

# ESG Report

The FIBI Group | 2023





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# Message from the Chairman and CEO

## Dear stakeholders,

We are pleased to present FIBI Group's ESG report (Environmental, Social and Governance) for 2023. This report, which was initially published as a Corporate Responsibility Report, is our eleventh consecutive annual report of the Group's extensive activities and deep commitment to promote social and environmental values during its activities.

ESG topics are essential components of FIBI's business activities and strategy. We believe that integrating ESG considerations in our activities generates business value and social value for our stakeholders, and thus, serves as a value multiplier for our business activities. Moreover, we believe that, as a financial institution that is an essential part of the tapestry of Israeli society, fair and considerate conduct towards all of our stakeholders is the right and proper thing for us to do.

This approach, and the considerable importance that we attribute to responsible and ethical business practices, guided us during our formulation and approval of the Group's ESG policy. It serves as our compass as we manage our social and environmental impacts and as our "north star" for our activities and examinations of our impacts on the environment and on society. Our ESG policy specifies the ESG topics that the Group will focus on during its activities, the delegation of responsibilities in this regard and the key management and control functions. This policy also focuses on empowering FIBI's customers, employees and the community in which FIBI operates and reflects our commitment to operate fairly, ethically and with integrity.

In 2023, we continued to deepen FIBI's ESG disclosures, expanded our reporting in conformity with the TCFD (Taskforce on Climate-Related Financial Disclosures) and improved our calculation of the bank's carbon footprint, including emissions from ventures and entities financed by FIBI, in conformity with the international PCAF standard (Partnership for Carbon Accounting Financials).

## A year replete with challenges

2023 was a particularly difficult, complex and challenging year. The year was characterized by widespread public protests, controversies and a deepening of the social rift as a result of the proposed revamping of the judicial system. On October 7, a surprise attack was launched against the State of Israel and horrific massacres were committed, which triggered the

outbreak of the Swords of Iron War. The events of October 7 and the war created unprecedented challenges. The challenges facing Israeli society are continuing in 2024 and will accompany us for years to come.

These challenges affect all of FIBI's stakeholders, primarily its customers and employees, both those who were among the circles of victims of the many brutal attacks by the Hamas terrorist organization – the murdered, the abducted, the wounded, the evacuees, those who lost their livelihoods and those who were called up for particularly long tours of reserve duty – and all those close to them.

FIBI, its managers and employees mobilized immediately and, as an essential institution, FIBI opened its doors to customers already on the day after October 7, while maintaining the security of its employees and customers. Business continuity was maintained during the fighting, and FIBI operated and provided nearly full service according to Home Front Command directives and Bank of Israel directives.

Concurrently, FIBI provided a series of reliefs and benefits to the variety of customers who were adversely impacted and harmed by the new reality, primarily victims of the fighting and the evacuees from southern and northern Israel and, as a bank that specializes in providing service to customers who are members of the security forces, also to reservists and soldiers in the standing army. At issue are significant benefits and reliefs in terms of their nature and volume.

We did not limit our assistance and support to our customers, private individuals, micro, small and other businesses. FIBI sees value in being an excellent workplace, and this is especially true in times of crisis. In the wake of the terrorist attack on October 7 and the Swords of Iron War, FIBI took numerous courses of actions to support FIBI's employees, including reservists and their families.

In terms of providing assistance to the community, FIBI and its employees also volunteered to help the various victims of the terrorist attack, as part of our ongoing commitment to Israeli society as a whole, and FIBI significantly increased its donations budget. FIBI also formed an ad hoc committee tasked with devising a plan for providing assistance and support to residents of communities adjacent to the Gaza Strip and to deployed IDF soldiers, which FIBI implemented and is continuing to implement. Within this context, FIBI took it upon itself to provide assistance and support to the community of Kibbutz Nir Oz – a kibbutz located on the border with the

Gaza Strip – which was one of the hardest hit communities on October 7, suffering many deaths, abductions and injuries, as well as enormous property damage. FIBI is accompanying this community on the long and complex road until the kibbutz is fully rehabilitated and its residents can return home. FIBI also contributed to other critically important causes, such as providing assistance to hospitals, to IDF soldiers, to injured residents of other communities, and more. FIBI encouraged employees who volunteered in numerous initiatives – from helping farmers in southern Israel harvest crops and providing assistance to evacuees to supporting IDF soldiers, including by volunteering to help out in the IDF's rest stations for soldiers who rotate out from combat.

As part of our social responsibility, FIBI is proud to continue its banking activities in diverse communities through a variety of brands offering unique features. These activities make our offerings more accessible to a variety of customers and enable us to offer customized solutions and economic empowerment to various population segments, including to minority groups in Israel. Our range of uniquely differentiated brands makes FIBI Group a leader among the financial entities contributing to the financial inclusion of Israel's diverse populations – in terms of both access to advanced financial services and access to high-quality professional employment opportunities at FIBI. FIBI is also continuing to invest significant inputs in helping customers acquire financial literacy and in offering customers optimal financial counseling.

As a leading financial institution, and particularly as a bank that stimulates competition in the banking sector in Israel, FIBI is proud to be one of the pillars of the Israeli economy. FIBI Group will continue to promote business growth, coupled with its sustainable social and environmental investments, out of our deep commitment to all of our stakeholders and to Israeli society in all of its diversity.

Finally, 2023 also marked a significant event in the FIBI Group: the resignation of Ms. Smadar Barber-Tsodik, who held office as FIBI's CEO for more than 16 years – years during which she, together with FIBI's management and employees, generated long-term value for all of our stakeholders, as is evidenced by FIBI's results – a commitment that continues to be at the core of the Group's strategy.

We hope for more peaceful, better days, for the return of our hostages, for the speedy and full recovery of the injured, for the physical, psychological and financial rehabilitation of the wounded and for a return to growth and blessed routine times.

Ron Levkovich  
Chairman

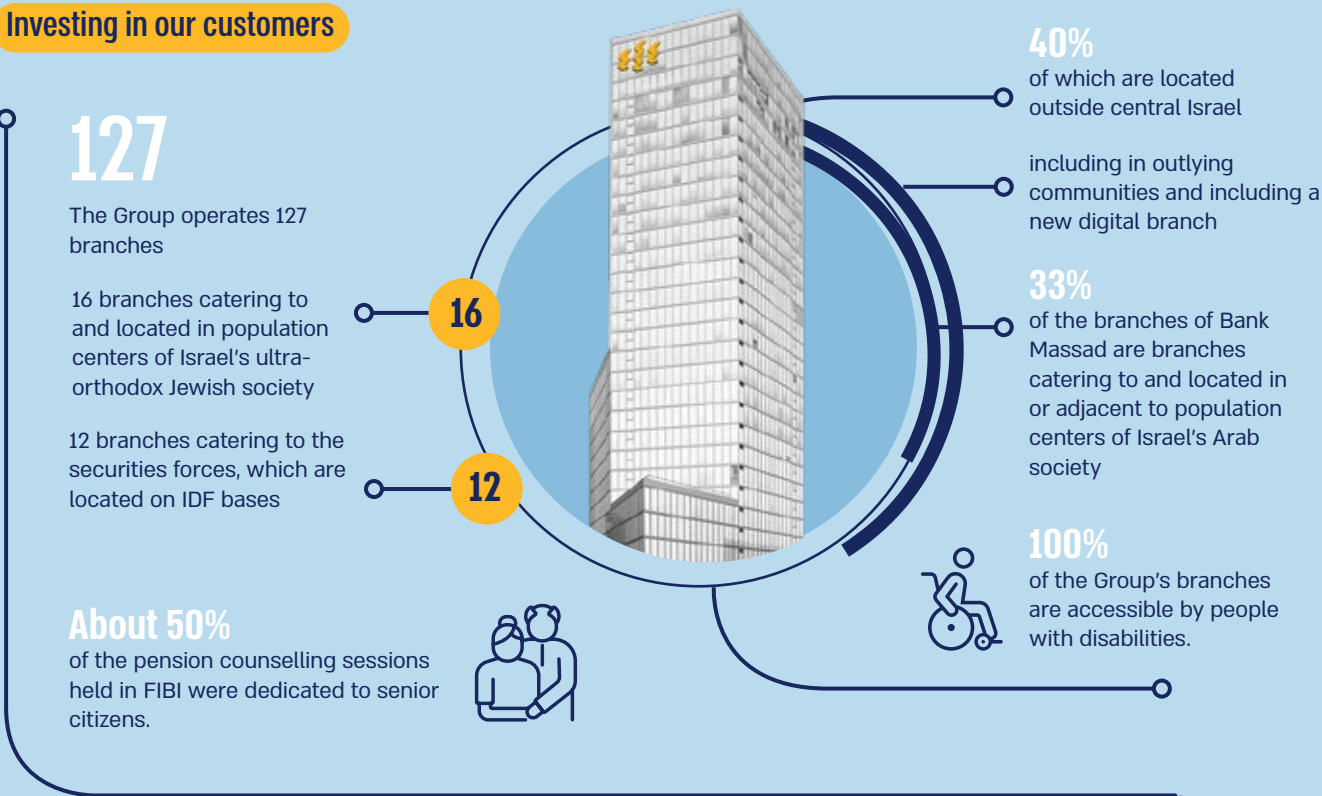


Eli Cohen  
CEO

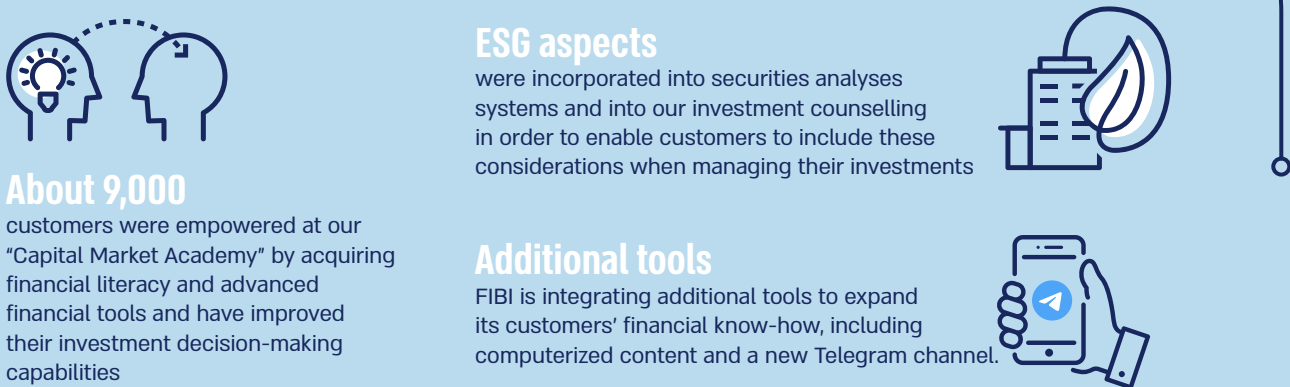


# Our ESG achievements in 2023

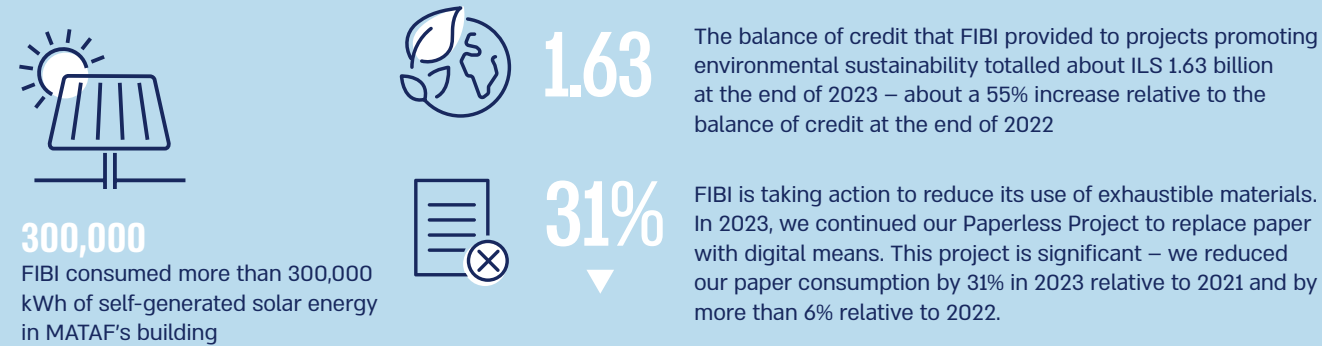
## Investing in our customers



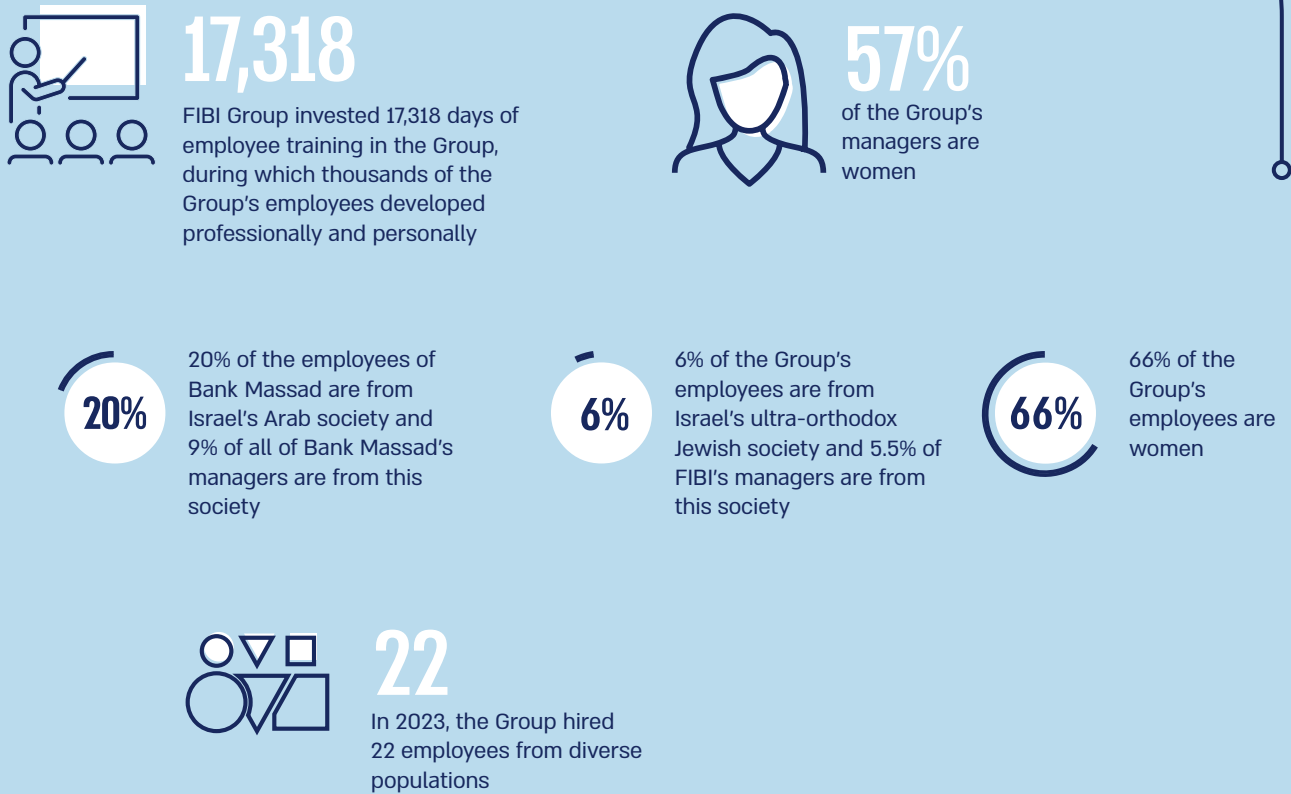
## Investing in the development of the capital market and in financial literacy



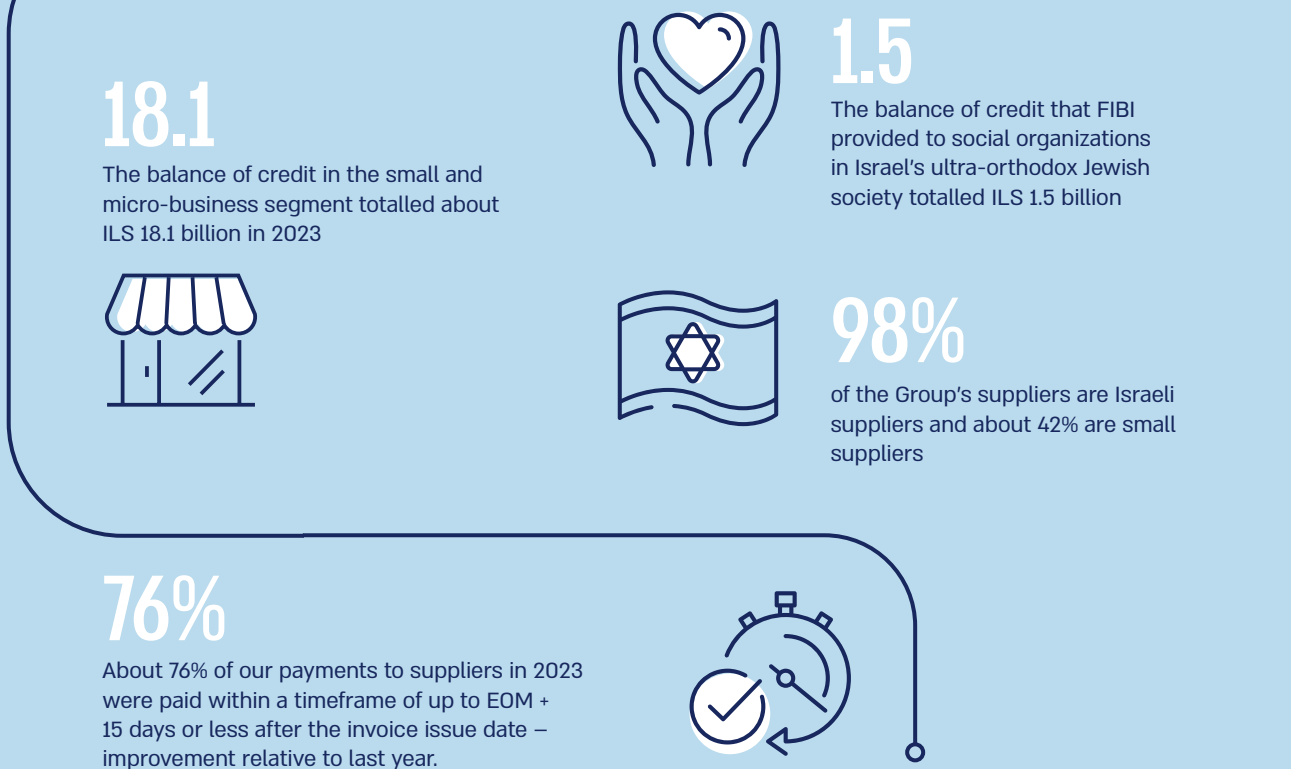
## Investing in our environment



## Investing in our employees



## Investing in the Israeli economy







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

FIBI Group operates through three principal business divisions:

- **The Corporate Division** coordinates all activities with large business (corporate) and commercial (middle market) customers, as well as the credit activities with business and institutional customers active in the capital market. A business department operates in the corporate division, which coordinates the activities of FIBI's business branches.
  - **The Banking Division** provides banking and mortgage services to all customer segments – households, individuals and micro- and small businesses. The services are tailored to each customer's needs and are provided in person and via digital means through FIBI's network of branches, application, website and call center. Platinum customers receive service through FIBI's Platinum centers, which provide holistic service to customers in all banking fields. Capital market services are provided both through FIBI's counselling centers and network of branches and through FIBI's application and website. FIBI also operates mortgage counters, which assist and advise customers during the process of obtaining mortgage loans. The banking division also operates UBank branches that specialize in private banking and the capital market, and branches of Bank Otsar Ha-Hayal, which specialize in providing services to retail and commercial customers, particularly to employees and pensioners of Israel's security establishment. Alongside the division, PAGI also operates a network of branches specializing in providing banking services to Israel's religious and ultra-orthodox Jewish society.
  - **The Customer Asset Management Division** coordinates all capital market, financial and forex activities with private, business and institutional customers and customers active in the capital market. This division operates trading rooms for transactions with securities, Israeli and foreign currency, as well as investment counseling and pension counseling departments and the investment center. The division is also responsible for the activities of subsidiaries in tangential fields – the trust company and the portfolio management company.
- In addition to FIBI, the Group includes Bank Massad, which specializes in providing banking services to members of the teaching profession in Israel.

FIBI 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 discussions and decision-making processes during the association's activities. The accounting firm Somekh Chaikin (KPMG) have been FIBI's independent auditors since 1972.

FIBI Group's profile and activities

FIBI is a public company founded in 1972, whose shares are listed on the Tel-Aviv Stock Exchange and included in Israel's benchmark TA-35 Index. FIBI is a licensed banking corporation pursuant to the provisions of the Banking Law. The Group's headquarters are located at 42 Rothschild Boulevard, Tel-Aviv. FIBI is the fifth largest bank in Israel. FIBI Group is comprised of two banks – the First International Bank of Israel and Bank Massad. FIBI also operates through other leading banking brands focusing on different target audiences: PAGI, Otsar Ha-Hayal and UBank.

FIBI Group is continuing to focus on innovation and technology, being cognizant of the fact that modern banking is based on a combination of advanced banking tailored to customers' needs and advanced digital capabilities.

FIBI Group's business activities focus on the provision of numerous key services:

- Financial brokerage between depositors and borrowers – the quintessence of commercial banking. Revenues from this activity are classified as net interest income, which constitutes the Group's main source of profit
- Financial and banking services through a wide range of activities, including: foreign currency, international trade, securities, information services, credit cards, derivative financial instruments, etc.
- Investment counseling, portfolio management and pension counseling
- Management of market and liquidity risks and investment's of FIBI's nostro funds
- Operation of banking services for the capital market
- Trust services for institutional entities through the trust company.

In December 2022, FIBI approved a Group strategic plan for 2023-2025, which was examined relative to the macro-economic developments, the changes in the competitive environment and the various challenges facing the bank. The new strategic plan continues to reflect the strategic processes underway in FIBI in recent years and also encompasses new emphases, such as a new digital strategy, in order to continue generating considerable value for FIBI and its customers.

Ownership structure

FIBI Holdings Ltd. (hereinafter: "FIBI Holdings") is a public company whose shares are traded on the Tel-Aviv Stock Exchange, which holds 48.34% of the FIBI's issued share capital and voting rights (a ratio constituting the control core, pursuant to the Bank of Israel's control permit). The controlling shareholders of 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 holding company, Bino Hon Ltd., Mr. and Mrs. Michael and Helen Abeles through Instanz Number 2 Ltd., and Mr. Barry Lieberman, Ms. Cassy Lieberman-Harris, Mr. Lee Lieberman and Mr. Joshua Lieberman through Dolphin Energies Ltd. For details about the various arrangements in effect between the controlling shareholders in relation to their holdings of FIBI Holdings and, indirectly, of FIBI and about the conditions of the control permit dated September 19, 2003, which was issued to the controlling shareholders by the Bank of Israel, as amended from time to time, see "Details about FIBI's controlling shareholders" in the corporate governance section of the financial statements as on December 31, 2023.

According to FIBI Holding's reports, correct to the publication date of its most recent financial statements, the controlling shareholders' holdings of FIBI Holdings (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% (all of the controlling shareholders' holdings of FIBI Holdings constitute its control core, according to the control permits issued by the Bank of Israel).

