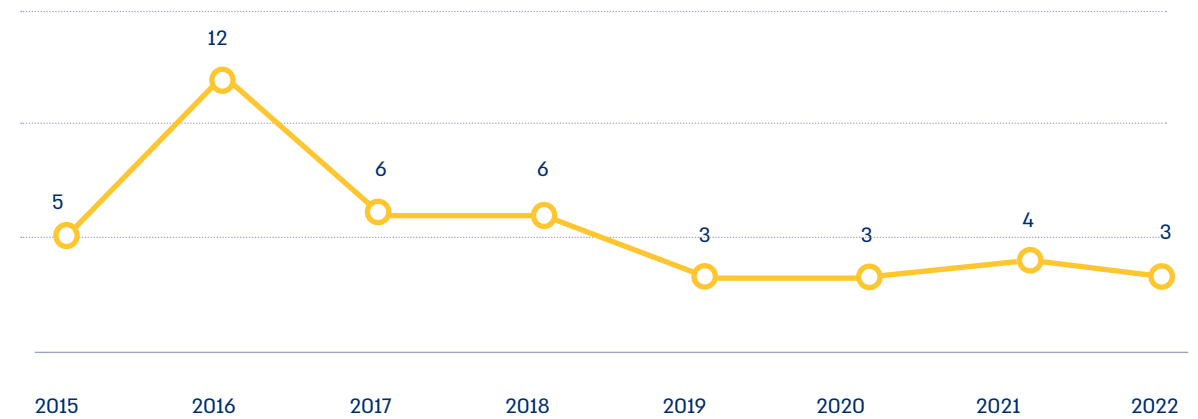
Pursuant to the Law Enhancing Enforcement of Labor Laws, 2011, which applies to engagements with contractors for cleaning, security, and catering services, and in view of the Group's principle of fairness and the preservation of workers' rights, the Group has drawn up an enhanced enforcement procedure to regulate the handling of relations with contractors and contract workers. Under this procedure, the Group Procurement Department verifies that relevant contractors employ their employees pursuant to the provisions of the law. The Group Procurement Manager is the person responsible for complying with and instilling the provisions of the procedure, and also serves as the direct contact for contract workers to file complaints and other inquiries on any matter. As every year, in 2022 too, the Bank carried out a periodic inspection of

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

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

During 2022, three complaints were received about the terms of employment of contract workers. All complaints were looked into, and one complaint was found to be justified. The complaints were reviewed with the contractors, and the handling of all the complaints was concluded to the satisfaction of the complainants.

### No. of documented complaints, 2022-2015





## Appendices



### GRI Content Index<sup>51</sup>

The FIBI Group reported in accordance with the GRI Standard on the period from January 1, 2022, to December 31, 2022. The report is authorized by the management and the Board of Directors.

For the Content Index - Essentials Service, GRI Services reviewed that the GRI content index is clearly presented, in a manner consistent with the Standards, and that the references for disclosures 1-2 to 1-3, 5-2 and 2-3 are aligned with the appropriate sections in the body of the report.

The service was performed on the Hebrew version of the report.

The report went through the GRI Organization's control service, Content Index - Essentials Service. Within this, the organization reviewed the GRI index and made sure it is written so that is congruent with the standard and properly and clearly refers to Disclosures 2-3, 1-3, 30-2, 29-2, 3-2, 2-2.

The review was performed on the Hebrew version of the report.

The First International Bank has reported in accordance with the GRI Standards for the period of 1 January 2022 to 31 December 2022.