FIBI Group's principal holdings in 2023:

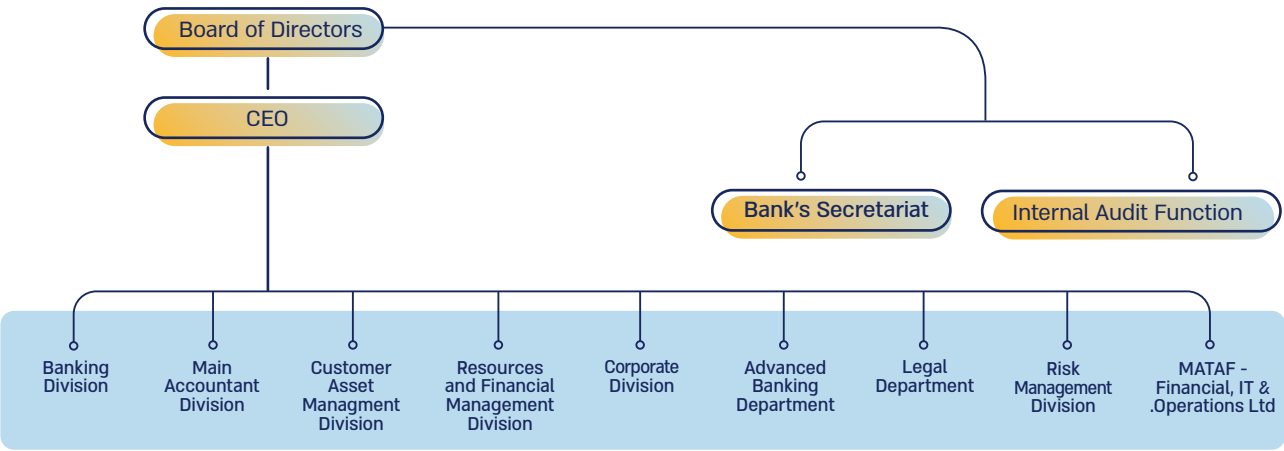
Company	Equity	Voting rights
Bank Massad Ltd.	51%	51%
Israel Credit Cards Ltd.	28.2%	21%
UBank Trust Company Ltd.	100%	100%
First International Issues Ltd.	100%	100%
International Unique Investment Management Ltd.	100%	100%

FIBI Group's organizational structure

In 2023, FIBI operated through six divisions, the subsidiary MATAF Computing and Financial Operations Ltd. and three departments. Each division and department is headed by a member of management or a member of the management forum. The organizational structure of the divisions and departments is compatible with the management philosophy of customer-centric banking, enabling specialization in the provision of banking and financial services to customer segments with similar characteristics and needs. MATAF (Computing and Financial Operations Ltd.), a wholly-owned subsidiary of FIBI, engages in computing and the operation of the banking processes in all banks in FIBI Group. Correct to December 31, 2023, the management is comprised of 11 members, including the CEO.

Correct to December 31, 2023, FIBI Group was comprised of 127 branches and extensions (106 of which were FIBI branches and extensions and 21 were Massad Bank branches and extensions). The Group regularly examines the branches' growth in profitability and business activities relative to their intended target populations, the goals set in the work plans of the Group's banks and the ability to realize the potential in the

The Bank's structure



geographical area in which each branch operates. The Group also regularly examines whether the locations of branches are optimized for the business environment and for changes in localities that offer potential for business development in the target population of each of the banks in the Group.

Creating economic value for stakeholders

FIBI Group is a key leading economic organization with significant economic impacts. These impacts are reflected by the creation of value for FIBI's various stakeholders: for our 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, the creation of jobs nationwide and through "blue and white" (Israeli-made) procurement; for the Group's employees, the Group creates value through their employment, payments of salaries and attending to employee welfare; for its customers, suppliers and business partners, the Group creates value by advancing their activities; and for the community, the Group creates value through the provision of support and assistance in the form of financial donations and volunteer work by the Group's employees. In addition to all these, the Group's banks contribute significantly to economic activity in Israel, and their diverse services encourage business entrepreneurship, trade, consumerism, investments and savings. On December 31, 2023, the balance of credit that FIBI Group provided to the public totalled ILS 119.2 billion.

FIBI Group also contributes to the development of the Israeli economy in indirect ways. For example, the Group's branches are spread nationwide, with than 40% located in outlying communities. Thus, the Group also provides communities and regions far from central Israel access to financial services. Furthermore, the Group's various banking brands specialize in providing professional solutions customized for diverse populations in Israeli society: the ultra-orthodox Jewish society; the Arab society; career soldiers, inducted soldiers and

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

pensioners of the security establishment; teachers; immigrants from CIS countries and other countries; as well as micro-, small and medium-sized businesses. These populations have different financial needs and, thanks to the unique expertise of the Group's various brands, Israel's diverse population groups have access to customized financial services and to unique value-added services and products. The activities of the Group's banks increase customers' financial independence and help them manage their financial affairs wisely on an ongoing basis.

The Group is also continuing to proactively promote small and medium-sized businesses operating in Israel. The survivability and stability of these businesses – which constitute the backbone of the Israeli economy – strengthen the local economy. The Group's banks are also advancing various initiatives to promote financial literacy among customers and the public, thus helping them make more informed financial decisions, tailored to their needs. FIBI Group receives no aid or financial support from the government.

Branch locations:

Bank	Number of branches	Number of branches in outlying communities <sup>1</sup>	Ratio of branches in outlying communities
FIBI	60	22	37%
UBank*	3	0	0%
Otsar Ha-Hayal*	27	13	48%
PAGI*	16	7	44%
Massad	21	9	43%
Total	127	51	40%

\*Brands that are part of FIBI

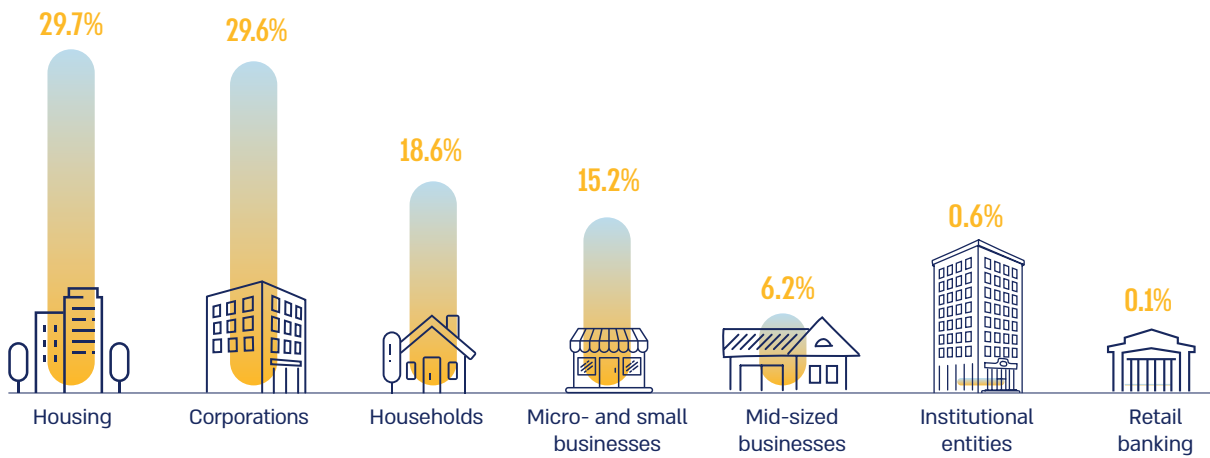
1. North of Hadera or south of Gedera.



FIBI Group financial performance 2023-2017, in ILS millions:

	2023	2022	2021	2020	2019	2018	2017
Total income	6,618	5,414	4,550	4,160	4,122	4,123	3,752
Operating and other expenses	2,877	2,755	2,652	2,569	2,654	2,819	2,607
Salaries and wage-related expenses	1,746	1,680	1,601	1,532	1,601	1,696	1,579
Provision for profit taxes	1,090	884	728	368	478	408	358
Net income	2,172	1,667	1,405	750	865	733	678
Dividends	798	945	545	125	410	355	310

Credit to the public, by operating segment







ESG in FIBI Group

ESG considerations are intertwined in FIBI Group’s daily activities. The Group takes a holistic view of ESG topics and takes economic, social and environmental considerations into account during its routine business activities, out of its desire to create shared value for both the Group and all of its stakeholders. The Group engages in ongoing dialogues with the Group’s customers, employees, shareholders, its various suppliers and with the community in which we live, and their feedback helps the Group advance thriving business activities and create added value.

Our ESG activities are managed in a systematic and orderly manner. The ESG affairs officer in FIBI Group is the head of FIBI’s resources and financial management division, who is a vice president and a member of FIBI’s Management. FIBI also appointed a regulatory affairs and government relations officer as an ESG affairs officer, who is responsible for the integration and implementation of ESG policies and for routine work with the subsidiaries on ESG-related topics.

ESG topics are discussed by the management, the board of directors and by the various board committees. The head of the resources and financial management division and the regulatory affairs and government relations officer present FIBI’s ESG Report to the bank’s board of directors.

We thank all those interested in FIBI’s ESG activities and in this report, and we invite stakeholders to contact us with regard to this report, to respond and comment on our activities. For additional details about this report, please contact Ron Stein, regulatory affairs and government relations officer and ESG affairs officer, at ron.s@fibi.co.il.

FIBI Group’s ESG policy

FIBI Group is a leader in the Israeli economy, contributing considerably to socioeconomic development in Israel. FIBI Group’s contribution is reflected in a variety of aspects, from its core business activity enabling personal and business financial growth, through its provision of employment, payment of taxes and to its diverse community outreach 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

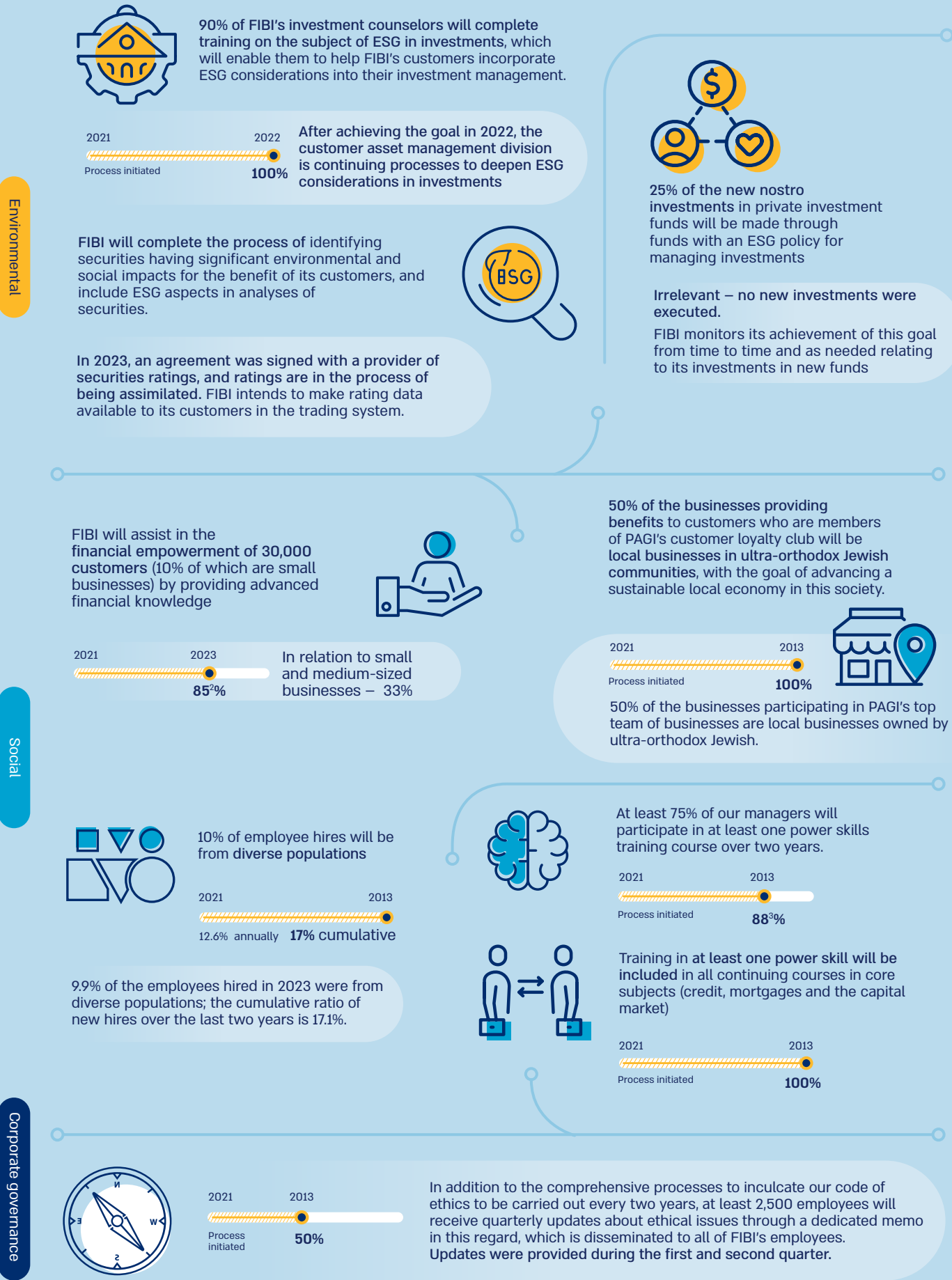
coupled with its being a bank that stimulates competition in banking and financial services.

As part of our corporate responsibility, we decided to formulate a comprehensive ESG policy in 2021-2022 for managing environmental, social and corporate governance aspects of FIBI’s business operations. This policy, which was approved during the second half of 2022, deems ESG management a business approach whereby FIBI maintains collaborative relationships with its various stakeholders with the goal of creating shared value for the Bank and its stakeholders during its routine business activities.

FIBI’s new ESG policy underscores its commitment to promoting social and environmental values and to creating positive environmental and social impacts. In relation to environmental topics, the policy delineates two key channels of activity: incorporating climate and environmental considerations into FIBI’s financing and investment activities; and its commitment to take action to reduce the environmental impacts deriving from FIBI’s routine operations. In the social realm, the policy underscores FIBI’s commitment to take action to support and empower FIBI’s customers, employees and the community in which it operates. In relation to corporate governance topics, the policy underscores FIBI’s commitment to conduct itself effectively, fairly, ethically and properly, to comply with the related regulatory directives, and to report its activities in conformity with accepted international standards, such as the GRI (Global Reporting Initiative) and in light of the UN’s Sustainable Development Goals (SDGs).

FIBI’s policy specifies the delegation of the various spheres of responsibility pertaining to ESG issues among the bank’s various organs, including the board of directors’ responsibilities and the management’s responsibilities, and the responsibilities imposed on FIBI’s various divisions. The policy also specifies the process for determining the materiality of those ESG issues that are relevant to FIBI’s activities and the risk management process in ESG realms. Furthermore, the policy specifies the reporting and measurement processes and the processes for monitoring and controlling FIBI’s achievement of the ESG goals.

Status of the Group’s achievement of its ESG goals for 2025



2. During 2023, more than 25,400 customers were exposed to the Bank's financial empowerment materials, about 1,000 of which were customers who viewed the first video in the "Compass" series providing financial insights, which was published and disseminated to small business at the end of 2023.

3. About 465 managers participated in a power skills course in 2023.





## About this report

FIBI Group's eleventh ESG report examines and presents the Group's activities and performance in its operating segments for the benefit of its various stakeholders. This report relates to the Group's activities in 2023 pertaining to the ESG topics identified as being material to FIBI. The material topics are identified, inter alia, through consultations with stakeholders according to the leading global practices in this regard. This report has been prepared in accordance with the GRI Standards, according to the comprehensive and expanded disclosure reporting option. This report also refers to definitions of the SASB (Sustainability Accounting Standard Board) and, for the first time in this report, also includes environmental and climate reporting according to the TCFD guidelines (Taskforce on Climate-Related Financial Disclosures), including a calculation of FIBI's carbon footprint and of the financed emissions (emissions of entities and ventures financed by FIBI) according to the guidelines of the PCAF standard (Partnership for Carbon Accounting Financials).

The purpose of this report is to present FIBI Group's activities in the specified topics as transparently, reliably and comprehensively as possible in order to enable the Group's stakeholders to obtain an overall picture of the Group's ESG activities. Therefore, this report addresses all of the various stakeholders in a variety of fields that are relevant to them.

This report reviews FIBI Group's activities and includes reference to the activities of the two banks in the Group: FIBI (which includes the PAGI and UBank brands, which were merged into FIBI in 2015 and the Otsar Ha-Hayal brand, which was merged into FIBI in 2019), Bank Massad and the subsidiary MATAF (whenever MATAF's activities have an impact on topics presented in this report).

The Group's previous report of its activities in 2022 was published in 2023. The data presented in this report are consistent with the information presented in previous reports. If any data are inconsistent, details are provided in the relevant section. Several changes have also been made in this report in the way that data are calculated and presented in particular sections of this report relative to the previous report. These changes are noted in the relevant sections where changes occurred.

This report presents the ESG topics that are material to the Group's activities, based on a process of identifying the issues material to the FIBI Group, which was performed in preparation for the compilation and writing of the ESG report for 2022.

This report underwent external assurance controls by an independent third party, "Shibolet ESG" (see the full version of the external assurance report at the end of this document). All data on the various topics presented in this report were collected by relevant professionals in FIBI Group with the assistance of external ESG consultants. Most of the quantitative data in this report refer to FIBI Group. Some of the data in this report are presented in comparison to the data measured in previous years, while other data also serve as a presentation of a baseline year (when the measurement of particular data was finetuned in this report). The quantitative data in this report are based on accepted indicators and are presented in conformity with that required by the GRI standards.

We would like to take this opportunity to thank all employees of FIBI Group for their daily contribution to the advancement of ESG in FIBI and for their investment in creating long-range value for all of the Group's stakeholders. We are especially grateful to employees and managers this year, considering the persisting negative repercussions of the monstrous surprise attack on southern Israel on October 7 and the subsequent outbreak of the Swords of Iron War.

## Material topics

This ESG Report was written in conformity with the Global Reporting Initiative (GRI) standards – the accepted local and global framework for ESG reporting. The reporting process begins by identifying and defining the material topics, which are then used to decide which topics should be reported. The material topics are those ESG topics that the organization and its stakeholders perceive as central to the organization's core business activities and therefore, should be managed and reported.

When ascertaining which topics are material for the organization, we adopt the "double materiality" approach. In other words, 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 when the organization's conduct in relation to topics has a material impact on its environment.

The selection of material topics is of considerable importance, since these are the ESG topics that advance the Group towards its ESG goals and that must be reported. FIBI Group reports in conformity with the GRI reporting framework, which serves as a management tool for advancing and reporting about its activities in relation to the material topics, and guides the organization when reporting about its management approach and annual performance in relation to every selected material topic.

It is customary to periodically validate the material topics and, at the end of 2022, we performed a comprehensive process to validate and update the list of ESG topics that FIBI defines as material for management and reporting, while proactively and selectively consulting with the Group's external and internal stakeholders. We compiled the preliminary list of topics based on the existing list from our 2021 report and then updated it according to developments in the financial sector's approach to ESG and its better understanding of the actual and potential impacts of financial institutions, and of banks in particular. To ensure that we compile our preliminary list from the broadest possible perspective, we analyzed the definitions of the topics required by the reporting standards – the GRI standard and the SASB standard for the relevant sector, the topics that leading banks in Israel and abroad define as material topics and the topics that are material to the sector according to ESG rating firms.

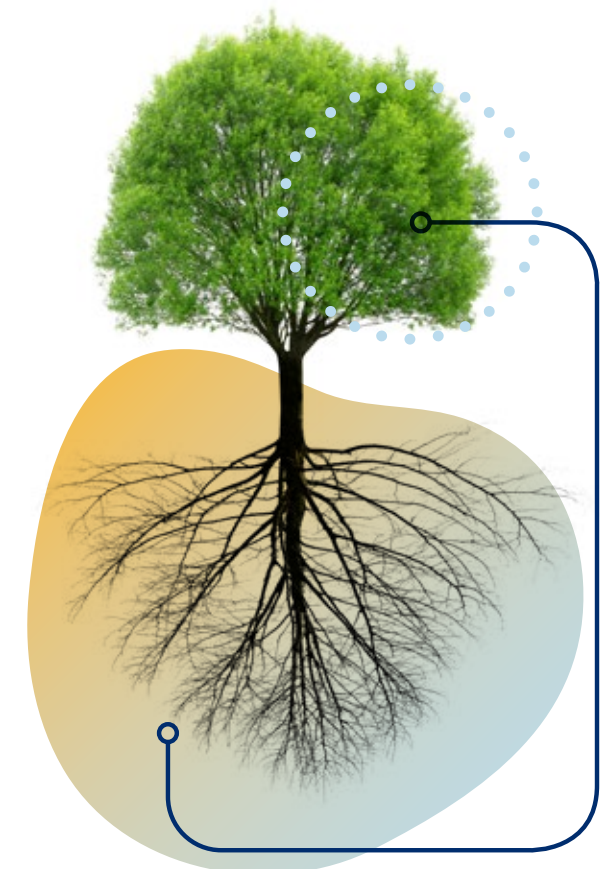
When focusing this list and adapting it to the local context, we reviewed the regulatory authority's position as reflected in the Supervisor of Bank's directives and circulars, in ESG ratings and in other documents. Our analyses of these positions, which represent the interests of the public and the environment, and of the investors, helped us to identify those areas in which FIBI has a material impact on the environment in which it operates, and those areas having a material financial impact on FIBI.

In addition to these groups, FIBI consulted directly with two additional stakeholder groups – its employees and

**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 when the organization's conduct in relation to topics has a material impact on its environment**

customers – through surveys for the purpose of including their views while we continue to prioritize and finetune the list of material topics for FIBI Group and its stakeholders. To complete the picture, the Group's management discussed the findings of the consultations and research in order to create a materiality matrix prioritizing the topics and reflecting the concept of double materiality, while synchronizing the materiality of the impact of FIBI's actions with the financial materiality of various actions and topics for the bank, given both risks and opportunities. The prioritized list of topics was taken into account in this report in order to address the various topics that are of interest to different groups of stakeholders.

In 2023, we performed an internal process to validate the material topics, which included validating the material topics against global and local trends in the perception of materiality. The conclusions of this process were that the list of material topics identified during the previous process should be retained.





FIBI Group's material topics for 2023:



Ethics, anticorruption and regulatory compliance

FIBI's ethical and moral conduct in all of its businesses, while mitigating the risks in the Group's activities and promoting ethical business excellence, based on the inculcation of business ethics in its activities, including preventing incidents of corruption, discrimination, unfair conduct towards customers, and mapping the obligations applying to FIBI by virtue of provisions of law and various regulatory authorities and all the actions taken to ensure the Group's compliance with them.



High-quality corporate governance

Creating and implementing high-quality internal governance and management mechanisms and an efficient, diverse and active structure of the board of directors in order to achieve FIBI's short-term and long-term goals.



**Risk management** – managing FIBI's business and financial stability through informed and effective risk management, in light of current and future challenges that could affect FIBI's operations and management.



Privacy protection and information security

Managing information security, effectively safeguarding the confidentiality of customers' information, using information properly and responding to and handling customer queries in this regard.



Business continuity

Advancing preparedness to maintain business continuity and activities under various scenarios, including emergencies.



Transparency and fairness in products and services

Incorporating principles of transparency and fairness in the products and services that FIBI Group offers to its customers and meticulously adapting products and services to customers' needs and characteristics, by enforcing the various consumer regulations applying to the bank and ensuring responsible marketing activities based on accepted rules of ethics in this regard.



Innovation in products and services

Promoting innovation, particularly digital services through direct channels.



**Financial inclusion and access to services** – providing customized, accessible and equitable services to diverse populations in Israeli society. In addition to providing innovative, swift, professional service, advancing service accessibility enables customers from a variety of backgrounds, ages and regions, as well as people with disabilities, to access high-quality service that is tailored for their specific needs, just like any other customer.



Employee training and development

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



Quality of service

investing in the provision of high-quality service in order to maintain customer satisfaction, including training, monitoring and measuring, learning and further enhancing the quality of the service.



Environmental and climate risk management

Maintaining FIBI's financial stability notwithstanding the environmental and climate challenges, by referring to these risks in FIBI's financial risk management processes.



Work environment and terms of employment

Maintaining a pleasant, fair, safe, productive and remunerative work environment for all of the Group's employees, while considering their personal well-being and ensuring appropriate and respectful remuneration and work conditions.



Environmental and climate considerations in financing and investments

Developing and marketing new products that advance environmental responsibility and including environmental and climate considerations in the decision-making process.



**Equal opportunities, fairness and diversity in employment** implementing principles and processes that enable and advance equality and non-discrimination in FIBI's work environment and that maintain adequate, fair and pleasant employment terms and work environments for all employees of the Group, while maintaining effective interfaces between employees and the management, maintaining employees' job security, taking proactive measures to hire employees from under-employed populations in Israeli society and while maintaining a diverse,

high-quality employee profile in the Group, as a response to social and business needs.



Social considerations in financing and investments

including social considerations in the decision-making process when providing credit or executing investments, as well as emphasizing environmental considerations during the development and marketing of new financial products.



Advancing financial literacy and understanding

taking actions, such as providing opportunities for learning and making know-how accessible to the public, with the goals of enhancing the financial literacy of FIBI's customers and of Israeli society and of providing tools so that they can make informed decisions about financial conduct.



Improving environmental and operating efficiency

FIBI deems it highly important to exert efforts to reduce its environmental impact. Therefore, FIBI takes various environmental

aspects into account when making decisions during its routine activities, and takes action to reduce its use of resources, materials and energy in order to protect the environment.



Responsible supply chain

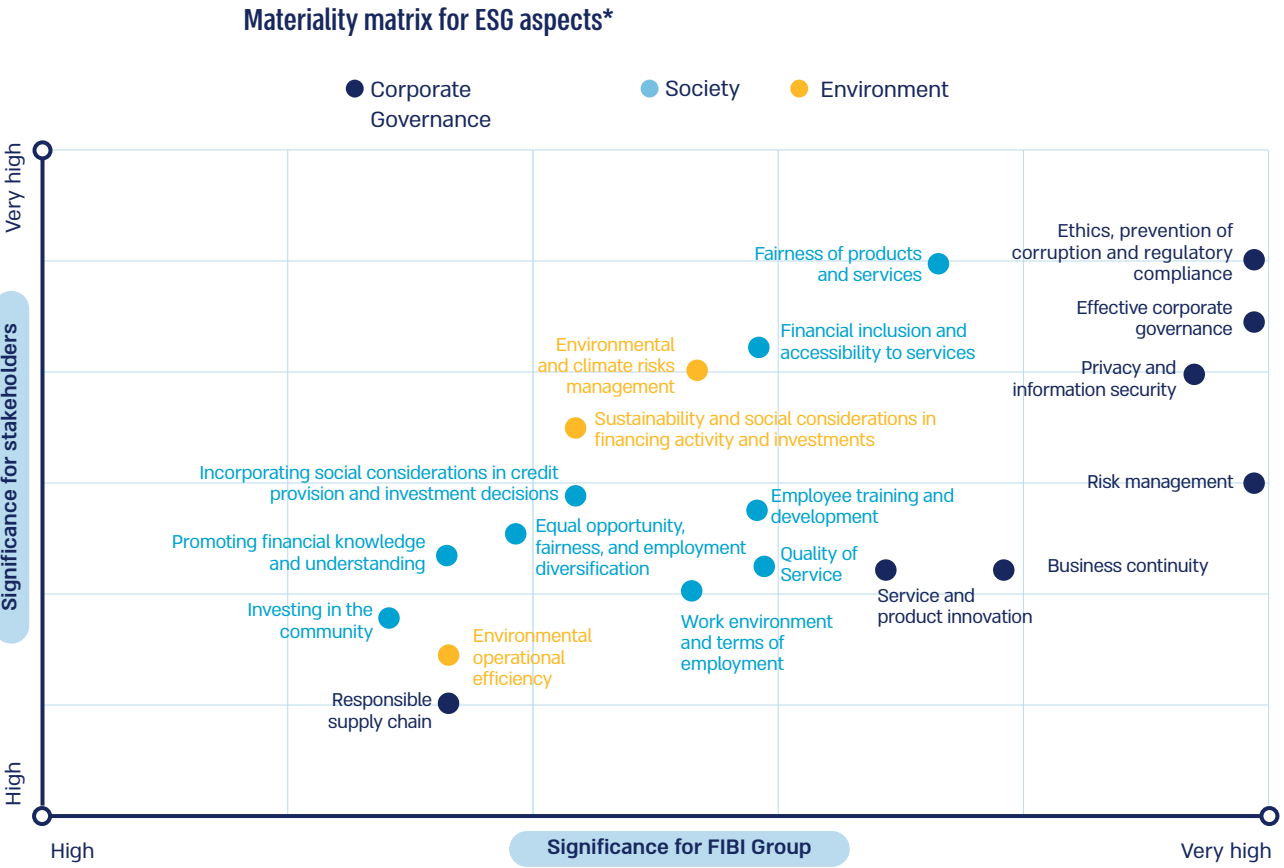
including environmental and social considerations in the management of the Group's set of engagements with suppliers, such as by ensuring that employees employed by manpower agencies have fair and proper employment conditions, by ensuring fair conduct towards suppliers, by contributing to the Israeli economy by engaging with local businesses and businesses in outlying communities, and by ensuring that procurement processes are managed appropriately.



Investing in the community

investing in the community, while advancing various social causes by formulating policies, donating cash and cash-equivalents to various NPOs and frameworks, employee volunteering and promoting a variety of social activities.

FIBI Group considers all topics in this list as topics that are material to FIBI's activities and to its stakeholders. The matrix below is a graphic and relative presentation of the topics for the sake of illustration.



\* The ESG topics identified as the most material are presented in a relative display for the sake of illustration in this report.

FIBI Group and the SDGs

In 2015, the UN General Assembly adopted Sustainable Development Goals (SDGs) with the aim of promoting global sustainable growth by 2030. The SDGs are comprised of 17 overarching goals and 169 secondary goals, and each overarching goal defines numerous secondary goals encompassing diverse economic, social and environmental topics. As part of the ESG definition, FIBI Group takes part in advancing the SDGs in Israel.

As a member of the UN, the State of Israel is obligated to report on the processes it is performing to advance the SDGs and achieve the international goals. In order to achieve these

goals, cooperation is needed among all sectors in Israel – the government, business and civil sectors. Achieving these goals relies significantly on the business sector's cooperation. As a leading financial organization, FIBI Group recognizes the importance of its contribution to the achievement of the SDGs and to the advancement of sustainable development in Israel.

FIBI's principal activities towards achieving the SDGs are specified hereunder. Elaboration on FIBI's relevant activities towards advancing the SDGs is presented throughout this report.

Contributing to the advancement of the UN's SDGs:



**Advancing financial literacy:**  
FIBI invests considerable resources in advancing activities to make professional financial knowledge accessible to customers and the public, so as to enable them to reach informed financial decisions for various timeframes. This year, FIBI held dozens of financial education workshops, conferences and lectures that were attended by thousands of participants. FIBI also took action to make financial knowledge and advanced tools accessible to its customers via digital means, which were viewed by thousands of people and businesses.

**Employee training and development:**  
FIBI regularly takes action to empower the Group's employees through classroom and digital training in content worlds relevant to employees both personally and professionally.



**Equal opportunities and diversity in employment:**  
Women account for 66% of the workforce at FIBI Group (compared to 59% in the Israeli labor market). More than half of the managers in FIBI Group are women – about 57% (compared to 34% in the Israeli labor market). The ratio of women in senior management roles in FIBI Group (in the management and senior managers) is 38%. The base wage of each manager and employee of FIBI is defined according to role and rank, without any regard to gender. All companies in the Group take significant actions to prevent sexual harassment, through training, seminar days, reporting mechanisms and, if necessary, by taking disciplinary measures.



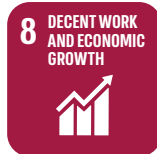
**Environmental and climate considerations in financing and investments:**  
FIBI considers it important to provide credit to environmental projects that contribute to a cleaner environment and, within this context, finances various renewable energy projects. In 2023, FIBI provided about ILS 1.63 billion in credit for environmental projects.

**Financing renewable energies:**  
The balance of credit to renewable energy projects totalled ILS 260 million at the end of 2023, compared to ILS 212 million at the end of 2022.<sup>4</sup>



4. The Bank is steadily finetuning measurements within the context of classifying credit being provided in fields relating to sustainability and therefore, this statistic was updated relative to last year.





#### Assisting small and medium-sized businesses:

The balance of credit provided by FIBI to micro-, small and medium-sized businesses totalled ILS 25.5 billion at the end of 2023, including dedicated credit provided within the framework of state-guaranteed funds and the fund to assist businesses contending with the Covid-19 crisis.

#### Work environment:

FIBI Group provides good employment terms and work environments to employees, and is in 37th place in the list of preferred employers in the Israeli economy according to a BDI survey.

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

FIBI adopted a program to finance exporters, in conjunction with a credit insurance company. This program serves as a means of leveraging small and medium-sized exporters' businesses and of opening opportunities to expand their overseas businesses, in addition to providing business management tools.

#### Innovation in products and services:

FIBI advances innovation by assimilating products and technologies developed by external companies, including by fintech start-ups, coupled with its ongoing efforts to develop in-house products and technologies through FIBI's IT subsidiary.



#### Outreach and advancing diverse populations in Israeli society:

FIBI Group engages in customer-centric activities designed to provide optimal solutions for the unique financial needs of diverse population segments and communities. Our PAGI branches enable economic development and routine financial activities in Israel's ultra-orthodox and religious Jewish society, including through financial literacy activities and by providing credit to social organizations in these populations. Bank Massad is taking action to expand the number of its branch locations and to improve its services in Israel's Arab society by offering customized products and services to this society. FIBI is continuing its ongoing efforts to make financial services tailored and more accessible to senior citizens. FIBI also provides optimal solutions to the security forces through its Otsar Ha-Hayal brand.

#### Accessibility for people with disabilities:

All of FIBI's branches are accessible by the public, including by people with disabilities, and FIBI is continuing to take action to improve the accessibility of services through various means.

#### Diversity in employment:

FIBI is diligent about hiring people from under-represented groups in the Israeli labor market, including from Israel's ultra-orthodox Jewish society and Arab society and people with disabilities, and about providing equal opportunities in recruiting, hiring and promotions in FIBI. In 2023, about 9.9% of the new hires were from under-represented groups in the Israeli labor market.



#### Responsible supply chain:

FIBI is diligent about working with suppliers and service-providers that comply with local and international laws. Every new supplier is obligated to issue a declaration in which it undertakes to not accept any benefits, before being input into the Group's procurement systems.

#### Management of Scope 1 environmental impacts:

FIBI is taking action to reduce its use of main raw materials. In 2023, we continued our Paperless Project to replace paper with digital means. FIBI is also taking action to encourage waste recycling in its branches and offices and encourages its customers to accept mailings via email. During the report year, all of the Group's toner cartridges and electronic waste were transferred for recycling by authorized entities.



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

FIBI Group includes borrowers' environmental risk management policies as part of its credit-provision process, which applies a methodology and orderly work processes for monitoring, identifying, locating, assessing and controlling the various borrowers' material environmental and climate risks.

#### Management of Scope 1 environmental impacts:

FIBI Group takes action to reduce its environmental impact in various ways, inter alia, by consuming natural gas-generated electricity, and by including energy-saving vehicles in its fleet. FIBI Group's carbon footprint in 2023 totalled about 13,481 tons of CO2eq, comprised of about 1,601 tons of CO2eq in Scope 1, about 10,385 tons of CO2eq in Scope 2 and about 1,495 tons of CO2eq in Scope 3 (operational). In 2023, FIBI also measured its financed emissions and this calculation is presented in the section "Climate and Environment."



#### Fairness:

FIBI is diligent about issuing proper disclosures to customers, including full information and comprehensive explanations, about fairness in marketing, advertising, sales and investment counseling and about fairness towards customers encountering financial difficulties. No fines were imposed on FIBI in 2023 either, including no fines in respect of noncompliance with laws and regulations governing marketing, communications and collections.

#### Ethics, regulatory compliance and integrity:

FIBI takes action to prevent bribery and corruption through several mechanisms, such as: the internal audit department, the risk management division and the procurement control department. Furthermore, every employee hired by FIBI undergoes integrity testing before starting to work. FIBI is taking action to inculcate the principles of the code of ethics, which constitutes a binding declaratory document. The Group also implements various internal procedures designed to ensure caution and control, and to enable enforcement of the rules of ethics in the Group.

ESG

Climate and  
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

## Introduction

We in FIBI Group are aware of the growing significance of environmental and climate events at both the global and local level. In recent years, environmental awareness in Israel and around the world has risen significantly, inter alia, due to various pollution events that affected local resources and ecosystems, and due to intensifying climate changes, which can be expected to affect all spheres of life and wide populations.

In Israel, in addition to the increasing scarcity of natural resources, experts predict hyper-vulnerability to the climate crisis, which can be expected to be manifested, inter alia, by rising temperatures, harm to sources of water and changes in ecosystems. These environmental processes impact FIBI's business environment and its customers, and could have long-range economic implications for the bank. As a leading financial entity in Israel, FIBI deems it highly important to take part in the national and global efforts to prevent and decelerate these environmental processes and reduce their impacts on the environment and on people.

This section describes FIBI's activities managing risks and opportunities pertaining to climate change during its business and operating activities. This report is been issued in conformity with the leading voluntary reporting framework of the TCFD. FIBI is one of the first companies in Israel to adopt the TCFD reporting standard as part of its ESG report, in addition to

reporting in conformity with the other reporting standards. This section specifies FIBI's efforts to manage its direct and indirect impacts on climate change, and the impacts of climate change on FIBI and on its business environment. This section reports the activities performed to date and planned activities in order to include these aspects in all frameworks of FIBI's business activities.

Furthermore, in some instances, this report also includes reference to managing environmental risks in their broadest sense (such as risks relating to ground, water and air pollution, harm to biodiversity, waste treatment, etc.). This is because, notwithstanding the business focus on climate-related issues, FIBI chooses to manage environmental and climate-related risks and opportunities together, due to the considerable similarity and interfaces between them, and in order to maintain efficient work processes.

Since climate risk management is still a developing discipline in the financial sector, the mode of data management and the volume of available data can be expected to change in the coming years, and the mode of presentation of data and the scope of reporting could change from year to year. This section of our ESG report relates solely to FIBI (and not to FIBI Group), unless otherwise expressly stated.

## Corporate governance relating to climate change

Climate change constitutes a major global challenge affecting numerous aspects in the economy that are also expected to increase over time. These changes pose challenges and opportunities for the Israeli economy in general and for FIBI in particular; however, since there is no certainty as to how and to what extent these changes might materialize, it is difficult to prepare for them.

As a leading financial group in Israel, incorporating the subject of climate change in FIBI's corporate governance is important for the bank in order to prepare for and manage the current and future impacts of climate change, both in relation to FIBI's routine operations and in relation to financial activities with customers and other stakeholders.

### The board of directors' role

As part of the responsibilities of FIBI's board of directors to guide and instruct FIBI's management on the subjects of business strategy and risk management, the board of directors also formulates FIBI's ESG policy. Accordingly, the board of directors is responsible for designing FIBI's approach to climate topics and for overseeing how they are being managed in FIBI. This approach, which links climate topics to all ESG topics, enables FIBI to have a holistic perspective on the opportunities and risks it is facing, and supports the creation of business value and social value for all stakeholders who are indirectly effected by climate risks.

Within this framework, the board of directors approves policy documents addressing climate-related topics, and oversees their implementation and the processes and mechanisms for managing them. Inter alia, during its discussions of various climate-related issues, including discussions of FIBI's risks, particularly credit risks, the board of directors approves the section on environmental and climate risks in FIBI's credit policy, the Internal Capital Adequacy Assessment Process (ICAAP) and approves the annual ESG report during a meeting of the board of directors. For details about board discussions of ESG topics in general, including climate, see the section "Corporate Governance" on page 84.

As part of a process underway this past year in FIBI, and in conformity with the Bank of Israel's instructions, the board of directors expects to receive, within the framework of the regular reporting guidelines, reports about FIBI's exposure to climate risks and its potential for seizing climate-related opportunities.

### Management of climate-related topics in FIBI

FIBI's management is responsible for implementing the climate policy led by the board of directors. Within this framework, the management delegated the responsibilities for advancing and actually managing climate-related issues to several key functions in FIBI, depending on how climate-related issues are involved in the routine activities of each of these functions. This governance structure is expected to continue expanding and

## Climate change constitutes a major global challenge affecting numerous aspects in the economy that are also expected to increase over time. These changes pose challenges and opportunities for the Israeli economy in general and for FIBI in particular

consolidating as FIBI continues developing its engagement in climate-related issues according to the accepted practices, and integrating these aspects throughout FIBI's activities.

### The corporate division:

The corporate division is responsible for managing climate risks and opportunities pertaining to credit in the first line of defense (for elaboration of the general division into lines of defense in FIBI, see the section "Corporate Governance" on page 94). Since FIBI is focusing on managing climate risks and opportunities on the business credit area at this stage, the corporate division is the key business entity managing climate-related topics in the first line of defense. Among its spheres of responsibility, the division is responsible for formulating and implementing climate risk management methodologies in credit underwriting processes, for incorporating climate-related aspects in FIBI's credit policy, for initiating processes for the technological automation of data and processes, for developing green credit products, etc. For the purpose of fulfilling its responsibilities in this regard, the manager of the corporate division appointed the manager of the high-tech sector as the ESG officer in the corporate division, who is responsible for advancing and assimilating the topic in the division's activities methodologically and operationally.

### Customer Assets Division:

The customer assets division is responsible for integrating climate- and ESG-related aspects in FIBI's passive services and products, particularly in investment counseling to customers in relation to trading on the capital market.

### Resources and Financial Management Division:

FIBI's resources division leads the field of ESG in FIBI in its broadest sense, and is responsible for the logistics and operational aspects in FIBI. Within this framework, within the contexts of climate-related issues, the division is responsible for advancing climate-related issues in FIBI's operating activities, including in relation to operating efficiency and reducing the carbon footprint, for climate-related reporting and for managing climate-related issues as an integral part of the overall management of ESG in FIBI.

FIBI's nostro unit also operates in the division, and is responsible for integrating ESG considerations and for managing climate risks in FIBI's investment activities.

Risk Management Division:

The risk management division is responsible for managing the climate risks in FIBI in the second line of defense, like for all other risks. This division is responsible for challenging the risk-management processes and methodologies being performed in the first line of defense, for integrating the organization-wide compliance with Proper Conduct of Banking Business Directive 345 (principles for the effective management of climate-related financial risks) and for integrating the climate risks in organization-wide risk-management processes, such as ICAAP and stress scenarios.

Strategy

FIBI views the climate crisis as presenting a spectrum of business risks and opportunities that directly impact FIBI and its various stakeholders. Accordingly, FIBI's strategic approach to climate issues focuses on two dimensions that are exposed to climate risks on the one hand, and constitute a variety of opportunities on the other hand:

- Financing activities
- Investment counselling and customers' trading activities on the capital market
- Routine operating activities

Climate change and FIBI's business activities

The significant rise in climate events in recent decades has had extensive economic and social ramifications. As a result of these events, awareness of the impacts of climate change on society and on the environment rose considerably worldwide, including material impacts on economic activities in general and on the global financial system in particular.

FIBI is also exposed to the risks deriving from climate change, both direct exposure through, for example, operational risks and reputational risks, and indirect exposure, considering FIBI's customers' activities.

The strategic analysis that FIBI performed in order to obtain a preliminary assessment of the repercussions of climate change on FIBI's activities found that the majority of the exposure is indirect. This exposure is created primarily through the potential impact of climate and environmental risks on borrowers' financial stability. There are also direct exposures, such as impairment of collateral. In addition to the exposure to climate risks, FIBI's customers' activities preparing for climate change also create a variety of new business opportunities that FIBI intends to implement in the short term. These opportunities include the development of designated credit products to support customers' needs for financing the transition to a low-carbon economy. In this way, we will be able to support and help achieve the national targets for reducing emissions, as specified in the draft climate bill of the State of Israel.<sup>5</sup>

FIBI's main climate-related opportunities

- **Operating and energy efficiency** – Implementing FIBI's strategy for reducing its operational carbon footprint is expected to result in extensive streamlining of resources, both in FIBI's branches and throughout the entire operational

system. Already today, FIBI is taking action to switch to using energy-efficient technological means, with an emphasis on improving the provision of service to customers via digital means, which will also result in the reduction of energy consumption in FIBI's branches and will reduce the need for customers and employees to travel. These actions contribute to advancing innovation in FIBI, to reducing operating expenses and to promoting greener banking already in the short term.

- **Promoting green financial products** – As part of FIBI's efforts to achieve a reduction in financed emissions that are attributed to the credit portfolio, FIBI intends to promote the development of a variety of green financial products that will support the financing of projects that advance a green environment and contribute to the global efforts to combat the climate crisis. As part of the regulations and demands of stakeholders throughout the world to advance a sustainable economy, we expect the demands for green financial products, particularly financial solutions for business customers and private customers, to increase and become a material strategic channel in FIBI's financing activities in the medium and long term.
- **Including climate aspects in investment counseling and in analytics in FIBI** – As a leading bank in Israel in customers' trading on the capital market, FIBI also leads in its reference to climate risks and opportunities (and to ESG in general) in services relating to customers' trading on the capital market, including during securities analyses. FIBI takes these aspects into account and makes information in this regard accessible to its customers in order to enable them to reach informed, data-based decisions when managing their investments, with the goal of maximizing the investors' returns.
- **Strengthening FIBI's resilience** – FIBI's preparedness for climate change constitutes an opportunity to add another layer to FIBI's existing comprehensive risk management array already in the short term. A preliminary analysis of climate scenarios that was already performed on the credit portfolio this year and the updating of the risk management processes in FIBI add another material layer of defense to hedge the financial risks that the bank manages and ensures that FIBI can maintain operational continuity and financial readiness in the event that a climate stress scenario materializes.

FIBI's exposure to climate risks

Similar to that customary at the leading banks internationally, FIBI considers climate risks to be risk factors that intensify the risks that it traditionally manages. Accordingly, FIBI is taking action to include these risks in its various risk management frameworks, such as credit risk, market risk (particularly investments), operational risk (particularly business continuity), reputational risk and liquidity risk – a process that is underway at FIBI, considering the provisions of the new regulations in Israel (implementation of the provisions of Proper Conduct of Banking Business Directive 345, which addresses the management of climate-related financial risks).

According to the TCFD's recommendations, which are accepted by financial institutions worldwide, FIBI uses an accepted climate-risk taxonomy that divides climate-risk factors into physical climate risks (deriving from direct impacts of extreme weather events and gradual climate changes) and transition

Timeframes for climate-risk management

In order to enable effective, forward-looking management, as is appropriate for a fluid emerging risk such as climate risk, FIBI defined timeframes for identifying and managing climate risks. Since climate risks materialize during longer timeframes than traditional financial risks, the climate risk timeframe is not consistent with the definitions of timeframes as presented in FIBI's risk management reports:



risks (deriving from the global transition to a low-carbon economy). Each of these risk categories includes a variety of specific risk factors having diverse impacts on the traditional risks that FIBI manages.

**Physical risks** – risks deriving from the direct impact of the rise in the volume, frequency and intensity of extreme natural disasters (acute risks), as well as gradual changes in weather patterns and geographic patterns as a result of continuous climatic processes relating to climate changes (chronic risks). Physical risks include, inter alia, the gradual rise in temperatures, a change in precipitation patterns, the depletion of natural resources, soil erosion, a rise in sea levels, an increase in the frequency of droughts, extreme storms, fires, heat waves and cold waves, torrential rain and floods, and more.