### GRI 1: Foundation 2021

GRI STANDARD	DISCLOSURE	LOCATION
<b>GRI 2: General Disclosures 2021</b>	The organization and its reporting practices	
2-1	Organizational details	10-11
2-2	Entities included in the organization's sustainability reporting	10-11
2-3	Reporting period, frequency and contact point	13, 15
2-4	Restatements of information	15
2-5	External assurance	15, 120
	<b>Activities and workers</b>	
2-6	Activities, value chain and other business relationships	9-12
2-7	Employees	60-63, 76
2-8	Workers who are not employees	112
	<b>Governance</b>	
2-9	Governance structure and composition	83-89
2-10	Nomination and selection of the highest governance body	89
2-11	Chair of the highest governance body	83
2-12	Role of the highest governance body in overseeing the management of impacts	84-85
2-13	Delegation of responsibility for managing impacts	84-85
2-14	Role of the highest governance body in sustainability reporting	84
2-15	Conflicts of interest	86-87, 99, 102
2-16	Communication of critical concerns	83-85, 89, 94-95, 99
2-17	Collective knowledge of the highest governance body	85, 89
2-18	Evaluation of the performance of the highest governance body	89
2-19	Remuneration policies	89
2-20	Process to determine remuneration	89, 88
2-21	Annual total compensation ratio	77

51. GRI 1: Foundation 2021

GRI STANDARD	DISCLOSURE	LOCATION	
<b>GRI 2: General Disclosures 2021</b>	<b>Strategy, policies and practices</b> (including risk management and business continuity)		
2-22	Statement on sustainable development strategy	6	
2-23	Policy commitments	97-99, 58-101, 59-103	
2-24	Embedding policy commitments	97-99, 58-101, 59-103, 109-112	
2-25	Processes to remediate negative impacts	49-50, 52-53, 86-87, 90-92, 112	
2-26	Mechanisms for seeking advice and raising concerns	49-50, 52-53, 86-87, 90-92, 112	
2-27	Compliance with laws and regulations	99-100	
2-28	Membership associations	9	
	<b>Stakeholder Engagement</b>		
2-29	Approach to stakeholder engagement	90-92	
2-30	Collective bargaining agreements	66	
<b>GRI 3: Material Topics 2021</b>	3-1	Process to determine material topics	16
	3-2	List of material topics	16-22
	3-3	Management of material topics	16-22
<b>Corporate Governance and Climate Risks in Financing</b>			
<b>Risk Management and Maintaining Business Continuity</b>			
<b>GRI 3: Material Topics 2021</b>	3-3	Management of material topics	6, 96, 93-95
	<b>Material Topics</b>		
<b>GRI 3: Material Topics 2021</b>	3-3	Management of material topics	11-12
<b>GRI 201: Economic Performance 2016</b>	201-1	Direct economic value generated and distributed	12
	201-2	Financial implications and other risks and opportunities due to climate change	26
	201-3	Defined benefit plan obligations and other retirement plans	68
	201-4	Financial assistance received from government	56
<b>Financial Inclusion and Indirect Economic Impacts</b>			
<b>GRI 3: Material Topics 2021</b>	3-3	Management of material topics	76-77
<b>GRI 202: Market Presence 2016</b>	202-1	Ratios of standard entry level wage by gender compared to local minimum wage	77
	202-2	Proportion of senior management hired from the local community	74
<b>GRI 3: Material Topics 2021</b>	3-3	Management of material topics	11-12
<b>GRI 203: Indirect Economic Impacts 2016</b>	203-1	Infrastructure investments and services supported	26
	203-2	Significant indirect economic impacts	11, 28, 44-49, 54
<b>Ethics, Anti-corruption &amp; Compliance</b>			
<b>GRI 3: Material Topics 2021</b>	3-3	Management of material topics	99-101

GRI STANDARD	DISCLOSURE	LOCATION	
<b>GRI 205: Anti-corruption 2016</b>	205-1	Operations assessed for risks related to corruption	99-103
	205-2	Communication and training about anti-corruption policies and procedures	99-103
	205-3	Confirmed incidents of corruption and actions taken	101
<b>GRI 3: Material Topics 2021</b>	3-3	Management of material topics	99-101
<b>GRI 206: Anti-competitive Behavior 2016</b>	206-1	Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	99-100
<b>GRI 415: Public Policy 2016</b>	415-1	Political contributions	78
<b>GRI 3: Material Topics 2021</b>	3-3	Management of material topics	101
<b>GRI 207: Tax 2019</b>	207-1	Approach to tax	101
	207-2	Tax governance, control, and risk management	101
	207-3	Stakeholder engagement and management of concerns related to tax	101
	207-4	Country-by-country reporting	Not applicable - the bank is mainly operating in Israel and answers to Israeli tax authorities