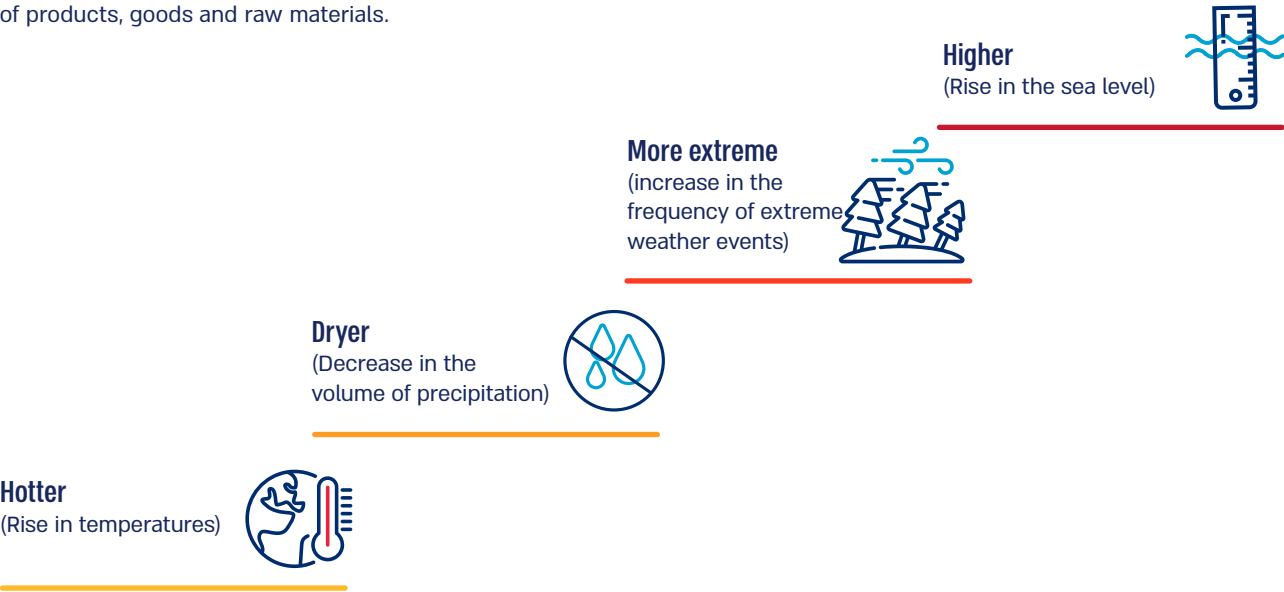
**Transition risks** – risks deriving from the impacts that organizations can expect as a result of the global transition to a low-carbon economy within the framework of the battle against climate change. This transition includes policy changes and an increase in the volume of climate-related regulations and enforcement, technological changes as a result of disruptive innovation and material investments in climatech technologies, and changes in the preferences of consumers, investors and other stakeholders. These changes are also expected to lead to significant impacts on the demand, supply and price stability of products, goods and raw materials.

In addition to the climate risk categories, FIBI also identifies and manages other traditional environmental risk factors as needed. Environmental risks are risks deriving from possible harm to the environment, such as harm to the ecodiversity, soil contamination and pollution of water sources. When examining them as business risks, these risks can lead to compliance risks, regulatory risks, legal risks and other operational risks to FIBI and to its customers.

Exposure to physical risks

In order to perform a preliminary assessment of the exposure of FIBI's activities to physical climate risks, FIBI relies on the latest information from official sources in Israel. This assessment is based on the determination of the Climate Change Administration in the Ministry of Environmental Protection, which constitutes an official expert body on behalf of the State of Israel tasked with preparedness for climate change. During the administration's work, it defined four key climate trends that are expected to impact our region:

- Hotter (rise in temperatures)
- Drier (decrease in the volume of precipitation)
- More extreme (increase in the frequency of extreme weather events)
- Higher (rise in the sea level)



5. [https://www.gov.il/he/departments/news/the\\_climate\\_law\\_passed\\_the\\_ministerial\\_committee\\_for\\_legislation](https://www.gov.il/he/departments/news/the_climate_law_passed_the_ministerial_committee_for_legislation) (in Hebrew)



Material risk factors and how they materialize



Hotter  
Fires, heat waves

A rise in temperature and changes in the wind regimes and in the moisture concentrations in the local vegetation create conditions for the development of severe fires and firestorms. Climate change in the Mediterranean region increases the number and severity of fires, as we have witnessed over the last decade. The frequency and intensity of heat waves in Israel is also expected to increase.

An increase in the likelihood of fire events in Israel can be expected to impact FIBI's activities, primarily due to the damage to its customers' business activities as a result of property damage and other economic losses. These impacts could increase FIBI's credit risk, inter alia, due to diminished repayment capabilities of borrowers adversely affected by the fire events. Fire events could also impact FIBI's operational risk, mainly within the contexts of adversely impacting operational continuity and possible damage to FIBI's assets.



Dryer  
Change in precipitation patterns and a decrease in the volume of precipitation

According to data from the Meteorological Service in Israel, the overall quantity of precipitation in Israel has been in a downtrend over the last thirty years, and is expected to intensify towards the end of the century. The frequency of rainfall will also steadily drop in most parts of Israel, but the intensity of the rainfall (the quantity of rainfall within a particular timeframe) will steadily increase. These changes are expected to impact primarily sectors of the economy that depend on the quantity and spread of precipitation, including the agricultural sector and related sectors, such as the food and restaurant sectors in Israel.

Since this chronic climate change is expected to impact every geographic region in the world differently, there is a concern about a rise in FIBI's exposure to market and credit risks as a result of hikes in the prices of raw materials and commodities. Furthermore, the repayment capabilities of borrowers from the agricultural and food sectors could be adversely affected, thereby increasing FIBI's exposure to credit risks.



More extreme  
Floods

In recent years, there has been an increase in instances of torrential rains and floods throughout Israel, including due to the increase in rain events of exceptional intensity, coupled with accelerated urbanization processes and a loss of open natural areas. According to the reference scenarios of the Meteorological Service, the climate changes will most likely lead to increased incidents of torrential rain for prolonged timeframes that could last for several days. As a result, insufficient absorption of surface runoff water is possible, as well as overflows of drainage basins along the coastline and in the low-lying region.

Multiple flood events could increase the risks to FIBI due to a possible adverse impact on business continuity and on the value of assets, both for FIBI and for its customers.



Higher  
Rise in sea level

As a country with a significant concentration of economic activities along the coast, the Israeli economy is exposed to the impact of the rise in the sea level. The dangers posed by the rising sea level are diverse, including damage to buildings and infrastructures, the salination of aquifers, a rise in the drainage base, erosion of the coastline and the aeolian sandstone ridge, and floods. Correct to date, the State of Israel's official scenario predicts that the sea level will rise by about 1.06 meters by the end of the century.

The impact of this risk factor on all risks that FIBI manages could affect its credit risk and operational risk in the long term, inter alia, by impairing collateral and eroding the value of FIBI's land assets.

Exposure to transition risks

As part of the global efforts to contend with the climate crisis, structural changes in global economic activities are required. These changes could intensify the traditional financial risks if FIBI and/or its customers fail to take adequate actions to adapt their activities to the expected changes in the business environment.

According to the TCFD recommendations and the categorization customary among leading financial institutions around the world, FIBI Group manages its transition risks according to the following four categories:

Policy and regulation

The battle against climate change leads to a variety of regulatory amendments designed to reduce the volumes of greenhouse gas emissions and to policy changes and incentives in various fields, including changes in legal policies resulting in more climate-related lawsuits. These risks could have a direct impact on FIBI's activities, including by causing reputational damage, by creating changes in the business environment, by imposing additional regulatory obligations on FIBI and by causing an increase in the compliance risk. Furthermore, many regulations will also impact FIBI's customers, such as customers in the energy, transportation and industrial sectors and could increase their credit risk.

Technology

The battle against climate change requires the development of new technologies enabling the reduction of emissions during economic activities. Inter alia, these risks include disruptive technologies, which can be expected to change entire industries, including the value chains in the energy, food, automobile, metal and construction sectors. This risk factor could impact FIBI's credit risk by adversely affecting borrowers' repayment capabilities and financial robustness. On the other hand, this aspect also creates a business opportunity for FIBI, since, in order to prepare to contend with risks relating to technological innovation, customers will be required to execute significant capital investments, and FIBI may be able to provide financial solutions to them in this regard.

Market

Climate changes and contending with them increase the uncertainty in markets and can be expected to cause high volatility in prices and in the supply and demand of various types of raw materials, commodities and securities during different periods. These risk factors could increase FIBI's exposure to credit risks, due to a possible adverse impact on borrowers' financial stability. FIBI's market risk, as managed within the framework of the traditional risks, could be affected by this risk. For example: uncertainty and price volatility in the global energy market could impact the market value of our nostro portfolio and result in changes in the growth forecasts on which FIBI indirectly relies.

Reputation

The heightened awareness of the climate crisis and its impacts increase the importance of climate considerations during business decision-making by individuals and businesses and could exacerbate the damages that will be caused to companies that fail to take action in this regard. This risk factor could directly impact FIBI's activities, like, for example, a decline in FIBI's reputation vis-à-vis international stakeholders, particularly investors and debenture-holders. Concurrently, FIBI assesses that this risk can also be expected to impact its credit and market risks.

Promoting climate-related opportunities

FIBI is taking action to adapt its business strategy in order to leverage the business opportunities inherent in climate change, and to thereby strengthen its preparedness and the preparedness of its customers for a future characterized by a low-carbon economy. The implementation of FIBI's climate strategy will ensure financial support for the market's needs, for Israel's national GHG emissions-reduction targets and for the transition to a low-carbon economy.

Green credit

As part of FIBI's support of the global targets for reducing greenhouse gas emissions and promoting sustainable development, FIBI is investing efforts in developing designated credit products to provide green financing solutions for FIBI's customers. Allocating credit for projects that support the transition to a low-carbon economy and sustainable development is the present need, considering the substantial financing costs that business customers are required to incur, inter alia, as part of energy streamlining processes and technological adjustments, particularly in emissions-intensive sectors, such as the energy and transportation sectors.

In light of the importance that we attribute to increasing the positive environmental impact of FIBI's financing activities and to precisely and reliably using the term "green financing," FIBI performed a comprehensive process this past year to update and revise the green credit taxonomy, with the goal of defining the green credit fields in the bank. We defined the green credit fields in conformity with the international standard called the GRP ("Green Bonds Principles"). Although it is a standard for financing through bonds, it is also accepted in the global banking sector for the purpose of defining green credit.

The new taxonomy differentiates between financing green companies and financing green projects (such as projects to increase energy efficiency and green construction projects), which are expected to help FIBI deepen its green financing activities through designated credit products to be offered to a wide variety of FIBI's customers.

In addition to these categories, FIBI's green credit also includes sustainability-linked loans (SLLs), which are provided within the framework of international consortia in which FIBI is a member. SLLs are an accepted financial product internationally, but are rare in Israel. In an SLL, the interest that the borrower pays is determined according to the degree of its achievement of relevant designated ESG goals that are decided during the underwriting process.

The green financing fields according to FIBI's green taxonomy:

Renewable energy	Financing infrastructure projects and private renewable energy projects (sun and wind), including companies engaging in them.
Energy efficiency	Financing of companies' projects and investments to streamline their energy consumption during their routine operating processes, and energy storage projects.
Green construction	Financing of green construction projects according to Israeli Standard 5281 (at the level of two stars and above) or according to the LEED standard.
Preventing and controlling pollution	Financing of projects, facilities and companies for active waste treatment, including recycling, and for the rehabilitating contaminated soil and polluted water sources.
Clean and smart transportation	Financing of projects, infrastructures and companies for public transportation, projects encouraging public transportation and electric transportation.
Water and waste treatment	Financing of projects and companies engaging in water and waste treatment and related infrastructures.
Development of climatech technologies	Financing of companies engaging in the development of innovative climatech technologies.
Sustainable management of natural resources	Financing of companies whose activities contribute to the sustainable management of natural resources, including in the field of smart and precision agriculture.

FIBI is taking action to strengthen its identification and measurement capabilities in relation to green credit, and it expects to expand its reporting volumes in this regard from year to year. The balance of the green credit in FIBI (balance-sheet credit only), correct to the end of 2023, totals about ILS 1.63 billion<sup>6</sup> (for details and elaboration, see the section "Targets and Indices" on page 36).

Operational sustainability

In terms of operations, FIBI has been taking action for several years to reduce as much as possible the negative environmental impacts associated with the operating activities of FIBI's branches and its entire operations array, including reducing FIBI's operational carbon footprint. Within this framework, FIBI is advancing extensive streamlining processes, particularly increasing energy efficiency, since electricity consumption constitutes a major share of the carbon footprint of FIBI's operational array. In addition to reducing environmental impacts, these actions support the organization-wide strategy of transitioning to the provision of high-quality digital services that reduce the need for resources, such as real estate, electricity and transportation, since each of these components has a significant environmental impact. These processes enable FIBI to provide higher-quality service to customers and to reduce the environmental impacts involved in providing service.

For elaboration about all of the processes to increase energy and operating efficiency underway at FIBI, see pages 39 in this report.

Integrating climate and ESG aspects in customers' trading in the capital market

FIBI is a leading bank in the banking sector in the segment of customers' trading in the capital market and, as part of this responsibility, we are diligent about leading innovative and significant trends in capital market trading and making them accessible to our customers. Our customer assets division is taking action so that customers trading with securities through FIBI will have higher access to information and tools enabling them to include climate and environmental considerations (and ESG considerations in general) in their investment management. Our objectives are to increase customers' professionalism, to enable them to include key ESG trends in their decision-making processes, to maximize financial returns in their investment portfolios and, of course, to enable the building of investment portfolios tailored to the values and beliefs of the investing customer.

ESG considerations in our counseling services

FIBI adopted an ESG policy and decided, inter alia, to incorporate ESG aspects, including climate-related aspects, in its advice to customers, and to provide guidance to our investment counselors and financial guidance to FIBI's customers, which also refer to these aspects.

Pursuant to this policy and after having examined the topic, FIBI decided to include reference to ESG aspects in the counseling services that it provides in several ways as follows: by adding ESG ratings to listed companies when professional decisions are being made at the level of specific assets; by giving customers an option of building a portfolio whose share component is ESG-oriented according to the risk level defined by the customer (through mutual funds or index fund products that track shares of corporations with high ESG ratings); and by including social responsibility aspects by providing financial education to the investing public (out of all of FIBI's customers; see elaboration in this regard in page 44).

In order to enable our investment counselors to include climate-related and ESG considerations in their investment advice, FIBI has been investing in customized training since 2022. After having held seven rounds of annual conferences on relevant ESG topics in 2022, which were attended by about 90% of all investment counselors employed by the FIBI and Bank Massad brands, FIBI continued to provide customized training to its investment advisors in 2023. One of the emphases in 2023 was on mutual funds' ESG rating methodology.

The customer asset management division set an ambitious target for itself: to train 90% of its investment counselors in the subject of ESG in investments by 2025 – and achieved this target within only one year. The division is continuing its processes incorporating ESG considerations in investments and examines the effectiveness of its activities in this regard according to leading global practices.

Incorporating ESG considerations in investment counseling

- Including ESG considerations in asset selections and analyses
- Including ESG considerations in analyses of specific companies – using the ESG rating as another decision-making parameter for a wide variety of assets in Israel and abroad. In 2023, an agreement was signed with a ratings firm and the ratings are in the process of being assimilated. FIBI intends to make rating data available to its customers in the trading system.
- Including ESG considerations in the managed mutual funds rating system – mutual funds' ESG rating (if any) are included in the managed mutual funds rating system, which enables our investment counselors to consider the parameter of the ESG rating when selecting recommended mutual funds.
- Including customers' preferences in relation to ESG considerations when clarifying customers' needs
- During the discussion of the customer's needs, the customer may instruct the investment counselor to also refer to the ESG rating of assets when selecting the recommended assets.
- ESG-centric stock portfolios
- Making accessible recommended portfolios of managed mutual funds and index funds (in Israel and abroad) defined as investors in ESG-centric assets, at various risk levels for example.



6. Upon adding off-balance-sheet credit, the balance of the green credit in FIBI, correct to the end of 2023, totalled about ILS 2.6 billion.



Promoting climate resilience – analysis of scenarios

One of the currently accepted ways to manage the impacts of climate change on the variety of opportunities and risks inherent in them is by using scenario analysis tools to examine the resilience of a company's business operations when various climate scenarios materialize. These analyses help financial entities formulate a data-based strategy in a developing field characterized by high uncertainty.

As part of the ICAAP process for 2023, and considering the provisions of Proper Conduct of Banking Business Directive 345, which will come into effect in June 2025, FIBI decided to perform a climate scenarios analysis for the first time already in 2023. The analysis performed was a preliminary quantitative analysis focusing on a single scenario and examining a specific risk factor.<sup>7</sup> The analyzed scenario examines the sensitivity of select components of FIBI's business credit portfolio to a scenario of the imposition of carbon tax in Israel.

During the scenario analysis, FIBI, together with external experts, examined the scenario of the imposition of carbon tax, without prior warning, on Israeli companies at the rate of ILS 167 per ton of CO<sub>2</sub>eq emissions (similar to the analysis that the Bank of Israel performed in this regard in 2021). In order to examine the sensitivity of FIBI's business credit portfolio, it was decided to model a stress scenario whereby the tax is imposed at such short notice that it does not enable FIBI's customers to prepare for the tax by implementing processes to reduce their carbon footprint.

Considering the preliminary nature of the process in FIBI, the analysis focused on sectors in the economy that FIBI currently defines as sectors under increased climate risk, particularly an increased transition risk (for elaboration, see the subsection "Climate risk management"):

- Conventional energy and petroleum products
- Mining and quarrying sectors
- Fuel trading
- Automobile trading
- Emissions-intensive industries, including metal, rubber and plastic products and the chemical industry.

In order to quantify the financial implications for the groups of borrowers from these sectors, FIBI assessed the additional annual costs to be imposed on every borrower in light of the intensity of the sectoral emissions and the assessed height of the tax in the examined scenario. Using basic micro-economic models and integrating qualitative assessments and judgments, we examined the degree of each borrower's financial sensitivity to the tax costs.

The results of the scenario analysis found that customers from emissions-intensive industries can be expected to be significantly adversely affected within a relatively short time,

considering the tax cost and the high level of competition characteristic of many segments of the sector. Nevertheless, we assess that most companies in the sector will be able to cope with the tax effects in the medium term – even if they encounter difficulties in the short term – particularly if they invest in emissions-reducing processes.

FIBI recognizes the importance of using climate scenario analysis tools to examine the bank's resilience and improve climate risk management. Therefore, FIBI intends to continue developing methodologies for analyzing reference scenarios and stress scenarios according to the regulatory authorities' guidelines and depending upon the maturity of the market, the quality and availability of relevant data and the publication of reliable climate and economic forecasts by official entities in Israel.

Risk management

In June 2023, the Supervisor of Banks in Israel published Proper Conduct of Banking Business Directive 345 – Principles for the Effective Management of Climate-Related Financial Risks, which banks must fully implement by June 2025. These principles, which were written in conformity with the Basel Committee's principles for climate risks, constitute a quantum leap in regulating the management of climate risks in the banking system in Israel. Directive 345 expects the bank to implement organizational and operational processes to integrate climate-related aspects in business processes and to include climate risk in the various risk-management frameworks in FIBI in which climate risk constitutes a material risk factor. The principles focus on risk management based on a wide variety of quantitative data collected from various sources that are analyzed individually and aggregately according to the accepted and relevant methodologies in each risk category. FIBI deems climate risks as risks that must be integrated in the general risk-management array that it manages and therefore, is taking action to integrate them and to improve the quality of their management in conformity with the regulatory authority's directives and according to the development of these field in the financial sector. In 2022, "climate risk management" was added to the list of material topics for FIBI out of all ESG topics as a result of the growing understanding that this topic requires unique tools and attention, even wherever it is already included in FIBI's general risk-management arrays.

In 2023, FIBI invested considerable resources in upgrading the environmental and climate risk-management arrays within the framework of the business credit risks (the key risk category that FIBI selected for integrating climate risks at this stage), and took action to assimilate the leading global and local practices that are suitable for FIBI in this regard. We assess that we will see considerable progress in this regard in the coming year and that climate risk management will be expanded beyond its integration in credit risk already underway.

Identifying climate risks

FIBI is managing climate risk as a factor that impacts all of the traditional risks that it manages. Therefore, the process is based on identifying the various connections between the various emerging transition risks and physical risks (as defined on page 27) and several traditional risk categories that FIBI regularly manages:

Risk category <sup>8</sup>	Definition	Example of a climate risk factor's impact	
		Physical risk	Transition risk
Credit risk	Risk that a borrower or a counterparty will not fulfill its obligation to FIBI	Decrease in borrowers' repayment capability as a result of disruption of the borrower's business continuity during an extreme climate event	Adverse impact on borrowers' business activities as a result of regulatory amendments and/or technological developments that adversely impact the financial robustness of customers in particular sectors
Market risk	Existing or future risk of loss or impairment deriving from a change in the economic value of a financial instrument, a particular portfolio or group of portfolios and at the overall level as a result of changes in prices, currency exchange rates, margins and other parameters in the market	Impairment of physical assets in FIBI's investment portfolios as a result of an extreme climate event	Impact of volatility in commodities prices and in the value of securities in FIBI's nostro portfolios as a result of changes in the regulatory authority's policy regarding the climate crisis
Operational risk, particularly business continuity	Risk of a loss as a result of the inadequacy or failure of internal processes, people (including labor relations risk) or systems, or as a result of exogenous events.	Adverse impact on FIBI's ability to provide banking services as a result of an extreme climate event	Infringement of FIBI's customers' privacy as a result of the inadequate management of climate data that must be collected according to the regulatory authority's directives
Compliance risk	Risk of the imposition of legal or regulatory sanctions, of a material financial loss or of reputational damage that the banking corporation could incur as a result of noncompliance with provisions of law	Materialization of an extreme climate event that could indirectly impair FIBI's ability to comply with the statutory requirements during routine operations	Noncompliance with new regulatory directives relating to climate and the environment
Liquidity risk	Risk that FIBI will encounter difficulties fulfilling its obligations due to a shortage of liquid balances in ILS or in foreign currency, as a result of unexpected withdrawals of deposits by the public, unexpected demands for credit, uncertainty about the availability of resources and unexpected liabilities, including a sharp drop in the value of the liquid assets.	Extreme increase in withdrawals of deposits upon the materialization of a climate disaster	Decrease in the availability of FIBI's sources of financing due to changes in international credit entities' definitions of the green financing requirements ``
Reputation risk	Risk deriving a negative perception on the part of customers, counterparties, shareholders, investors, debenture-holders, analysts, other relevant parties or regulatory authorities, which could adversely impact a banking corporation's ability to maintain existing business relations, to create new business relations or to benefit from continuous access to sources of financing	Customer churn due to inadequate conduct on FIBI's part during an extreme climate event	Damage to FIBI's reputation due to a failure to meet the standards pertaining to FIBI's management of climate risks and inadequate climate risk management

7. This risk factor corresponds to the characteristics of the NGFS's Net-Zero 2050 scenario, whereby all economies in the world are prepared to limit global warming according to the outline in the Paris Accords (warming of less than 1.5 degrees compared to the period prior to the industrial revolution).

8. There are additional risks, such as legal risk, regulatory risk and model risk, that are also receiving attention.

Assessing the various risks

In order to assess and quantify FIBI's exposure to climate risks, both through its customers and directly, FIBI conducted two climate-risk surveys last year – a general survey of the impact of climate risks on the various traditional risks, and an in-depth survey of the impact of climate risks on business borrowers in various operating segments. These surveys formed the basis for in-depth processes we initiated last year, inter alia, in order to create an internal methodology for classifying and assessing borrowers' exposures to various climate risks and the degree of risk that this exposure creates for FIBI.

In relation to a comprehensive climate risk survey that FIBI conducted last year, this survey included a qualitative analysis of the impacts of climate change on all risks that FIBI manages on an ongoing basis and, within this framework, FIBI assessed the various risks' exposure to physical climate risk factors and to transition risk factors, including reference to the assessment of the short-, medium- and long-term impact. Based on this analysis, FIBI expects to expand its climate risk management in 2024, under the management of the various traditional risks, to the extent relevant.

Assessing and managing risks in the business credit portfolio

Environmental and climate risk management in credit and financing activities means the ability to characterize, identify and strive to mitigate or prevent a risk deriving from environmental or climatic factors that could adversely impact an agreement between FIBI and a borrower. For example, an adverse impact on the feasibility of the funded project, on the ability to repay the financing, on the borrower's financial stability or on the value of the collateral.