### Operational Efficiency

<b>GRI 3: Material Topics 2021</b>	3-3	Management of material topics	35
<b>GRI 301: Materials 2016</b>	301-1	Materials used by weight or volume	35-36
	301-2	Recycled input materials used	37
	301-3	Reclaimed products and their packaging materials	37
<b>GRI 3: Material Topics 2021</b>	3-3	Management of material topics	31
<b>GRI 302: Energy 2016</b>	302-1	Energy consumption within the organization	31-33
	302-2	Energy consumption outside of the organization	31-33
	302-3	Energy intensity	31-33
	302-4	Reduction of energy consumption	31-33
	302-5	Reductions in energy requirements of products and services	31-33
<b>GRI 3: Material Topics 2021</b>	3-3	Management of material topics	36
<b>GRI 303: Water and Effluents 2018</b>	303-1	Interactions with water as a shared resource	36
	303-2	Management of water discharge-related impacts	36
	303-3	Water withdrawal	36
	303-4	Water discharge	36
	303-5	Water consumption	36
<b>GRI 3: Material Topics 2021</b>	3-3	Management of material topics	33-34

GRI STANDARD	DISCLOSURE	LOCATION	
<b>GRI 305: Emissions 2016</b>	305-1	Direct (Scope 1) GHG emissions	33-34
	305-2	Energy indirect (Scope 2) GHG emissions	33-34
	305-3	Other indirect (Scope 3) GHG emissions	33-34
	305-4	GHG emissions intensity	33-34
	305-5	Reduction of GHG emissions	33-34
	305-6	Emissions of ozone-depleting substances (ODS)	Not applicable - the bank does not emit significant amount of ODS, NOx or SOx
	305-7	Nitrogen oxides (NOx), sulfur oxides (SOx), and other significant air emissions	
<b>GRI 3: Material Topics 2021</b>	3-3	Management of material topics	35-37
<b>GRI 306: Waste 2020</b>	306-1	Waste generation and significant waste-related impacts	35-37
	306-2	Management of significant waste-related impacts	35-37
	306-3	Waste generated	35-37
	306-4	Waste diverted from disposal	35-37
	306-5	Waste directed to disposal	35-37
	308-2	Negative environmental impacts in the supply chain and actions taken	109

### Employment and Employees

<b>GRI 3: Material Topics 2021</b>	3-3	Management of material topics	66-67
<b>GRI 401: Employment 2016</b>	401-1	New employee hires and employee turnover	60
	401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	66
	401-3	Parental leave	76
<b>GRI 402: Labor/Management Relations 2016</b>	402-1	Minimum notice periods regarding operational changes	67
<b>GRI 403: Occupational Health and Safety 2018</b>	403-1	Occupational health and safety management system	66-67
	403-2	Hazard identification, risk assessment, and incident investigation	66-67
	403-3	Occupational health services	66-67
	403-4	Worker participation, consultation, and communication on occupational health and safety	Not applicable - the bank's workers are not exposed to material H&S risks
	403-5	Worker training on occupational health and safety	Not applicable - the bank's workers are not exposed to material H&S risks
	403-6	Promotion of worker health	66-67
	403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	Not applicable - the bank's workers are not exposed to material H&S risks
	403-8	Workers covered by an occupational health and safety management system	66-67
	403-9	Work-related injuries	62
	403-10	Work-related ill health	62