Generally speaking, borrowers with potential exposure to a material climate risk are borrowers operating in sectors that have a potential for negatively impacting the environment and climate, or borrowers whose business and operating models depend upon particular climate conditions. Inter alia, these include borrowers from industrial sectors, such as fossil fuels, real estate, infrastructure, agriculture and food. However, a borrower's operating sector does not necessarily define it as a borrower with high exposure to climate risk, but rather, a variety

Sectoral exposure to climate risks among FIBI's customers:

Sectoral group	Root physical risk rating	Root transition risk rating	Root weighted risk rating	% of total credit risk <sup>9</sup>
Conventional energy and petroleum products	4	5	4.7	1.57%
Transportation and storage	3	4	3.6	2.03%
Fuel and automobile trading	4	5	4.7	4.28%
Machinery, electrical and electronic equipment industry	3	4	3.6	3.15%
Metal, paper, rubber and plastic products industry and chemical industry	4	5	4.6	4.93%
Agriculture	5	2	4.4	0.56%
Food products manufacturing and trade	4	4	4	2.89%
Income-generating real estate and renewable energy	4	3	3.6	9.32%
Financing of construction projects	4	2	3.6	17.93%
Other (including households)	2	3	2.8	53.35%

<sup>9</sup>. The data relate to all of FIBI's borrowers with an inclusive credit risk exceeding ILS 1 million.

of aspects affect the overall exposure to climate risk, including how well these risks were managed at the borrower level. In order to enable FIBI to identify risks at the borrower level optimally and effectively, FIBI formulated a dedicated methodology for identifying and assessing climate risks at the level of individual business borrower. This methodology was formulated over the past year according to the leading global practices in this regard, while adapting them to the characteristics and maturity level of the Israeli market in which FIBI operates.

Within the framework of formulating the methodology, during the initial stage of the assessment process, we mapped FIBI's business customers according to the nature of their activities and divided them into several groups. We formulated a dedicated methodology for each customer group in order to identify and assess climate risks in a process ensuring a higher degree of accuracy and a common language, for the purpose of integrating climate risk management into FIBI's existing underwriting and credit risk management array.

For each customer group, which was characterized by a relatively similar climate risk profile, we performed an orderly process to identify that group's material climate and environmental risks. The objective of this assessment process was to quantify the degree of root risk to which each customer is exposed and to identify sectors in the economy that have high exposure to climate risks.

Following a comprehensive process that included comprehensive research, interviewing experts and an analysis of FIBI's credit portfolio, we performed a quantitative rating that summarizes the sectoral exposure to various climate risks. The risk rating is carried out on a scale of 1 to 5, with 5 indicating the highest degree of risk, which is comprised of three distinct ratings:

- 1. Rating of the physical risk (the risk deriving from the borrower's vulnerability to the physical impacts of climate change)
- 2. Rating of the transition risk (the risk deriving from the business impacts of the global transition to a low-carbon economy, including regulation, technology, legal liabilities and reputation)
- 3. Rating of a weighted risk, based on the physical risk and the transition risk, according a variable weighting key depending upon the materiality of each risk for each sector.

Over the past year, after assessing the root exposure of FIBI's customers, we formulated an orderly methodology for assessing the level of customers' residual risk; in other words, how and how well customers are managing their exposures to climate risks.

In order to make the assessment process more precise, and following the guidelines of Proper Conduct of Banking Business Directive 345, FIBI compiled designated customer questionnaires for each sectoral group, according to its material risks. The results of the questionnaire, while weighting the sectoral risk profile, will enable FIBI to produce a qualitative picture of the exposure of FIBI's credit portfolio to climate risk factors, and will enable FIBI to manage and define them already at the credit provision stage.

The credit policy

The credit policy contains a section on environmental and climate risk management, which is approved annually by FIBI's board of directors, as part of the credit policy document. The policy for managing environmental and climate risks in credit defines the methodology and work processes for monitoring environmental risks in credit, which are performed by the corporate division, while the material credit exposures are challenged by the risk management division, which include identifying high-risk borrowers, detecting the material risks, assessing the degree of risk and the quality of the risk management, and controlling transactions defined as posing at high environmental risk.

FIBI's last credit policy, which was written at the end of 2023 and approved by the board of directors during the first quarter of 2024, fully assimilated the new process for identifying and assessing climate and environmental risks, which emphasized the business risks relating to climate risks for the first time.

The policy prescribes guidelines for activating external professional environmental counseling and defines risk-assessment and decision-making processes. Relevant instances such as these are primarily projects with material environmental impacts or in which there is a risk of obtaining collateral that pertains to contaminated lands. The environmental counselor helps the borrower improve its environmental performance and fulfill the Group's requirements to reduce the environmental risk.

Identifying and assessing climate and ESG risks during the management of our nostro investments

Climate risk management is also reflected within the framework of managing the investments of FIBI's nostro funds, as part of managing ESG aspects and risks in general. Within this framework, FIBI's financial policy was updated to include a section dedicated to ESG topics, which prescribes that FIBI must examine diverse ESG aspects during the management of its nostro investments.

In 2021, FIBI set a long-range target that, by 2025, 25% of the new investment funds in which it invests will have an ESG policy. Correct to the date the target was set, at issue was an ambitious and challenging target, considering the existing level of awareness (especially in the Israeli market) of the

importance of ESG among investment funds. FIBI monitors its achievement of this target from time to time and as needed, as relevant and according to its investments in new funds.

Regardless of the target, from time to time, FIBI examines the adoption of ESG principles and policies in existing funds in which it invested prior to 2021. Correct to the end of 2023, most of the private equity funds in which FIBI invested its nostro funds have an ESG policy. FIBI also proactively refers questions in this regard to funds in order to send a message to them about the importance that it attributes to ESG and with the goal of encouraging them to adopt a ESG policy relevant to their activities.

Furthermore, in relation to marketable investments, FIBI refrains from investing in companies that are not diligent about regularly maintaining proper corporate governance, in companies operating in fields having a clearly negative social impact (such as tobacco and gambling) and considers, depending upon the economic profitability, investing in green assets. Moreover, in relation to social aspects, FIBI tends to prioritize investments that promote social causes. For example: FIBI was a partner in an investment in a social bond of "Social Finance Israel," which funds training programs in high-tech professions for young people from Israel's ultra-orthodox Jewish society.

Managing climate risks in business continuity

Within the framework of its activities managing business continuity, FIBI is ready to maintain operational and business continuity even during emergencies that could be caused, inter alia, as a result of climate risks. For elaboration on business continuity management in FIBI, see the section "Business Continuity" on page 97 of this report.





Indicators and targets

In conformity with the regulatory authorities' directives and the TCFD recommendations, FIBI Group reports about the indicators it manages in order to assess and manage climate opportunities and risks. FIBI conducts ongoing measurement processes that are consistent with the accepted reports in the financial sector in climate-related contexts. These indicators enable us to track and monitor the impacts of climate risks on

the bank, to realize business opportunities in the field and to monitor FIBI's progress in achieving its work plan and objectives. Correct to the publication date of this report, FIBI has not yet adopted climate targets and intends to examine this later, after completing the required data collection processes, and as part of its preparations for the implementation of Proper Conduct of Banking Business Directive 345.

The indicators that FIBI uses to track and monitor climate-related risks and opportunities

Green credit<sup>10</sup>

	Renewable energy	Water and waste treatment	Clean and smart transportation	Preventing and controlling pollution	Sustainable management of natural resources	Total	Total including off-balance-sheet credit
2021	209,000	64,000	78,000	110,000	9,000	470,000	
2022	211,853	100,157	554,260	103,599	82,378	1,052,247	2,026,155
2023	260,100	84,095	881,166	135,556	272,235	1,633,152	2,603,981

FIBI's exposure to emissions-intensive sectors of the economy

FIBI annually monitors its exposure to GHG emissions-intensive operating sectors, which are largely characterized by high exposure to some of the transition risks, particularly regulation and technology risks.

Financial Initiative, SBTi – Science-Based Targets initiative and PACTA – Paris Agreement Capital Transition Assessment). These sectors are: associated with the fossil fuel industry's value chain, such as oil and gas production, exploration and refining; emissions-intensive industrial sectors, such as electricity generation and metals (and cement manufacturers, which FIBI does not finance); and sectors characterized by substantial decentralized carbon emissions, such as transportation and livestock farming.

The sectors that FIBI defined as such and, accordingly, were selected for monitoring and reporting, are those mapped sectors that were found to be more highly exposed to transition risks by the leading global climate risk frameworks in the financial sector (UNEP FI – United Nations Environment Program

FIBI's total credit risk attributed to emissions-intensive sectors

FIBI's total credit risk by sector	Balance of credit risk 2023 (in ILS millions)	Balance of credit risk 2022 (in ILS millions) <sup>11</sup>
Oil and gas production, exploration and transport	45	60
Electricity generation from coal and gas	1,150	1,142
Fuel refining, transport and sale	1,054	1,512
Metal manufacturing	723	768
Livestock farming	222	494
Overland, maritime and air transportation and freight-forwarding	828	686
Total	4,022	4,662
Ratio of FIBI's total credit risk-weighted assets	2.1%	2.6%
Ratio of FIBI's total credit risk-weighted commercial assets	4.7%	5.5%

10. The specified data include the balances of the green credit (balance-sheet credit only, unless stated otherwise), correct to the end of the presented year, in ILS thousands. FIBI is taking action to strengthen its identification and measurement capabilities in relation to green credit from year to year. Therefore, the 2021 data reflect its identification capability for that year.  
11. As a result of improvement of the measurement method and the addition of the commercial credit in the banking division to the calculation in this report, there are changes in the data presented relative to 2022 compared to the data presented in the previous report. The changes total a disparity of about ILS 552 million.

Carbon footprint

FIBI's carbon footprint is comprised of both the bank's direct and indirect emissions relating to its operating activities, and emissions attributed to its financial activities – i.e., emissions of entities or ventures to which FIBI provides financing through financing and investment activities. The emissions attributed to financial activities are considered the main component of financial institutions' carbon footprint and are included in clause 15 of scope 3, according to the global standard for measuring the carbon footprint – the GHG Protocol. While FIBI has been monitoring and reporting most of its operational carbon footprint annually since 2014 (data pertaining to previous years may be found in FIBI's previous ESG reports), FIBI decided to also report the emissions attributed to its financial activities this year for the first time – as part of FIBI's quantum leap in managing the climate aspects of its activities.

The operational carbon footprint

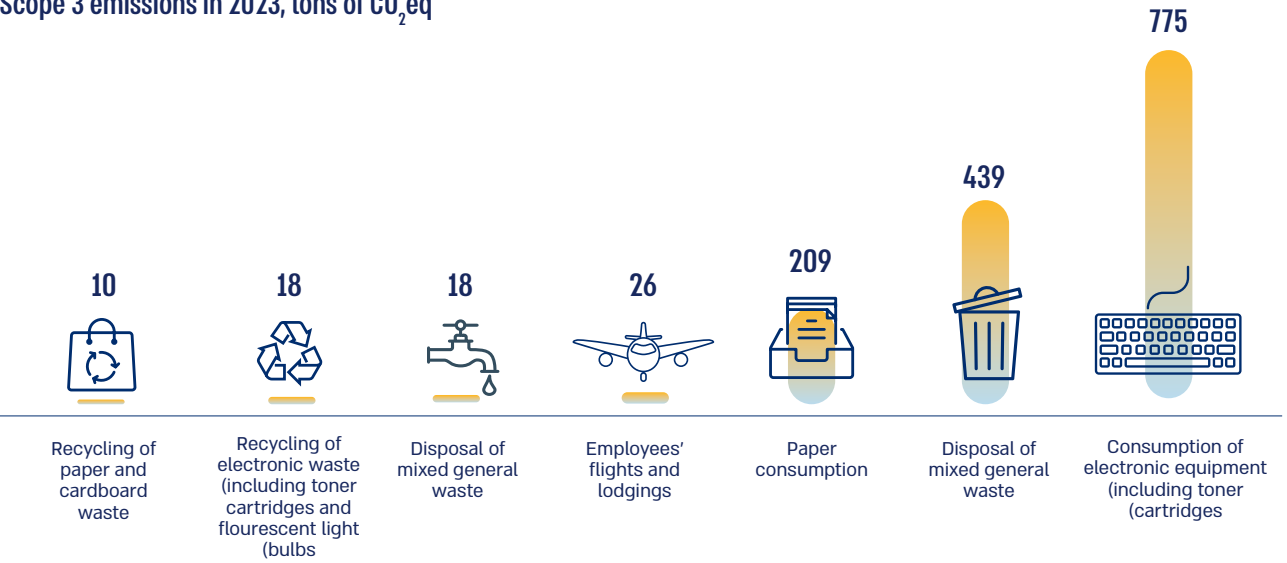
FIBI Group monitors the main components of its activities that generate greenhouse gas emissions, especially the consumption of fuels and electricity, and takes action to mitigate their direct environmental impacts in various ways,

which are specified above. The Group monitors its carbon footprint according to the accepted standards in Israel and abroad and calculates it using calculation tools developed by the Ministry of Environmental Protection and in conformity with the accepted global standard – the GHG Protocol. FIBI Group's carbon footprint is comprised of direct emissions (Scope 1) – the burning of fuel by the Group's fleet of vehicles; indirect emissions (Scope 2) – electricity consumption; and other indirect emissions (Scope 3) – emissions 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 employees' work-related flights and lodgings in hotels. FIBI has been monitoring Scope 3 emissions since 2021.

FIBI Group's total carbon footprint in 2023 is about 13,481 tons of CO<sub>2</sub>eq. An analysis of our carbon footprint trend in recent years shows that FIBI continued to reduce the intensity of its emissions in 2023 as well.

	Unit of measurement	2023	2022	2021
Scope 1	Tons of CO <sub>2</sub> eq	1,601	1,620	1,647
Scope 2	Tons of CO <sub>2</sub> eq	10,385	10,987	9,444
Scope 3 <sup>12</sup>	Tons of CO <sub>2</sub> eq	1,495	1,386	922
Total	Tons of CO <sub>2</sub> eq	13,481	13,993	12,013
Emissions intensity (Scope 1 + Scope 2)	Tons of CO <sub>2</sub> eq/m2	0.09	0.094	0.112
Emissions intensity (Scope 1, 2 and 3)	Tons of CO <sub>2</sub> eq/m2	0.102	0.105	0.141

Scope 3 emissions in 2023, tons of CO<sub>2</sub>eq



12. The calculations of the GHG emissions in Scope 3 were performed using the conversion coefficient of the UK's Department of Environment, Food and Rural Affairs (DEFRA). These calculations do not include reference to emissions relating to FIBI's investment and financing activities. The data included in scope 3 emissions in this calculation are specified in the graph "Scope 3 emissions in 2022, tons of CO<sub>2</sub>eq."

Reducing energy consumption and emissions

Energy is a material environmental resource that the Group uses by way of consuming electricity and various fuels. Streamlining electricity consumption in the management's buildings and in FIBI Group's bank branches occupies a central position in the Group's environmental and operating management priorities. The Group's logistics department is responsible for managing the Group's electricity consumption.

Reducing FIBI Group's electricity consumption:

FIBI is diligent about using buildings that meet green building standards in order to reduce energy consumption. For example, FIBI's headquarters were awarded the title of "the First Green Office Tower in Israel" by the Ministry of Environmental Protection, and MATAF House was also constructed according to the green building standards. The method of construction of FIBI's building enables energy savings for air conditioning needs, due to the advanced construction and insulation methods.

As part of our efforts to reduce the environmental impacts of energy consumption, in some of FIBI Group's facilities, the electricity is provided by a private energy-producer's power station powered by natural gas whose fuel mix has lower environmental impacts than those of the Israel Electric Corporation. In 2023, about 49% of FIBI Group's electricity consumption was provided by the private energy-producer.

In addition, some of MATAF House's electricity consumption is from self-generated solar energy. This year we generated and consumed 307,250 kWh of solar energy, which was generated using solar panels on the roof and façade of MATAF House. The solar energy consumption from self-generation this year constitutes about 1% of the Group's total electricity consumption and about 4.4% of the electricity consumption in MATAF House.



Fuel consumption:

In addition to electricity consumption, another component of FIBI Group's energy consumption is fuel consumed by the Group's fleet of vehicles. FIBI Group's fleet of vehicles is largely comprised of gasoline-powered private vehicles. To reduce air pollution from car emissions and increase fuel consumption efficiency, the Group is promoting the inclusion of hybrid and electric vehicles in its fleet and is taking action to expand the supply of these cars, publicizing their advantages to employees and making information available on safe and fuel-saving driving.

The fleet of vehicles in 2023

- At the end of 2023, the Group's fleet of vehicles totalled 321 vehicles, 61 of which (about 19%) are hybrid vehicles.
- In 2023, the Group's vehicles consumed 683,493 liters of gasoline and 2,595 liters of diesel fuel.

Energy streamlining efforts

This year too, FIBI Group continued to reduce the intensity of its electricity consumption, similarly to the trend in recent years. FIBI Group's energy management process places special emphasis on the construction of new buildings. Efficient energy consumption considerations are included already during the initial design stage and are implemented during the buildings' construction and operational processes. Within this context, FIBI Group prioritizes the Israeli green construction standard – IS 5281 (2011), in light of additional environmental advantages. Besides the Group's main buildings, most activities and consumption are in the branches and other existing buildings.

For the most part, at issue are properties inside commercial centers, malls, etc., not directly owned by the Group. Nevertheless, and despite the fact that it has no operational control, the Group takes a variety of measures to save on electricity, including the following:

- Installing energy-efficient air-conditioning systems:** The Group is continuing to replace old air-conditioning systems and split air-conditioning units with new energy-efficient systems as part of a multi-year plan to streamline the air-conditioning systems in branches. These replacements reduce the electricity consumption for air conditioning in those branches by about 10%. In new branches, new energy-efficient systems were installed at the outset, which feature variable output capacity. These installations also enable about a 10% reduction in electricity consumption.
- Installing motion sensors to turn off lights and air conditioners** in various service rooms, such as kitchenettes, lavatories, archive rooms, etc.
- Switching to energy-efficient light fixtures:** In 2023 too, and as part of our gradual replacement of the light fixtures in most properties to LED lighting, we replaced various light fixtures in HQ properties and in several additional branches with more energy-efficient lighting.
- Installing controllers for air-conditioning systems** to maximize the compressors' capabilities and ensure highly efficient operation.



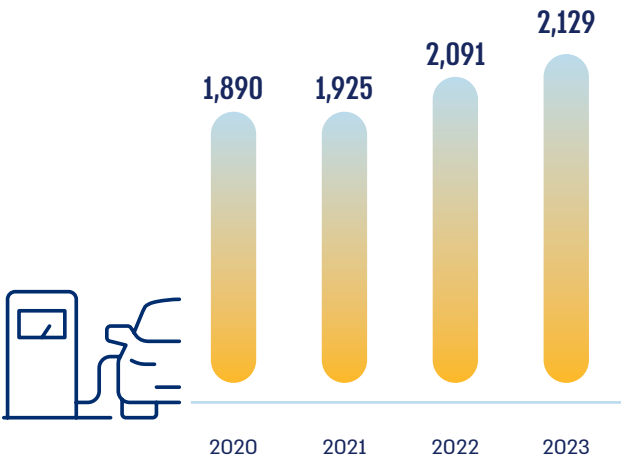
61 (~ 19%)  
of the group's car  
fleet are hybrid



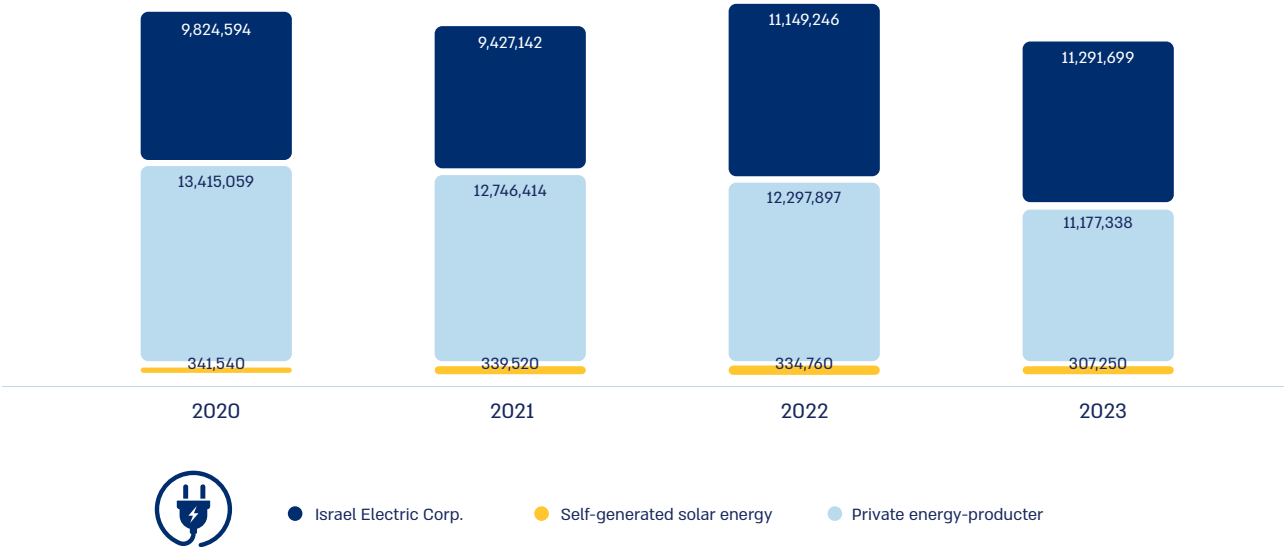
Switching to  
energy-efficient  
light fixtures

Comparison of average annual data on vehicles and fuels.<sup>15</sup>

Increase relative to the Covid19- years when the average fuel consumption was relatively lower than normal



Sources of electricity consumption in FIBI Group (kWh)<sup>13</sup>



	2023	2022 <sup>14</sup>	2021	2020
Electricity consumption (kWh)	22,776,287	23,781,903	22,513,076	23,239,653
Area (m2)	132,409	133,713	98,846	103,431
Consumption of kWh/m2 (energy intensity)	172.01	177.9	227.76	227.99

13. The data for 2022 were corrected due to a clerical error in the 2022 report.  
14. The data up until 2021 do not include additional areas, such as parking garages and branches under external management. These areas have been included since 2022.

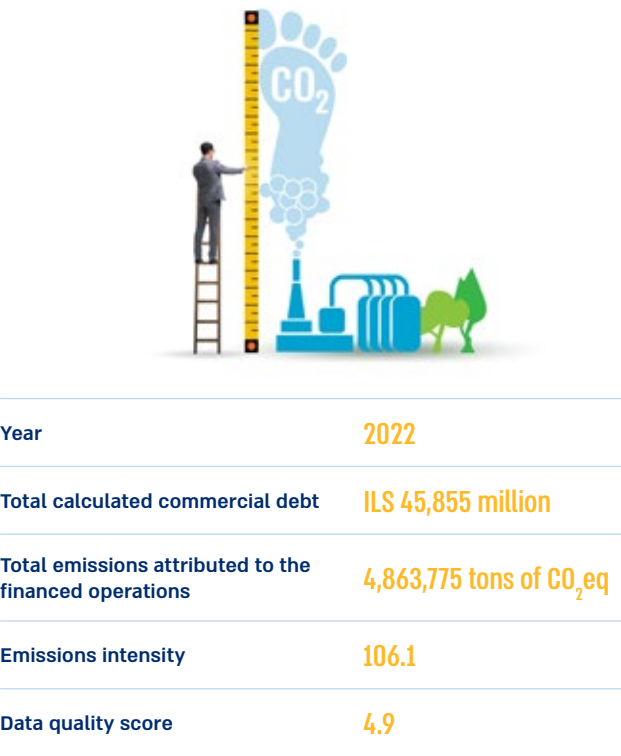
15. A data calculation error was made in the report for 2020, due to the inclusion of fuel consumption by employees' privately leased vehicles, which are not part of the Group's fleet of vehicles. This error was corrected in this report.



Financed emissions

For the first time this year, FIBI measured GHG emissions that indirectly derive from its financial involvement in financing. We performed the measurement based on the PCAF reporting standard (Partnership for Carbon Accounting Financials), which is the internationally-accepted standard for measuring financial institutions’ carbon footprint, which is attributed to their financing activities and investments.

This year, for the first time, FIBI is presenting the results of the measurement performed for 2022 data. We performed the measurement on FIBI's commercial credit portfolio (in the corporate division and in the banking division), using a materiality threshold of debt exceeding ILS 1 million. We based the measurement on an assessment of the financed companies' carbon footprint according to their operating segment and size, and only negligibly used the companies' carbon footprint data, due to the lack of available information in this regard in Israel, and due to FIBI's decision to perform the measurement in the first year on the basis of a sector-wide perspective, rather than individually at the customer level.