GRI STANDARD	DISCLOSURE	LOCATION
<b>Employee Training and Education</b>		
GRI 3: Material Topics 2021	3-3 Management of material topics	70-72
GRI 404: Training and Education 2016	404-1 Average hours of training per year per employee	69-72
	404-2 Programs for upgrading employee skills and transition assistance programs	69-72
	404-3 Percentage of employees receiving regular performance and career development reviews	66
<b>Diversity and Equal Opportunity</b>		
GRI 3: Material Topics 2021	3-3 Management of material topics	73-77
GRI 405: Diversity and Equal Opportunity 2016	405-1 Diversity of governance bodies and employees	76-77
	405-2 Ratio of basic salary and remuneration of women to men	76-77
GRI 406: Non-discrimination 2016	406-1 Incidents of discrimination and corrective actions taken	99
GRI 407: Freedom of Association and Collective Bargaining 2016	407-1 Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	66
<b>Local Communities, Innovation in Services, and Promoting Financial Literacy</b>		
GRI 3: Material Topics 2021	3-3 Management of material topics	78-104, 79
GRI 413: Local Communities 2016	413-1 Operations with local community engagement, impact assessments, and development programs	78-80
	413-2 Operations with significant actual and potential negative impacts on local communities	Not applicable - due to the nature of the bank's activities
<b>Responsible Supply Chain</b>		
GRI 3: Material Topics 2021	3-3 Management of material topics	110
GRI 204: Procurement Practices 2016	204-1 Proportion of spending on local suppliers	111
GRI 3: Material Topics 2021	3-3 Management of material topics	109-112
GRI 414: Supplier Social Assessment 2016	414-1 New suppliers that were screened using social criteria	109-112
	414-2 Negative social impacts in the supply chain and actions taken	109-112

GRI STANDARD	DISCLOSURE	LOCATION
<b>Marketing and Labeling, Innovation in Services</b>		
GRI 3: Material Topics 2021	3-3 Management of material topics	102-104
GRI 417: Marketing and Labeling 2016	417-1 Requirements for product and service information and labeling	102-103
	417-2 Incidents of non-compliance concerning product and service information and labeling	102-103
	417-3 Incidents of non-compliance concerning marketing communications	102-103
<b>Customer Privacy</b>		
GRI 3: Material Topics 2021	3-3 Management of material topics	107-108
GRI 418: Customer Privacy 2016	418-1 Substantiated complaints concerning breaches of customer privacy and losses of customer data	107-108

## Appendix C – Index of Material Topics

Material Topics	GRI Standard	
Ethics, Prevention of Corruption and Regulatory Compliance	GRI 27-2: GRI 205:	Compliance with laws and regulations Anti- corruption 2016
ecnanrevog etaroproc evitceffe	GRI 9-2:	Governance structure and composition
Risk management	GRI 23-2:	Policy commitments
Privacy and information security	GRI 418:	Customer Privacy 2016
Business continuity	GRI 23-2:	Policy commitments
Fairness of products and services	GRI 417:	Marketing and Labeling 2016
Product and service innovation	GRI 6-2: GRI 417:	Activities, value chain and other business relationships Marketing and Labelling 2016
Financial inclusion and accessibility to services	GRI 2-203: GRI 406:	Significant indirect economic impacts Non-discrimination
Employee training and development	GRI 404:	Training and Education
Quality of Service	GRI 417:	Marketing and labeling
Environmental and climate risks management	GRI 2-201:	Financial implications and other risks and opportunities due to climate change
Work environment and terms of employment	GRI 401:	Employment
Environmental and climate considerations in financing and investments	GRI 2-201:	Financial implications and other risks and opportunities due to climate change
Equal opportunity, fairness, and employment diversification	GRI 405:	Diversity and Equal Opportunity
Incorporating social considerations in credit provision and investment decisions	GRI 203:	Indirect Economic Impacts
Promoting financial knowledge and understanding	GRI 413:	Local Communities
Environmental Operational Efficiency	GRI 301: GRI 302: GRI 303: GRI 305: GRI 306:	Materials 2016 Energy 2016 Water & Effluents 2018 Emissions 2016 Waste 2020
Responsible supply chain	GRI 204:	Procurement Practices 2016
Investing in the community	GRI 413:	Local Communities 2016