Since at issue is an innovative measurement that requires, inter alia, comprehensive data about the carbon footprint of FIBI's customers (business and private), when much of these data are not currently available in Israel, the data quality score<sup>16</sup> is affected by this. We expect to be able to improve the measurements and tools we use for this in the coming years, including collecting environmental data from the customers and improving FIBI's monitoring and mode of reporting of the carbon footprint and therefore, the data quality score should rise accordingly.

16. Due to the need to use a wide variety of financial and environmental data of borrowers and investment objects during the PCAF calculation, much of which are not always fully available to financial entities, the standard includes the aspect of the data quality score. The score is on a scale of 1 (excellent data quality score attesting to the use of only real data) and 5 (low data quality score attesting to extensive use of assumptions and assessments in the calculation).

17. As part of our preparations for emergencies, some of the A4 copy paper was purchased as inventory for FIBI's emergency warehouse.

Other environmental impacts – reducing waste and use of raw materials

Reducing consumption of materials

The main raw materials that FIBI Group uses are various office supplies – water for human consumption and irrigation, a variety of electronic equipment, such as computers and peripheral computing equipment, toners for office printers and various types of paper.

The principal raw material consumed by the Group's banks during their routine operations is various types of paper. Therefore, FIBI Group manages this resource according to its overall approach of efficient use, reducing consumption and increasing recycling. Paper consumption is also directly linked to toner consumption for printing. Printer toner contains ink, which has significant negative environmental impacts. FIBI Group considers reducing the consumption of paper and printer toner as an opportunity to contribute to reducing negative impacts on the environment, thereby contributing to a more efficient organization and to a greener planet.

In order to reduce paper and toner consumption, FIBI Group encourages its customers to receive mail through digital means of communications, subject to relevant regulations. As part of its resource management, the Group monitors paper and ink consumption using internal systems and is taking action to gradually expand the measurement baseline in order to obtain more accurate results and advance measures to increase efficiency. FIBI also launched a Paperless Project in branches in 2020, including digital signatures and referring numerous operations to various digital channels.

Type of paper (in kg)	2023	2022	2021	2020
A4 copy paper	224,010	240,865	326,155 <sup>17</sup>	308,943
Total paper	229,787	244,894	334,537	315,679

Paper consumption at FIBI has been steadily decreasing in recent years. A particular percentage of the lower consumption is attributed to excess purchases in 2021. Nevertheless, even taking this percentage into account, the continuing downtrend in paper consumption in 2023 attests to the effectiveness of our Paperless Project in reducing paper use in branches, coupled with other processes that FIBI is implementing to reduce paper consumption, including the continuing assimilation of digital alternatives as the key to reducing the use of paper in FIBI Group.

Toner consumption

Some of the toners consumed by the Group are recycled toners while others are original toner cartridges. Notwithstanding the preference in principle for purchasing recycled toners, the Group is currently implementing an organization-wide project

to replace old and inefficient printers, but the manufacturer's warranty on the new printers is contingent upon using only original toner cartridges. Consequently, the Group is being compelled to reduce its consumption of recycled toners. In 2023, FIBI Group consumed 4,272 kg of toners, about 27% of which are recycled toners. Nevertheless, FIBI is continuing to be diligent about recycling the empty toner cartridges, and 100% of the consumed toner cartridges were transferred for recycling.

Water consumption

The Group's water consumption is another factor that affects the environment. In order to reduce the Group's water consumption, faucet aerators are being used in all faucets in MATAF House, in FIBI's main headquarters buildings and in some of the Group's bank branches. This year, we consumed a total of about 47 thousand m3 of water in the branches and in the Group's buildings. About 41% of the total water consumption in the Group is in MATAF House, with most of the water in MATAF House being consumed in the cooling towers for air conditioning. As part of our efforts to reduce the use of water in MATAF House, the building uses its air conditioners' condensate water for cooling the water in the cooling towers and sometimes also for irrigation. Furthermore, we perform monthly inspections of the water meters at MATAF House and at FIBI's main headquarters buildings to check for irregularities and to monitor the water consumption trends in each building. Moreover, all water-related problems at the branches, including instances of water leaks, are documented and retained for the purpose of drawing conclusions.

Raw material	2023	2022	2021	2020
Toners	3,560	5,431 <sup>18</sup>	5,236	5,383
Out of which, recycled toners	955	2,596	4,389	4,974
Water (m3)	47,124	50,841 <sup>19</sup>	48,904	52,636

Waste management

The waste generated as a result of the Group's activities may be divided into three main categories:



The significant categories of waste, in terms of volume and content, that typify the nature of the Group's activities, are paper waste and computing equipment waste.

All paper consumed by the Group is collected after consumption and transferred for recycling. Our main facilities also collect cardboard waste, which is transferred for recycling together with the paper waste. In 2023, we recycled a total of 486.82 tons of paper and carboard waste. Similarly, we collected and transferred all of the toner cartridges consumed in the Group this year for recycling.

Computing equipment waste and electrical and electronic goods waste are centrally collected by the Group's procurement department and transferred for handling by a certified entity (an entity recognized pursuant to the Environmental Handling of Electrical and Electronic Waste Law). The collected electronic waste includes magnetic media, batteries, computing equipment and peripheral computing equipment, electrical appliances, communications devices, etc.

Following are the volumes of waste recycling in FIBI Group:

	2023	2022	2021	2020
Paper and cardboard (tons)	486.82	601.95 <sup>20</sup>	364.45	335.38
Clearing of archives (tons)	486.82 <sup>21</sup>	457.84	0 <sup>22</sup>	177.21
Toners (kg) <sup>23</sup>	4,272	6,517	6,283	5,969
Electronic and magnetic media waste (kg)	43,440	23,469 <sup>24</sup>	10,819	1,640

In addition to its main recycling activities, FIBI Group takes action to increase employees' awareness of the importance of recycling. The various offices have separate recycling facilities and bins designated for transfer for recycling. Among the materials that FIBI's employees are encouraged to recycle are bottles, plastic and glass containers and batteries. We point out that FIBI also recycles materials that come to it from external sources, such as cartons and items of mail. In addition to these recycling activities, FIBI collects electronic waste and transfers it to a licensed contractor for environmentally-friendly recycling. In 2023, FIBI stationed additional recycling bins in its facilities for FIBI Group's employees to use. Additionally, as part of our efforts to increase employees' awareness of environmental protection, in 2023, the Group disseminated calendars to all employees containing environmental messages to heighten their awareness of the importance of saving energy and protecting environmental quality inside and outside the BANK. Customers and services

18. The report for 2022 contained an error. The correct figure for 2022 is the figure presented in this report.

19. The reports in previous years did not take the management companies into account. Excluding the management companies, the Group's water consumption was 48,262 m<sup>3</sup>.

20. The high volume of recycling in 2022 derives from the fact that the archive was not destroyed in 2021 due to a problem in the records destruction facility. The archive that was not destroyed in 2021 was transferred for recycling in 2022.

21. In 2023, it was not possible during the data management to differentiate between paper transferred for recycling and paper transferred for destruction. Therefore, FIBI is taking a strict approach for the purpose of reporting, and is attributing all recycled and destroyed paper to paper destruction.

22. In 2021, the archive was not destroyed due to a problem in the records destruction facility. The archive destruction that was planned for 2021 was finally executed at the beginning of 2022.

23. The weight of the toners transferred for recycling relates to the original weight of the toners prior to use, and not to the weight of the empty toner cartridges actually transferred for recycling.

24. The data for 2021 and 2022 were corrected to include not only the office electronic waste but also commercial electronic waste, such as branch ATMs and information terminals. The data prior to 2021 relate only to office electronic waste.

# ESG Social







## Customers and services

### Financial empowerment of our customers

#### Achievement of our targets for 2025

Target: FIBI set a target for itself that, by 2025, FIBI will assist in the financial empowerment of 30,000 customers (10% of which are small businesses) through the provision of advanced financial knowledge.

Target achievement status: 85%



During 2023, at FIBI's initiative, about 25,469 customers gained exposure to advanced financial knowledge through activities, such as conferences and digital learning initiatives, including FIBI's "Capital Market Academy" and the launch of the "Compass" series of videos intended for small businesses. Correct to the end of 2023, there were about 1,004 views of the first video in the "Compass" series after it was disseminated to small business customers (achievement of about 33% of the target set for small businesses).

The more that the world of banking and the financial markets evolve and become more complex, the more important it is for the public in general, and FIBI's customers in particular, to acquire financial literacy and financial empowerment in order to make informed financial decisions, especially since decisions made in the short term could have a major impact in the long term. In order to provide FIBI's customers with the tools to make these decisions in an informed manner, FIBI Group offers extensive financial and pension counseling services, as well as a variety of opportunities to acquire practical financial know-how. In addition to its independent activities, FIBI takes an active part in the Financial Education Forum with the Bank of Israel.

#### Financial education

FIBI Group attributes considerable importance to the advancement of financial literacy among its customers and the general public out of its moral commitment to them, as well as part of the Group's risk management approach. The Group believes in its ability to help its customers attend to their financial future and takes action to help them make informed financial decisions having a favorable impact on their future, while balancing between their short-term and long-term needs. As part of this commitment, the Group set a target for itself of advancing the financial empowerment of 30,000 customers by 2025 through the provision of advanced financial knowledge. During 2023, about 25,469 customers gained exposure to various content through a variety of channels that contribute to financial empowerment. For this

purpose, FIBI is using traditional channels, such as physical conferences and, with increasing intensity in recent years, also digital channels, and in a dedicated and focused manner, as part of the Group's efforts to implement advanced technological tools for the purposes of improving accessibility and service.

#### The Group's variety of financial education activities in 2023:

- We launched the Telegram channel "FIBI's Investment Center," which provides capital market updates and professional content. Our channel has more than 1,200 members and every message has thousands of views.
- During 2023, about 9,000 customers gained exposure to financial education through our "Capital Market Academy." At issue is a digital series of short, structured lessons on capital market topics (technical analyses, fundamental analyses, MAOF options, how to read financial statements, etc.). We offer the lessons to our customers through instructional videos displayed on FIBI's website, which include instruction and tests.
- We produced and uploaded 9 professional podcasts, which received about 8,350 customer views and reactions.<sup>25</sup>
- In addition to information for private customers, at the end of 2023, we published the first video in our series of professional instructional videos intended for micro- and small business – "Financial Compass for Businesses." By the end of the year, about 1,000 people viewed the video and this number is continuing to rise. Within this framework, we taped another three videos for publishing in 2024.
- We held 6 in-person conferences and another 4 digital conferences on investment and financial topics, which were attended by about 4,050 customers.
- We held 5 "Women Talk about Money" workshops, in conjunction with the Na'amat women's organization and the Histadrut Federation of Labor, which were attended by about 300 women. Each workshop, which is comprised of three sessions, covers such topics as family economics, pensions and investments.
- About 1,500 people attended a series of in-person financial education conferences on retirement and pensions.

Inter alia, and as part of our efforts to produce relevant and tailored content, and out of our belief in the importance of diversity, FIBI held a conference on International Women's Day that was dedicated to providing women with tools and insights on personal wealth management. About 300 women participated in the conference, which included a panel discussion with the participation of some of FIBI's female senior managers, and with the participation of FIBI's CEO at the time, Ms. Smadar Barber-Tsadiq, who gave the keynote address at the conference and a lecture on the glass ceiling that still exists and on the tremendous advantage inherent in continuing to break through that ceiling, since diversity has tremendous value. During this conference, conclusions of studies from around the world were presented, which found that countries with high gender equality are more innovative (and vice versa), and that gender equality leads to better decision-making, to innovation, to creativity and to a productive variety of opinions.

Our efforts to advance financial literacy are carried out by the Group's various brands vis-à-vis their diverse target audiences, considering their in-depth familiarity with the differing financial needs and challenges of different communities. The banks in our Group are in direct contact with their customers, who also ask to receive information on a variety of topics.

The employees of FIBI Group's banks also contribute their financial knowledge during their involvement in community outreach programs and in conjunction with NPOs where they volunteer to advance financial literacy among the general public.

#### Help and assistance with financial decision-making

In addition to providing financial knowledge, FIBI Group also offers a comprehensive array of counseling services in order to help customers properly attend to their financial situation and future and to help them make complex financial decisions. The Group provides advanced counseling services that help customers build their investment portfolios according to their needs, while referring to the variety of investment instruments available to them. Our counseling services maintain high standards of professionalism, objectivity and responsibility and apply an orderly methodology that includes investment counseling milestones with the objective of providing each customer with a solution tailored to his/her personal needs, wishes and objectives and personalized according to the customer's preferences, characteristics, risk appetite and investment ranges.

FIBI also takes the lead among Israeli banks, in that its eligibility threshold for customers to join the investment counseling services is the lowest in the Israeli banking system – an investment portfolio balance of ILS 50,000 – which affords the general public access to these important services, even if they do not have relatively large sums of money, as other banks require.

The Group offers a wide variety of advanced investment products in order to provide solutions for the diverse and dynamic needs of all of its customers.

#### Pension counseling

One of the most significant financial aspects of customers' lives is their retirement savings, since they provide the foundation for their forward-looking, long-range financial conduct. FIBI Group devotes considerable attention to this issue and helps its customers manage these savings efficiently and effectively, according to their needs and preferences. Our pension counseling services provide customers with a complete and clear picture of their pension savings and asset portfolios, and ascertain whether their savings are suitable for their personal needs and characteristics and their changing circumstances. Our pension counseling services are characterized by proactivity, professionalism, objectivity and transparency, long-range strategizing, customization according to customers' needs, continuous counseling and service and the use of advanced IT systems. The Group believes that it is its mission to expand its financial counseling services in order to enable the public to enjoy their retirement savings long after they retire. Our pension counseling process leads to the tailoring of customers' pension savings to their needs.





### Investments in the capital market

Another significant channel is capital market investments. FIBI is Israel's leading bank in the capital market sector and has been the TASE member with the largest trading volumes in Israel for several years. As such, FIBI recognizes its responsibility for strengthening and empowering its customers who are trading in the capital market, and invests in developing accessible advanced tools and knowledge that enable more efficient and effective trading.

The capital market segment is one of the Group's business growth engines and constitutes an important tool for social activities that contribute to the public's financial education and development, such that this growth engine creates shared value for the Group, its customers and the general public. The Group's activities in its capital market segment account for a larger ratio of its activities than its other banking segments, compared to the banking system in Israel.

In 2022, as part of the Group's efforts to raise awareness and provide tools to its customers for long-term savings and investment, FIBI created separation in the accounts of counselled customers between the customers' regular investment portfolio and their long-term investments through standing orders. This change enables our investment counselors to clearly emphasize to customers the importance of wise conduct in relation to long-term savings, since the financial considerations with regard to long-term savings differ from the financial considerations during routine trading in the capital market within the framework of the customers' investment portfolios. Thousands of customers benefit from our long-term investment counseling service each year, and FIBI intends to continue expanding this service for its customers.

A key component of the Group's approach to capital market activity is the understanding that customers possessing financial know-how will be able to make correct decisions and execute transactions in the capital market that better fulfill their financial needs. FIBI offers opportunities for deepening relevant financial knowledge through all of FIBI's communications channels with its customers – the direct banking channels, FIBI's application,

its website, its professional videos and at FIBI's branches, counseling centers and investment centers – which are led by the Bank's experts in the various financial fields.

With the goal of providing professional guidance to customers taking their first steps in the capital market, already back in 2021, FIBI lowered its eligibility threshold for customers with an investment portfolio to receive investment counseling services from ILS 150 thousand to only ILS 50 thousand – the lowest threshold in Israel's banking system. In addition, in order to make its services even more accessible and easier to use, the Group is developing and implementing advanced technological financial tools, in collaboration with fintech companies. Leading examples include: the Smart Trade system, which supports customers' independent trading activities; and expanded use of the Advise.me system, which makes investment counseling services accessible to our customers through digital means. Our counseling centers provide professional responses and are also open in the afternoons most days of the week, and also provide investment counselling via Zoom. The advanced investment tools on our capital market website, and our Telegram channel referred to above, make professional content and ongoing updates available to FIBI's customers. FIBI considers it important to provide new tools in order to improve the solutions it provides to customers.

The Group also offers Second-Opinion services, free of charge, to the general public, enabling the receipt of a second opinion about investment portfolios managed outside FIBI. With the goal of providing a variety of solutions to customers to meet their financial needs, FIBI is also developing unique counseling tracks, such as the Dream Team track, which gives customers access to a variety of investment institutions' performance by using several funds-of-funds in one portfolio in their account, tailored to customers' specific characteristics and needs. Another example is incorporating ESG aspects in investments. FIBI is the first bank in Israel to make a platform available to its customers for activities with mutual hedge funds.

### Leveraging new tools and channels

We offer FIBI Wise 360° services as part of providing comprehensive services to customers and driving innovation in our financial and pension counseling tools. This system is designed for independent financial planning and enables FIBI's customers to manage all of their financial assets in one place. FIBI Wise 360° is available on our website and application to FIBI customers with an investment portfolio or pension portfolio and enables them to use the application to view all of their investments at FIBI, including investment portfolios, pension portfolios and savings. The system also enables customers to add, change or remove products that are not being managed at FIBI. FIBI Wise 360° enables use of a simulation tool that presents the composition of the selected portfolios in order to examine the effects of changes in a portfolio in advance, before they are actually made. In 2023, we expanded the service to also present to customers the development of their investment portfolios and pension portfolios. In 2023, use of our FIBI Wise 360° system increased by more than 80% relative to 2022.

The service enables users to perform a Life Plan process, during which they can examine the extent that their assets fulfill their financial objectives and future financial needs, presents the challenges and obstacles to achieving their financial objectives and presents FIBI's proposed solutions that can help them achieve these objectives with financial planning and possible adjustments for changes through ongoing guidance.

FIBI helps its customers generate the maximum from their assets and enables them to control the achievement of their future financial objectives with its Life Plan service and through the FIBI Wise 360° system. In 2023, the volume of use of the service increased by about 50% relative to 2022, and the number of customers using the service increased by about 26%.

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

FIBI Group provides a high-quality array of services to all of its customers, while considering the unique needs of customers from diverse social segments, and takes action to create customized value for them through dedicated solutions and by communicating with each customer segment through channels tailored for it. Thus, the Group's banks take action to make the Group's most advanced, high-quality financial services accessible to and customized for many social segments in Israel. Our dedicated and unique activities and our communications with customers through our various dedicated brands is one of the Group's main competitive advantages.

The banks in FIBI Group cultivate long-term relations with customers by providing professional, fair, efficient and courteous service and by creating value for the Group's diverse customers.

We manage our activities and relations with our customers, who are key stakeholders of the banks in FIBI Group, by considering their best interests and while creating a variety of accessible, innovative communication channels and services according to customers' specific needs. The Group's unique solutions for the diverse financial needs of various populations enables diverse populations to gain access to high-quality management of their financial assets and liabilities in order to make informed financial decisions. In this way, the Group contributes to the growth of the Israeli economy, inclusive of all of its diverse and unique social segments.

In conformity with the Group's policy, our banks are diligent about providing personalized and empathetic banking services. As a leading financial organization, the Group is committed to providing professional, fair and courteous services to its customers based on trust in all of its service channels. As part of implementing the Group's strategic plan, we carry out processes to improve the service and products we offer to customers, based on insights about customer satisfaction we obtain from customer satisfaction surveys and on our annual market research monitoring trends in the financial market. We measure customer satisfaction with our innovations and adjustments to services using various communication channels.

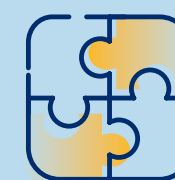
FIBI Group attributes considerable importance to helping all of its customers by optimally customizing our services to their unique financial and economic needs. One of the ways to do this is by providing solutions tailored for customers from a variety of population segments or for customers with similar characteristics, including: ultra-orthodox Jewish society, Arab society, people with disabilities, senior citizens, educational staff and the security forces.

### FIBI Group implements its strategy for providing customized solutions to populations with unique financial needs in several ways:

**Customizing our branches according to the character of the population** in the neighborhood by assigning appropriate staff and by adapting the language and the marketing messages.



**Collaborations** with and providing support to a variety of social organizations and entities to advance programs and activities **for disadvantaged populations**. These activities include, for example, strengthening financial literacy, providing instruction and tools for household financial management, and more.



**Customizing our financial services and tools according to the target population's lifestyle:** loans at convenient terms, solutions for times of crisis, and tools customized according to customers' financial capabilities.







## Investing in Israel's ultra-orthodox and religious Jewish society

### Achievement of our targets for 2025

**Target:** FIBI set a target for itself that, by 2025, 50% of the businesses granting beneficial terms to customers who are members of PAGI's customer loyalty club will be local businesses in ultra-orthodox Jewish communities, with the goal of advancing a sustainable local economy in this society.

**Target achievement status: 100%**



Today, about 50% of the businesses participating in PAGI's top team of businesses are local businesses catering to ultra-orthodox Jewish society.

Our PAGI branches cater to Israel's ultra-orthodox and religious Jewish society. PAGI develops products and services tailored to this population's unique financial needs through its model of service and through customized products and services. PAGI operates as an integral part of FIBI, after it was merged into FIBI, while fully preserving its brand, character and activities in ultra-orthodox and religious Jewish society and its network of branches in localities characterized by a heavy concentration of ultra-orthodox and religious Jews. In order to ensure that PAGI continues generating the value that its customers need, PAGI is diligent about maintaining ongoing dialogues with its customers and with opinion-leaders in these population groups, and conducts research to identify changing trends and needs in this society in general and within its various segments in particular.

As part of PAGI's services tailored to the needs of the ultra-orthodox Jewish society, some segments of which refrain from using the internet, PAGI is diligent about providing personal service through its 16 branches and customized solutions for the needs of ultra-orthodox Jewish customers. Within this context, in 2023, PAGI expanded the possibilities for obtaining bank wire service via telephone using the phone's keypad (interactive voice response system), in addition to the existing digital options and telephone conversations with bank clerks. The vast majority of PAGI's employees are from religious and ultra-orthodox Jewish communities who know how to provide service tailored to its customers. In addition, due to the relatively robust business at these branches, PAGI takes action to provide time- and money-saving solutions for customers in its branches, such as in-branch internet stations, ATMs for withdrawing and depositing cash, depositing checks, and more.

As part of its efforts to accommodate all of its customers' needs, PAGI offers unique banking services tailored to ultra-orthodox Jewish customers' needs during different stages of their lives, which are characterized by changing financial capabilities and changing financial needs. PAGI also offers unique products and tracks to specific segments of this society, such as to married Yeshiva students, to young people who have jobs, to students and to small-business owners. Some of the tracks include financial counseling in order to help customers become more financially independent. PAGI also offers a credit card club dedicated to the relevant population, through which hundreds of merchants grant discounts to cardholders at the time of the transaction, some on purchases of consumer goods and other discounts at businesses catering to the ultra-orthodox Jewish society.

As part of its community outreach in Israel's ultra-orthodox and religious Jewish society, PAGI also specializes in providing services to this society's NPOs and institutions. In this way, PAGI contributes to economic activity in these communities and to the advancement of social processes and causes. PAGI's

relevant departments have amassed many years of experience working with NPOs, and its professional staff is highly proficient in finding creative solutions and leading long-term processes to enhance these organizations' proper management of their activities over time, while strictly complying with regulatory restrictions.