## Appendix D - External Assurance Statement<sup>52</sup>



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מאי 2023

הצהרת הבטחת איכות:

**קבוצת הבינלאומי – דוח ESG לשנת 2022**

**הקדמה**

Shibolet ESG הינה פרקטיקת יעוץ הפועלת במסגרת חברת הבת של פירמת עורכי הדין שבלת ושות' - 'שבלת שירותי יעוץ בע"מ'. בחודש מאי 2023 פנתה קבוצת הבינלאומי אל החברה בבקשה לקיים תהליך הבטחת איכות לדוח ה-ESG לשנת 2022. מוצהר כי החברה מקבלת על כך תשלום לכיסוי הזמן שהושקע בתהליך. מעבר לכך, יצוין כי לא החברה ולא צוות היועצים שלה (ד"ר ליעד אורתר ונבונאל גליק) שביצעו את העבודה, מצויים בקשר עסקי ייעוצי עם קבוצת הבינלאומי ותהליך הבטחת האיכות היה בלתי תלוי ועצמאי. במהלך תהליך הבטחת האיכות נבדקה טיטוט הדוח, הוערו הערות ונוסחה הצהרת הבטחת האיכות הנ"ל.

**גישת העבודה**

תהליך הבטחת איכות של דוחות אחריות תאגידית הינו תהליך שמטרתו, בראש ובראשונה, לשפר את איכות התוצר הדיווחי באמצעות מתן משוב מקצועי. בתהליך נבחן האם הדוח עומד בהלימה עם שלושה עקרונות מרכזיים:

1. כוללניות Inclusion – התייחסות למגוון רחב של מחזיקי עניין.
2. מהותיות Materiality – התייחסות לנושאים המהותיים בפעילות החברה.
3. תגובתיות Responsiveness – דיווח על נושאים שהועלו ע"י מחזיקי עניין.

**הממצאים**

דוח זה של קבוצת הבינלאומי הוא ה-10 במספר. הדוח מאמץ את תקן הדיווח המעודכן ה- GRI 2021 , Universal Standards וזאת ברמת עמידה של In Accordance. הרינו מצהירים בזאת קבוצת הבינלאומי אכן עומדת בהיקף הגילוי והדיווח כפי שהוא מתבקש ברמה זו ומציגה עמידה בשלוש העקרונות שצוינו לעיל.

**הערות לדוח:**

- פרסום דוח ESG העשירי הוא אבן דרך חשובה, ואנו מברכים את קבוצת הבינלאומי על מסירתה והמשך ההשקעות בקיימות. דוח ה-ESG לשנת 2022 מציג עמידה ברמת דיווח ה-ESG הגבוהה ביותר בעולם העסקים בכלל ובמגזר הבנקאי בפרט. במיוחד, החישוב של המדריך הפחמני התפעולי בשלושת המכלולים



נעשה לראשונה השנה זהו צעד חשוב ואנו מברכים על המאמצים של קבוצת הבינלאומי שהינה בין הראשונים במגזר הפיננסי לעשות זאת בישראל. בשנים הבאות, מומלץ להרחיב מדידה זו לקטגוריות 'השקעות' שהיא בדרך כלל החלק המשמעותי ביותר בהיקף מכלול 3 עבור המגזר הפיננסי.

- קבוצת הבינלאומי הינה שחקנית משמעותית לכלכלה הישראלית עם השפעה חיובית על מחזיקי העניין הרבים והמגוונים שלה. כדי להדגיש נקודה זו בהקשר של התקדמות ישראל לקראת יעדי הקיימות ה SDGs מומלץ כי בדוחות הבאים תהיה התייחסות ממוקדת לעמידת ישראל ב-169 היעדים של האו"ם הנכללים ב-17 מטרות-העל.

ברכות לעושים במלאכה,

נבונאל גליק

יועץ שבלת ESG

ד"ר ליעד אורתר

מנהל שבלת ESG