### Activities in 2023:

- PAGI is continuing to take action to make digital and remote banking services accessible to the ultra-orthodox Jewish society, which is characterized by relatively infrequent use of direct digital channels. PAGI invests considerable efforts on an ongoing basis, using media dedicated to ultra-orthodox Jewish society, in order to ensure that its customers from these communities are aware of changes in the way service is provided and of the unique products and services that PAGI offers, as well as in order to make information accessible about the variety of optional modes of communicating with the bank, including by way of personal explanatory conversations with customers. During the past year, PAGI invested considerably in sponsorships and events in the ultra-orthodox Jewish society, which helps PAGI deepen its connection with the public. PAGI's activities became even more essential during the Swords of Iron War. PAGI launched a wide-scale advertising campaign via the ultra-orthodox Jewish society's media as a means to explain the various banking benefits that its customers are entitled to receive as a result of the war, depending upon the location of their residential community.
- In 2023, PAGI expanded the digital offerings in its branches by making tablets available for the purpose of opening a bank account, which are intended for ultra-orthodox Jewish customers who do not own smartphones for religious reasons. These tablets enable customers to open accounts within a few minutes and enjoy a convenient and pleasant customer experience. As a result, 47% of the bank accounts in PAGI were opened using tablets.
- As part of its efforts to advance economic development and professional financial knowledge in ultra-orthodox and religious Jewish society, PAGI continued to offer a variety of courses and lectures on diverse financial topics, including a lecture on financial management during a seminar in Rehovot, and conferences for business owners in Beitar and in Beit Shemesh.
- PAGI's collaboration with the Achim Center continued in 2023. The center is dedicated to promoting employment in ultra-orthodox Jewish society by offering assistance and support to ultra-orthodox Jewish businesses. During this collaboration, PAGI gave a series of lectures to business owners at the Achim Center on economic topics relevant to their routine challenges.
- PAGI is collaborating with a customer loyalty club catering to the ultra-orthodox Jewish society, which added another category – the "top business team." The businesses in this team were carefully selected and they offer significant additional discounts. Of these businesses, 50% are businesses that not only cater to the ultra-orthodox Jewish society, but are also local businesses from this society.

### Investing in Israel's Arab society

Bank Massad is taking action to expand its services in Israel's Arab society and to make its products and services more accessible to this society's unique financial needs. This is part of Bank Massad's strategic plan for its retail customers in general and its activities tailored for educational staff and teachers in particular. The service to Israel's Arab society focuses on two main populations – teaching professionals and medical professionals in this society. Bank Massad operates seven branches in population centers for Israel's Arab society (about 33% of its branches). Its network of branches provides customers with high access to the variety of services offered by the bank.

Within the framework of Bank Massad's activities for the financial advancement of the Arab society in Israel, the bank focuses on creating value through unique products and customizing its array of services. The branches in areas with a high concentration of customers from Arab society recruit and employ employees from this society, who constitute about 9% of all managers and about 20% of all employees of Bank Massad. In this way, it is easier for Bank Massad to ensure high-quality and customized service that integrates into the environment in which it operates. In conformity with the Group's approach, which strives for maximum customization of products and services to customers' unique needs, adjustments are made to address the unique financial needs of the Arab society and these products are made accessible to the public with unique value propositions for various frameworks within this population, such as colleges or hospitals.



**About 33%**

of the bank's branches operates in population centers for Israel's Arab society.





Activities in 2023:

- In 2023, Bank Massad continued providing products tailored for customers from Israel's Arab society, according to its holidays, including during the month of Ramadan. In March and April, during the month of Ramadan, Bank Massad held 6 major events and invited its customers to Iftar meals (to break the daily fast). Additionally, Bank Massad distributed flowers on Mother's Day at about 60 schools and distributed chocolate boxes and festive hats for Christmas at about 50 schools, and more.
- Bank Massad maintained its strong relationships with public-opinion leaders in Israel's Arab society, who play an important part in maintaining and reinforcing the bank's customers' sense of belonging. Within this context, during the year, Bank Massad sent SMSs through public-opinion leaders in order to inform the population of the unique benefits to which the bank's customers are entitled. Bank Massad also increased the number of campaigns via digital channels and social networks, including Facebook and Instagram. During the year, Bank Massad broadcast campaigns on these networks in Arabic during Ramadan and other holidays this year. Each campaign was viewed about 250 thousand times across several channels (Facebook, Instagram and YouTube).
- In 2023, the Financial Education Forum led by the Banking Supervision Department at the Bank of Israel was dedicated to lectures on the subject of digital fraud online. Bank Massad employees from Israel's Arab society participated in lectures on the subject in about 4 Arab communities nationwide. Each lecture was attended by about 50 people. The objective of the meetings was to raise and enhance awareness of the issue.
- About 45 external mortgage counselors participated in our mortgage counselors' conference held at the Ramada Hotel in Nazareth, which was attended by the bank's CEO and FIBI Group's mortgage director, as well as by branch managers in the Arab society and representatives of the marketing department.



Investing in customers with disabilities

FIBI Group attributes considerable 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. FIBI Group invests efforts to ensure that the banking services in the Group are accessible by all of its customers, both physically at the branches and through its call centers, digital channels and service facilities at the branches. For this purpose, the Group has an accessibility officer who is responsible for implementing an accessibility plan at the Group level, in conformity with the accessibility laws and regulations. The Group's program for accessibility of services received guidance from the NPO, Access Israel.



Today, all of the Group's branches are accessible and the Group ensures ongoing maintenance of the accessibility means in the branches. Our physical service accessibility means include: parking spaces for the disabled near the branch; accessible entrance to the branch; accessible customer service stations (adapted for customers with impaired vision and limited mobility); accessible teller counters; a waiting area; aids for hearing-impaired customers; accessible lavatories; an elevator; branch ATMs (adapted for customers with impaired vision and limited mobility).

The accessibility of the various service channels includes, inter alia, accessible branch ATMs; the Group's website is accessible using dedicated technologies; accessible voice response and the operation of a dedicated phone number for queries about accessibility. The Group also operates services through the NPO, Access Israel, to make information accessible through a variety of means and in coordination with customers, including reading, audio files, PDF files (adapted with reading software), and information in Braille.

The Group encourages its employees to learn about accessibility, with the objective of ensuring high-quality service that is accessible by and adapted for customers with disabilities. For this purpose, we developed courseware on accessibility, which was approved by Access Israel, and is included in the list of compulsory courseware for all of FIBI's service representatives.

Activities in 2023:

- The Accessibility Regulations prescribe that repeat inspections must be performed five years after accessibility adjustments were made in bank branches. In 2023, FIBI began performing these inspections with the assistance of the NPO, Access Israel. This process is nearing completion, but is being delayed as a result of the war.
- In 2023, we installed automated stations for scheduling appointments at branches. These stations were characterized and made accessible in conformity with the regulations and were approved by the accessibility advisors.

Investing in senior citizens

People contend with major financial changes in their lives when they retire, which derive from their retirement from the workforce and lower income, as well as from expenses due to new needs. During retirement, pensioners have time to try new experiences and increase their cultural and leisure activities, but this period is also accompanied by concerns about their future and the future of their families. Furthermore, digitization of services in general, and in the banking sector in particular, poses unique challenges for senior citizens who, in many instances, have a hard time adapting to the changes taking place in their lives and in their environment.

FIBI adopted an SLA for senior citizens, which it published in conjunction with the Ministry of Social Equality and the Association of Banks during the Covid-19 period. FIBI is continuing to provide the same benefits and allowances to customers above the age of 70 that it gave at that time, including precedence in queues for the receipt of services at branches and assistance from bankers in branches in performing transactions remotely without having to go to their branch, to the extent possible. FIBI also enrolls its elderly customers in a designated fee track in conformity with the Bank of Israel's directives and allocates resources for overseeing elderly customers' banking activities, including their investment portfolios.

In order to tailor our banking services to senior citizens' unique needs, the Group offers dedicated services enabling them to make informed financial decisions on the basis of the unique characteristics of retirement life. These services include retirement counseling and investment counseling in order to adapt investment portfolios to their new needs.

Our tailoring of the very provision of service includes, for example, entitlement to courier service at no cost once a month for banking operations determined by FIBI, in order to make it easier for those who have difficulty traveling to the branch or, for those who prefer to perform banking operations at our branches, entitlement to four operations per month by a clerk at the fee of a direct channel operation. Many of the benefits are given automatically and do not require any action by customers. We also offer informational materials about benefits and information about safe and responsible financial conduct on FIBI's website.

FIBI Group operates on two axes in order to make financial services accessible by senior citizens. Along the first axis, the Group makes it easier for them to use personal channels, which include both service provided at branches and telephone service (FIBI Call). Senior citizens receive precedence in the receipt of service in the personal channels, since FIBI Group is cognizant of the fact that senior citizens need these service channels more than other customers. Along the second axis, FIBI is taking action to make it easier for elderly customers to use digital channels and technological services, by providing personalized instruction and guidance at the call center and in the branches, and by stationing service attendants in some of our branches.

Our activities within the framework of the Financial Education Forum with the Bank of Israel largely supplemented our efforts

to increase digital literacy among senior citizens. We also presented the Forum's selected topic for 2023 of increasing awareness of digital fraud to elderly customers, particularly immigrants from CIS countries and customers in Israel's Arab society. During the year, various activities were carried out nationwide, led by the Banking Supervision Department, with the participation of the banking system, including lectures on digital financial fraud, and FIBI Group took an active part in the various activities.

Due to the considerable importance that FIBI attributes to the provision of high-quality service to senior citizens, we added courseware on banking services for senior citizens to FIBI's training program, as part of the compulsory training for new employees hired at our branches and call center. During 2023, we clarified our service policy provisions and the importance of providing optimal service to our elderly customers.

In the area of pension and retirement counseling, FIBI is taking action to make information available specifically for senior citizens and disseminates information about tools enabling them to receive the tax benefits to which they are entitled. We are taking action in several channels for this purpose. One channel is lectures for senior citizens at pensioners' clubs on the subjects of retirement and retirement counseling, including handling of their pensions, fixation of rights and utilization of tax benefits for pensioners in respect of pension funds; and "Amendment 190" – savings through a provident fund especially suitable for those at the age of 60 and more. FIBI also presents lectures at retirement conferences organized by employers on the subjects of pension savings and the handling of pension funds upon retirement, as well as tax aspects (without offering tax advice) and explains the options available to customers, both for withdrawing pension funds and for continuing a savings plan.

We emphasize that sound, personalized retirement planning from a long-range perspective is critical. Decisions made prior to retirement are extremely important since they have a substantial impact on a person's standard of living upon retirement. Once the decisions have been executed, some are irreversible and cannot be changed. Pension counseling prior to retirement includes examining possibilities for realizing pension savings by way of withdrawing a monthly sum (pension) or by withdrawing a lump sum (capital), while considering the tax aspects based on the retiree's preferences and planning, and





the management of investments of personal funds even after retirement, as well as examining possibilities of increasing the pension at the age of retirement, if necessary. FIBI provided retirement counseling to hundreds of customers in 2023.

### Investing in teachers and educational staffs

Bank Massad also focuses on the population of teachers and educational staffs. The bank offers financial products and services tailored to this population, including a variety of special tracks and benefits. Bank Massad constantly learns about the needs of this population and develops customized services for it. The bank's service and marketing departments are also adapted to the characteristics of this population. Bank Massad's collaboration with the Israel Teachers Union is ongoing and extensive throughout the year in a wide variety of channels, including: bank representatives participating in various events for teachers organized by the Israel Teachers Union, participation in professional conferences and annual conventions, as well as direct meetings with teachers. Bank Massad, in collaboration with the Israel Teachers Union, participated in 190 events dedicated to this population in 2023, reaching about 65,000 teachers.

As part of its commitment to the population of teachers, the community outreach of Bank Massad and its employees includes maintaining numerous collaborations with community associations dedicated to strengthening the standing of teaching staffs and offering enrichment activities to students.

### Investing in the security forces

FIBI's Otsar Ha-Hayal brand specializes in providing services to members of the security forces and their families. Otsar Ha-Hayal offers unique and diverse financial services tailored to the various needs of this population and is diligent about providing holistic solutions for their needs, both during military and security service and after discharge from service. Otsar Ha-Hayal branches are familiar with the unique challenges facing security forces and veterans and take action to provide solutions to them at both the product and service levels. As part of its commitment to provide accessible and customized service to the security forces, Otsar Ha-Hayal has 12 branches inside IDF bases, being cognizant of the fact that it is difficult for security forces to travel to branches in their communities due to their busy schedules. The bank also offers loans and credit with beneficial terms under the Ministry of Defense tender, holds conferences dedicated to members of the security forces and maintains close collaborations on a variety of topics with the various security force organizations, such as Hever – the Career Soldiers and Veterans Organization, the IDF Labor Organization, Tzevet – the IDF Career Army Veterans Association and the IDF's Disabled Veterans Organization.

During 2023, FIBI contributed to Sunday cultural gatherings for IDF soldiers, which included short lectures providing tips to soldiers on wise financial conduct. Additionally, as part of FIBI's contribution to the "Now Me" program, a program for the empowerment of wounded female soldiers being offered in conjunction with the IDF Disabled Veterans Organization, some of our female managers presented lectures to the program's participants on financial conduct and financial planning and provided personal guidance as needed.

## Investing in customers during times of trouble – the Swords of Iron War

FIBI Group's mission is to develop and provide services that are as highly customized to customers' various and changing needs as possible. During the Swords of Iron War, and especially during the first weeks of the war, designing and offering customized service became immeasurably more important. All of the Group's brands mobilized to provide as customized a response as possible to customers in an attempt to make things even slightly easier for them during this challenging period. FIBI's activities for its customers during this period included counseling and the provision of allowances and benefits or other forms of support.

- During the initial period of the war, we exerted efforts to maintain communications with our customers in a variety of ways, including making information available via digital channels and via SMS and proactively contacting customers, in order to give them a sense of security and enable them to make specific changes if necessary.
- We offered professional digital conferences with our investment counselors to provide focused and dedicated responses to customers at this time.
- We made thousands of telephone calls to FIBI's customers in order to assure them that we are here for them and stand beside them. Most of the conversations focused on customers receiving pension counseling, particularly senior citizens. We were surprised to discover that, besides imparting a sense of financial security, which was the purpose of our calls, some customers told our counselors that they were the first people they spoke with since October 7. It moved us that we could do this and thus support our customers.

We devoted special attention to the population in the western Negev (the communities around the Gaza Strip) and to career soldiers, reservists and pensioners of the security forces, in conformity with the guidelines of the Banking Supervision Department of the Bank of Israel and even beyond the guidelines:

- We proactively contacted customers living in the vulnerable communities, career soldiers, and IDF pensioners in order to check whether they have any specific needs that we can address.
- FIBI's mobile branch travelled to hotels that took in residents who were evacuated from communities around the Gaza Strip and from northern Israel, and to IDF bases.
- FIBI established two assistance funds for career soldiers and reservists at the inclusive sum of ILS 200 million. The funds provided interest-free loans of ILS 24,000 to career



soldiers residing in communities around the Gaza Strip and in evacuated communities in northern Israel and loans of ILS 12,000 to career soldiers and reservists residing in all other areas of Israel. We also developed special loans at very low interest for security force personnel – to members of the Hever Career Soldiers and Veterans Organization, to employees of the Ministry of Defense, to civilian employees of the IDF and to IDF disabled veterans.

- We allowed career soldiers to defer their mortgage payments by three months without interest, and we forgave loans of career soldiers who fell in combat (which were paid off from FIBI's funds, after deducting their wages).
- FIBI granted a full one-month exemption from paying mortgage payments to residents of communities around the Gaza Strip, and allowed them to defer mortgage payments for another 5 months without interest.

## Bank Massad

In light of the security situation, Bank Massad provided solutions, special benefits and relief to its customers in conformity with the Bank of Israel guidelines. Additionally, during the months of the war in 2023, the bank assisted and supported injured populations through several channels: provided assistance in the form of equipment to soldiers and the security forces; purchased hundreds of school bags for children of evacuees; donated about 80 laptops to students and lecturers at Kayer Academic College in Be'er Sheva; and adopted the Nevo School (a school near the Dead Sea for children of evacuees from Kibbutz Saad). The bank's management enabled every employee to participate in a day of volunteering activities at the Bank's expense.

### Quality of service

Providing optimal, superior-quality service is part and parcel of FIBI Group's way of doing business and is reflected by providing professional, fair, responsible, readily available, efficient and courteous service to all customers, by constantly striving to improve the level of service, particularly proactive customized service, and by constantly improving our service and our responses through our direct channels.

The Group's quality of service policy derives not only from the provisions of law, regulations and directives of the Banking Supervision Department, but also from the values embodied in the code of ethics of the Group's banks, which include the principles and rules of proper conduct. The responses we provide to customers reflect the values of professionalism, consideration and responsibility, particularly the values of fairness and transparency in customer relations and of maintaining service efficiency, beyond mere compliance with the laws, regulations, Bank of Israel directives and with the various regulatory provisions.

The Group continues to develop innovative and advanced products for its customers and attributes considerable importance to maintaining dialogues with them in order to understand and optimally address their needs. The Group's service culture is always its top priority, and all of our employees embrace the Group's service approach. The Group provides its employees



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# חצי שנה הפוגה מהמשכנתא

הבינלאומי מעניק לתושבי העוטף  
פטור מלא מהמשכנתא למשך חודש אחד  
(כולל הקרן והריבית)

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וועד 5 חודשי דחייה בתשלומי המשכנתא,  
ללא ריבית בגין סכום הדחייה וללא עמלות

לפרטים >>



הבינלאומי

אי עמידה בפירעון ההלוואה עלולה לגרום חיוב בריבית פיגורים והליכי הוצאה לפועל

## Six-month respite from your mortgage

[illegible]

## Mobilizing for reservists



הצילום: דניאל גורן

# מתייסיים למען אנשי הקבע

בגזית הכולדלנד – אנשי הכוח הביתי של כוחות הבטחון זקוקים

## קור סיניע בכפר 100 מיליון ש"ח

להחליט: ללח או לרדת? שומרים הסוכה במחשבותיהם להשעיר הקבע

**הביליטיוני – אזור חמים**

האזור המיושב של כפר ה-100 מיליון ש"ח, הנמצא בדרום-מזרח ישראל, הוא אחד האזורים המיושבים ביותר בארץ. הוא מיושב מאז שנות ה-50, ונחשב לאזור חמים. האזור מיושב על ידי כוחות הבטחון, ונחשב לאזור חמים. האזור מיושב על ידי כוחות הבטחון, ונחשב לאזור חמים.

## Mobilizing for career soldiers

with professional tools and the latest know-how in order to maximize and streamline service to customers. In 2023, 842 FBI employees completed advanced customer-service training courses, which were either integrated into courses on fair banking or were provided as distinct service training courses.

FIBI is continuing to measure quality of service at branches on the basis of information from various sources, while considering a range of customer-service parameters. FIBI's measurement methodology encourages branches to constantly improve, both individually and relative to other branches. The quality of service being measured at our various branches constitutes a key parameter in evaluating the branch, and the service model takes into account inter-branch competition. FIBI invests considerable resources in processes to measure quality of service, in which thousands of customers participate annually. These processes enable FIBI to identify ways to constantly improve the quality of service being provided to its customers. FIBI also frequently monitors the telephone responses at its call center and its callback system in order to ensure that FIBI's customers receive swift, professional and high-quality service from our call center.

Decisions reached about customer complaints reflect values of integrity, fairness and reliability.

Customer satisfaction at FIBI Group

FIBI invests heavily in providing professional service and regularly monitors customer-satisfaction indicators proactively and internally and by participating in external customer-satisfaction surveys conducted by the Bank of Israel and by the Marketest Institute. FIBI Group conducts surveys among its customers in order to learn about their satisfaction with our service, to draw conclusions and gain insights for the purposes of increasing efficiency and constantly improving our customer-satisfaction indicators. Additionally, we hold discussion groups as part of our annual work plan, which are tasked with implementing solutions and defining work processes that will further enhance excellence in service.

FIBI emphasizes service excellence during professional workshops and conferences held with branch managers and private banking department managers in our branches. These meetings focus on the importance of providing professional service, of fairness, of clarifying customers' needs, of customizing the responses to customers' needs, of deepening relationships with customers, and more. Since 2021, we have been including unique service-level parameters in our branch evaluation model, and the branch service surveys are an integral part of the tools we use for internal branch evaluations.

Activities in 2023:

FIBI

In 2023, FIBI participated in various sectoral surveys on service topics, including private customer satisfaction, small business satisfaction, mortgage customer satisfaction, etc. FIBI also conducts its own customer-satisfaction surveys among various target populations. These include telephone surveys among a representative sampling of customers from all of FIBI's branches, as well as routine digital surveys throughout the year.

In 2023, for the first time, FIBI was awarded the title "The Most Reliable Bank" when it won first place in Statista Index's list of the most reliable companies in the category of financial services, fintech and insurance companies.

**FIBI was also ranked in first place among the largest banks in Israel, in several quality-of-service aspects according to the Marketest Institute's survey for 2023.**

FIBI was ranked in first place in several parameters, including:

- Overall satisfaction with the service
- Customer loyalty
- Would recommend to a friend
- Value for the money
- Satisfaction with the process of performing operations on a website or application.

**FIBI was also ranked in first place in another Marketest sectoral survey focusing on mortgages in the following parameters:**

- Satisfaction with the waiting time for a meeting in a branch
- Professionalism and knowledge of the mortgage banker/representative – **for the second year in a row**
- Customizing the best track according to the customer's needs – **for the second year in a row**
- Full and clear explanations by the mortgage banker/representative – **for the second year in a row**

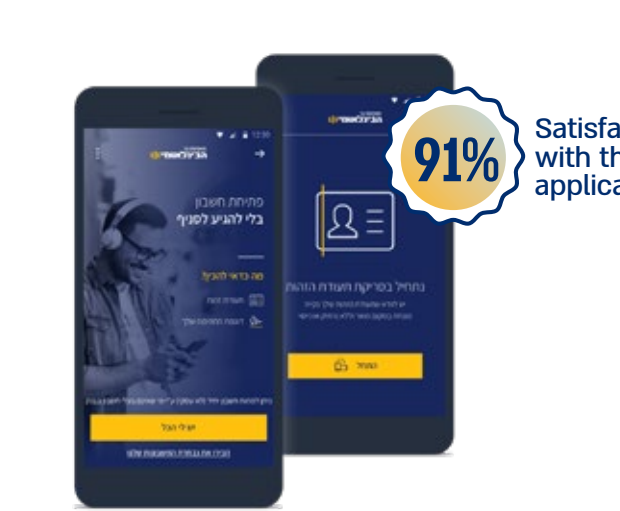
In a sectoral survey initiated by FIBI and conducted by the Geocartography Institute among all customers of the banks relative to the corresponding period last year, FIBI received the following scores: 8.1 in overall satisfaction with FIBI; 8.7 in satisfaction with the courtesy of service; and 8.7 in satisfaction with the professionalism of service.



Subsequent to the report period, in March 2024, the Bank of Israel published the findings of its annual survey for 2023 conducted last August, which surveyed, inter alia, business customers' satisfaction with the service that banks provided to them. This survey focused on independent businesses, micro-businesses and small businesses with up to 20 employees.

**According to the findings of the Bank of Israel's survey, FIBI rose to first place in 2023 in five rankings, including:**

- "Would recommend the bank" – FIBI's ranking was about 25% higher than the average ranking in the banking system.
- "Satisfaction with the service at a branch" – FIBI's ranking was about 21% higher than the average ranking in the banking system.
- "Satisfaction with the website" – FIBI's ranking was about 6% higher than the average ranking in the banking system.
- "Satisfaction with the application" – FIBI's score was 91%.



Bank Massad

Bank Massad considers customer satisfaction as the core foundation for its business activities with customers, and invests considerable resources in advancing a variety of service channels and in creating synergies between them so that the overall experience enhances customers' satisfaction and sense of belonging in the bank. Bank Massad bases its service approach on ensuring that customers' personal experience is of holistic service. In 2023, Massad Bank launched several new service routines to implement its holistic service approach. It designed and implemented customer journeys for select populations, a service routine for managing leads and a service routine to ensure optimal customer experience among new customers.

In 2023, Bank Massad conducted a survey of customers' satisfaction with the service it provides to its customers, and the results found, inter alia, a rise in the customer loyalty indicator.

In 2023, Bank Massad participated for the first time in the Service and Customer Experience Competition sponsored by Hamil – the Israel Management Center. Bank Massad won first place in the category "personalization and customer journeys." Bank Massad also conducted a wide-scale customer-service satisfaction survey in 2023 that surveyed customers' satisfaction with the service that Bank Massad provides to them in the various human and digital service channels. The findings show the highest overall score in the digital channels and improvement in customers' satisfaction with the service at their branches relative to last year.

Public complaints

The FIBI Group takes action to respond to every customer professionally, considerately and responsibly. Decisions made about customer complaints reflect the values of integrity, fairness and reliability. The Group's public complaint units – headed by our ombudsmen, conduct comprehensive, unbiased, fair and objective clarifications of every complaint received at the units. The findings of the clarifications are scrutinized and any deficiencies found are rectified systemically, as needed, while strictly adhering to the Group's purpose and mission, which is to provide fair, responsible, high-quality and accountable responses to customers. When the handling of a complaint is completed, the findings are determined, including remedies, if needed, and a detailed and reasoned response addressing the claims raised in the complaint is sent to the complainant within a reasonable timeframe. FIBI Group takes action to minimize the response time to complaints and to provide prompt and sometimes immediate handling of urgent complaints, in conformity with the provisions of Proper Conduct of Banking Business Directive 308A, which regulates the activities of the public complaints unit and of the ombudsman heading it.

Complaints may be sent to the unit through a variety of means of communications, including an online form on FIBI's website, email, physical main and fax. FIBI displays all of the communications channels on its website.

The mode of handling customer complaints derives from provisions of law, regulations and Banking Supervision

Department directives, as well as from the codes of ethics of the banks in FIBI Group, which include principles and rules of proper conduct. Beyond complying with rules, regulations, Bank of Israel position statements and the various regulatory provisions, our responses to customers reflect the values of professionalism, consideration and responsibility and emphasize the values of fairness in customer relations and efficiency. Complaints are examined fairly and objectively according to the banks' procedures and the relevant agreements with our customers. Our responses to customers are characterized by sensitivity and high service awareness, and are issued after exercising judgment. When the handling of a complaint is completed, the findings are determined, including remedies, as needed, and a detailed and reasoned response addressing the claims raised in the complaint is sent to the complainant within a reasonable timeframe. Regarding complaints not referring to the banks' business discretion (complaints not addressed in provisions of laws and the Bank of Israel's directives) we inform customers that they have a right to appeal our response to the Supervisor of Banks Commission.

Our public complaints units contribute significantly to the Group's ability to map the material issues in terms of customers' expectations of the level and type of service they receive, for the purpose of drawing conclusions and setting goals. Therefore, the units perform orderly biannual processes for the purposes of learning and drawing conclusions from the complaints received, either by subject matter or notable events. Within this context and in light of the findings of the complaints and as necessary, the units cooperate with various units in FIBI (that are relevant to the customer's complaint), such as the legal department, the compliance officer, the banking division, the risk management division, MATAF, etc.

In the event of a specific malfunction, the branches are instructed to draw conclusions in instances when non-adherence to procedure resulted in a customer complaint or query and in compensation to the customer. The units submit requests to implement improvements in automated systems, to revise forms and to revise work methods. When a complaint is received containing organization-wide aspects, conclusions are drawn immediately in collaboration with FIBI's branches and professional entities. The units also monitor the rectification of organization-wide deficiencies and the drawing of conclusions deriving from customer queries and complaints. An annual report on the conclusions drawn is presented to FIBI's management and board of directors, and a report on material deficiencies is issued to the Bank of Israel on a biannual and annual basis.

Public queries to FIBI Group – 2023

Type	Received	Handled	Ratio of queries/complaints handled <sup>26</sup>	Justified complaints
Query	1,742	1,741	99.9%	--
Complaint	2,335	2,414	103.4%	334
Total	4,077	4,155	101.9%	--

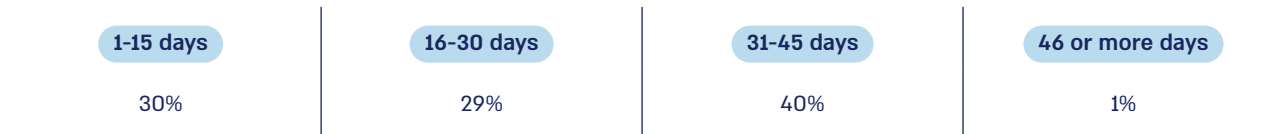
26. The ratio of queries is larger than 100% because it includes complaints received at the end of 2022 and handled in 2023.



In conformity with our public complaints units' SLA, the Group is committed to responding to every complaint and query within a reasonable timeframe and to issue a clear response with maximum courtesy, in a reasoned manner and supporting its responses with documentation as needed, on the basis of the following principles:

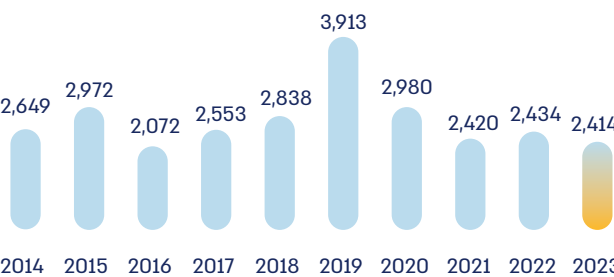
- providing rapid and efficient responses to customers in compliance with the criteria prescribed by the Bank of Israel;
- raising the awareness of FIBI's employees regarding adherence to consumer-related directives and to fairness towards customers;
- turning dissatisfied customers into satisfied customers;
- emphasizing service and courtesy;
- drawing conclusions from complaints in order to improve service and raise our standards of professionalism.

Complaint response times<sup>27</sup>:

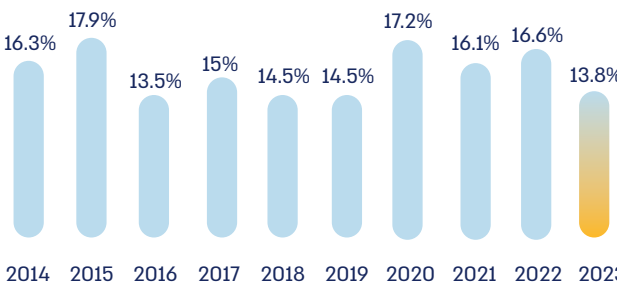


These data attest to a significant improvement in the average response times for handling queries. To summarize 2023: less than 1% of the queries (0.7%) were handling after 46 or more days – about a third of the ratio recorded in 2022. The ratio of queries answered within 31-45 days in 2023 decreased compared to 2022 by about 9%. On the other hand, the queries handling within 15 days improved significantly and increased by nearly 7%. All queries received at Bank Massad were handled within 45 days, with the majority handled within two weeks.

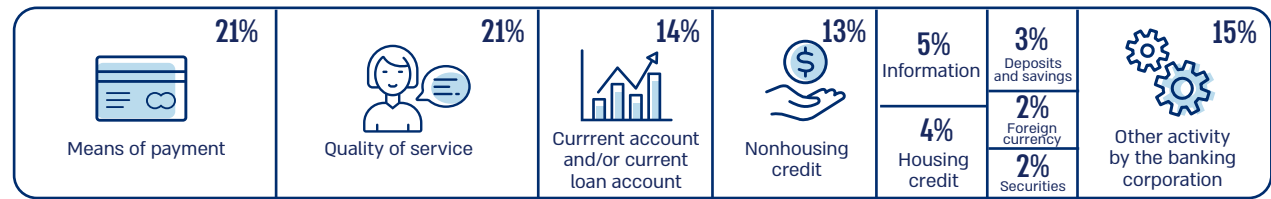
Total complaints handled by FIBI and Bank Massad during the report period that must be reported to the Bank of Israel, 2023-2014



Ratio of justified complaints in FIBI Group 2023-2014



Queries by subject matter 2023



27. 1) The 2023 data include only complaints handled by Bank Massad and FIBI. In previous years, query data were added to Bank Massad's data.  
2) The report reflects averages of the handling time categories defined by the Bank of Israel and not actual days until handling is completed.  
3) Complaints in respect of reporting to the credit data company are not included in the report to the Bank of Israel in conformity with the provisions of Proper Conduct of Banking Business Directive 308A (handling of customer complaints), apart from customers who contacted our public complaints units directly.  
4) In relation to the category of 46 or more handling days: a letter was issued to the customer regarding the delay in issuing a response.



Providing service in the wake of the events of 2023

**Responses during the war** – queries from the various categories of customers that directly related to the war that were received from customers or relayed from the Bank of Israel were forwarded for our units' handling as dictated by the Bank of Israel. Our units prioritized queries regarding the accounts of wounded customers and requests for help from families of hostages and the missing and from members of the security forces, and these were answered within very short timeframes, sometimes on the same day. Senior managers assumed personal responsibility for handling these sensitive queries, and they maintained contact in this regard with the Bank of Israel, the Association of Banks, IDF officers, the Cyber Division, branch managers and more.

Social considerations in banking activities

**Social financing:**  
Being cognizant of the fact that Israeli society has diverse social and cultural characteristics and unique financial needs requiring customized responses, FIBI Group develops products and services customized for unique populations on an ongoing basis in order to promote the economic inclusion of all populations in Israeli society.

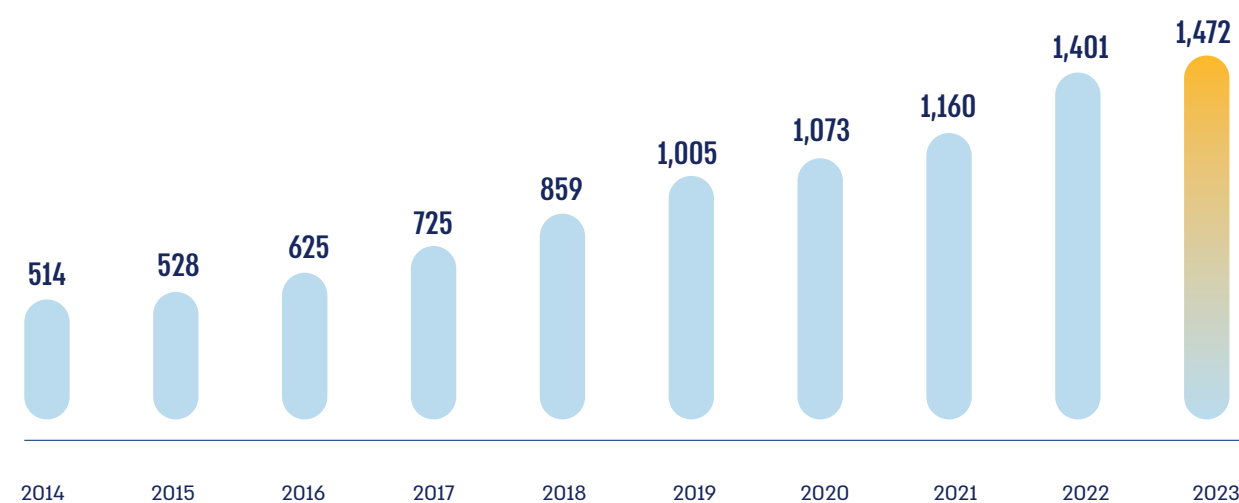
FIBI Group's strategy for advancing social credit is two-pronged:

- Customize credit services to the target audience's lifestyle: loans at convenient terms, credit solutions in times of crisis and tools tailored to customers' financial capabilities
- Support a variety of social entities and organizations: promote credit plans for social organizations that support vulnerable populations and advance social and public objectives.

One notable example of the Group's provision of social credit is the credit that FIBI is providing (through PAGI) to social organizations in Israel's ultra-orthodox and religious Jewish society. Correct to the end of 2023, the balance of credit that FIBI is providing to social organizations in the ultra-orthodox and religious Jewish society (education, welfare and relief services, social community organizations, religious services, etc.) totalled about ILS 1.5 billion.

FIBI also includes social considerations in its nostro investment activities. In 2021, FIBI decided to participate in an impact investment as part of this activity. At the end of 2021, FIBI undertook to participate in the financing of Social Impact Bonds of Social Finance Israel (SFI), a social enterprise promoting impact investments in Israel and generating measurable social impacts through social financing tools. The bond that FIBI

Balance of credit to social organizations in Israel's ultra-orthodox and religious Jewish society (in ILS millions)



undertook finances training in high-tech professions for men from Israel's ultra-orthodox Jewish society, which is consistent with FIBI's social foci. The return on investment and the yield will depend on the social outcomes of the financed project. FIBI undertook a social investment of ILS 1 million in SFI's impact fund, and transferred ILS 900 thousand of that sum at the request of the fund. The project is currently underway; its results will be reported in the future.

**Advancing the small and medium-sized business segment**  
FIBI considers small and medium-sized businesses one of the key growth engines in Israel and the backbone of the Israeli economy. Therefore, FIBI believes that creating economic value for this segment in a way that enables small businesses to grow and succeed over time is highly important. Small and medium-sized businesses face unique economic challenges that need to be addressed, and FIBI provides tailored solutions for the needs of various business segments, according to their size, revenue turnover and credit needs. Credit to small businesses is provided through all FIBI branches and through digital means, and is professionally managed by a dedicated HQ unit specializing in small businesses. FIBI also offers counseling and guidance services to small businesses tailored to the customers' needs.

FIBI strives to maintain long-term relationships with its business customers and, to this end, takes measures to provide them with a wide variety of banking services throughout their business lifecycles. These relationships are based on our bankers' personal acquaintance with the businesses, which enables them to provide comprehensive financing solutions for all of the business owners' needs, including credit tailored for small businesses, which is provided within the framework of the Bank of Israel's monetary program for providing discounted credit, guarantees and capital management counseling services to small businesses. During the fourth quarter of 2023, FIBI joined the State-guaranteed loan fund for small and medium-sized businesses – the "Swords of Iron" track. FIBI's membership in the fund was approved at the end of 2023.

Recognizing the dynamics of the business environment in which small businesses operate and our business customers' changing needs, FIBI decided to provide dynamic and creative solutions for the customary needs of the small business sector. Accordingly, the bankers specializing in serving business customers in our branches are able to advise customers in order to find solutions personally tailored to their needs. Our branch managers have broad authority to provide credit, which enables FIBI to provide immediate solutions for the various and urgent needs of each customer.

FIBI takes constant action to make an increasing number of services available to businesses through digital channels, considering their need to perform banking operations at all hours. Nevertheless, FIBI still believes in the importance of personal service, which enables customers to consult with employees in FIBI's business departments and receive creative personalized solutions.

Correct to the end of 2023, the balance of credit provided by FIBI to micro-, small and medium-sized businesses totalled ILS 25.5 billion, 70.9% of which were allocated to micro- and small businesses.



### ILS 25.5 billion

Correct to the end of 2023, the balance of credit provided by FIBI to micro-, small and medium-sized businesses



### 70.9%

of which were allocated to micro- and small businesses.

### The Jewish Agency's loan funds to support Israeli entrepreneurs

The Jewish Agency's business support center helps Israeli entrepreneurs, particularly entrepreneurs in Israel's geographic and social peripheries, obtain loans at preferential terms. The center helps entrepreneurs gain access to start-up capital to establish or build a business and thus, encourages growth in the Israeli economy. To this end, the center operates several funds (funded by donors) to finance the establishment or growth of small and medium-sized businesses. FIBI (while still within the framework of Bank Otsar Ha-Hayal, before it was merged into FIBI) is a significant partner of the Jewish Agency in this initiative and is the bank that provides business loans on behalf of the funds.

FIBI provides loans within this framework to entrepreneurs and business owners from the Negev, the Galilee, the Jezreel Valley and from Jerusalem and environs, and to new immigrants, to Israelis of Ethiopian origin and to entrepreneurs from Israel's ultra-orthodox Jewish society and Arab society. The loans are provided at convenient and preferred terms, which are partially guaranteed by the fund.

To date, the funds have provided loans to thousands of businesses, which created thousands of new jobs in the Israeli economy. In 2023, a total of ILS 21.43 million was provided within this framework.

### Additional unique services to businesses

- **Assistance to exporters and importers in the Israeli economy** – As part of advancing economic activity in Israel, FIBI Group considers exports and imports as key anchors in the Israeli economy and industry. The Group traditionally helps advance Israeli industry and, in recent years, developed and initiated various financing and fund-raising programs.
- **Program to finance exporters in collaboration with Ashra** – FIBI adopted a program to finance exporters in collaboration with Ashra, a government-owned company insuring foreign trade risks. This program serves as a means for exporters to leverage their businesses on the one hand and, on the other hand, opens opportunities for them to promote their businesses abroad.
- **Development and training in the use of advanced technological systems and tools to promote foreign trade activity** – FIBI has developed advanced, innovative technological tools for managing payments and receipts in an advanced digital manner while providing personal guidance and service. Concurrently, FIBI's experts personally assist foreign-trade customers in relation to all matters pertaining to documentary credit transactions, collections and guarantees.
- **Acquiring business customers from the industrial, trade and service sectors** – Our corporate division's business development and marketing unit focuses our numerous efforts to acquire and assist business customers from the industrial, trade and service sectors with turnovers of at least ILS 25 million, including performing financial check-ups to ascertain each business's position and planning for the future. These potential customers' credit applications are submitted to and reviewed by the relevant credit-approval authorities in the corporate division at high priority, and responses are fast-tracked in order to promote the opening of

accounts and new business activities as quickly as possible.

- **Financing agreement for purchases of industrial equipment, in collaboration with the Manufacturers' Association** – FIBI is continuing its financing agreement with the mutual fund of the Manufacturers' Association for the provision of financing for purchases of industrial equipment of up to 90% of the value of the equipment for an unusual period of up to 12 years.
- **Financing for businesses** – factoring – FIBI also operates a specialized financing service (factoring), which provides a comprehensive solution for the risks involved in providing credit to medium-sized and large customers. The service is based on the acquisition of some or all of customers' outstanding trade receivables in respect of sale transactions with credit in Israel or abroad. Factoring basically turns a credit transaction into a cash transaction. Our factoring services provide numerous benefits to customers, including: early payments and improved cash flow; neutralizing of credit risks; increasing a company's sources of financing beyond traditional bank credit; improving the financial ratios in financial statements; marketing means to expand companies' operating turnovers; current assessments of customers' robustness; and freeing up companies' customer credit management resources.



In 2023, FIBI launched a series of financial education videos providing instruction and tools in relation to several key issues that are especially important to small business owners and managers. The videos were distributed directly to the relevant customers. This series of professional videos called "Financial Compass for Businesses" is dedicated to help micro- and small businesses. The first instructional video engaged in foreign currency and includes relevant guidance in relation to the forex market, especially considering the unique challenges during the period in which it was produced and the perspectives of micro- and small business owners and managers.

FIBI will continue expanding this series of videos in 2024 with the goal of providing relevant tools to business owners and managers particularly during these challenging times, as part of the set of practical tools for informed financial conduct that we provide to micro- and small businesses, including to those that are not customers of our Bank.

### Topics in our Compass series of videos for micro- and small businesses:

- Foreign currency – instruction in the forex market from the perspectives of micro- and small businesses
- The importance of cash flow and working capital in micro- and small businesses and why emphasis should not only be placed on constant revenue growth
- The importance of pension savings for micro- and small business owners
- Micro- and small businesses also engage in imports and exports – how to manage relations with foreign suppliers.



## "Business Envelope" during the Swords of Iron War

During the Swords of Iron War, FIBI launched a campaign during which we approached small-business customers who are residents of the "Gaza Envelope" (communities near the borders with the Gaza Strip) and offered to help them advertise their businesses. Customers who were interested in participating in the campaign received advertising for their businesses on a designated page of FIBI's website for two weeks and we sponsored the business's advertising on Facebook for two weeks at FIBI's expense. Additionally, and in order to encourage shopping at these businesses, FIBI provided double points on purchases at those businesses using the Beyond credit card – FIBI's customer loyalty program. **FIBI assisted 27 businesses during our "Business Envelope" campaign.**

### Investing in customers who encounter difficulties

FIBI Group assists customers in financial difficulties with flexibility and sensitivity and takes action to help find a solution to extricate them from the crisis. The Group's policy is to act fairly and transparently in its conduct towards debtors, with the goal of achieving a debt arrangement before transferring the debt for legal handling.

Beyond the fact that reaching a fair consensual debt arrangement according to a debtor's financial ability is commendable, reaching an arrangement also enables the customer and FIBI to avoid additional financial expenses, such as attorneys' fees and court fees. FIBI Group has developed and maintains sensitive professional processes to help customers repay their debts to the bank, which are reflected, inter alia, by flexibility in repaying debts in installments over a long period and flexibility in the interest rate.

As part of its roles, FIBI Group's collections department oversees the branches' handling of debtors in order to help branches reach debt arrangements with these customers and thus avoid transferring debts for handling by the legal department, with all that this implies.

FIBI Group's procedures stipulate that, whenever the collections department receives a new collections file, it must be diligent about contacting the customer in an attempt to open a dialogue and reach a fair arrangement tailored to the customer's debt-repayment capability, before forwarding the collections file for legal handling.

In addition to instructing employees of FIBI Group's collections department, FIBI's attorneys have also been instructed to try to reach arrangements out of court and to avoid legal proceedings to the extent possible, in conformity with the board of directors' policy and with the provisions of Proper Conduct of Banking Business Directive 450.

Within this context, FIBI Group launches proactive campaigns from time to time to encourage categories of debtors to reach debt arrangements. One example of this is "Focus Days" – scheduled days when debtor customers are invited to a meeting with attorneys and representatives of the bank in order to arrive at a customized debt arrangement including,

inter alia, spreading the installment payments over a longer period, interest rates lower than that customary, etc.

During 2023, several "Focus Days" were held at our attorneys' offices, during which the section manager in our collections department held pre-scheduled meetings with debtors at the law firm. In-person meetings between debtor, banker and attorney proved to be a mutually beneficial way to obtain debtors' willingness to repay their debts in installments and with their sincere intention of repaying their debts, and indeed, a significant number of arrangements were signed during these Focus Days.

FIBI Group collaborates with various organizations that take action to help customers encountering financial hardship due to economic and health-related reasons, which contact FIBI on these customers' behalf or with them. FIBI collaborates with non-profit organizations, such as Paamonim, Pedut veHatzala, Beit Hatavshil and the Netivot Shalom organization, which are dedicated to helping those in financial difficulties, with the NPO, Friends of Orly and Guy, which is dedicating to fighting poverty, and with social organizations that provide economic assistance and mentoring to individuals and families.

FIBI Group has also signed the voluntary Financial Availability Charter formulated under the leadership of the Bank of Israel, which mandates that special consideration be given in relation to debts of women who were victims of violence and are staying in shelters or safe houses, and which was recently expanded to include survivors of prostitution. Within this framework, FIBI provides special rapid solutions for various requests and/or supports women who were victims of violence, and maintains direct contact with shelters nationwide.

## Special sensitivity during the Swords of Iron War

Upon the outbreak of the Swords of Iron War, FIBI instructed its branches to not forward new debtor files for handling by the collections department without information about the debtor's situation. Since December 7, 2023, FIBI has authorized its branches to forward debtor files for handling by the collections department, while demonstrating sensitivity to the urgency of the handling of the file and the debtor's situation and characteristics, and while performing individual examinations of each file in order to ascertain whether at issue are circumstances related to the attack on October 7 or to the subsequent outbreak of war. In relation to debtor files that indicated that the debtor belongs to one of the aforesaid defined populations, the debtor was not contacted at all. In relation to debtor files for which a decision was made to take action, attempts at "soft collections" were made by a representative of the department. Only after these efforts were unsuccessful were the files forwarded for handling by FIBI's attorneys. We also instructed our attorneys to show sensitivity towards the debtors, to exert efforts to achieve consensual debt arrangements out of court and to avoid opening nonessential legal proceedings to the extent possible. Our instructions to our attorneys to resume routine handling were gradual, focused and adapted to the developments in the situation and relevant constraints.



## Investing in our employees

### Achievement of our targets for 2025

1

**Target:** By 2025, 10% of employee hires will be from diverse populations

**Target achievement status: 171%**

During 2022-2023, at least 17.1% of the new employees hired in FIBI came from underrepresented populations in the labor market.

2

**Target:** By 2025, at least 75% of our managers will participate in at least one power-skills training course over two years

**Target achievement status: 88%**

During 2022-2023, about 66% of the managers in FIBI participated in at least one power skills training course.

3

**Target:** By 2025, training in at least one power skill will be included in all continuing courses in core subjects (credit, mortgages and the capital market)

**Target achievement status: 100%**

During 2023, training in at least one power skill was included in all continuing courses in core subjects (credit, mortgages and the capital market).

The Group attributes considerable importance to creating an appropriate and supportive work environment and to providing supplementary terms to help employees utilize their skills and work in an optimal manner. The Group believes that promoting the welfare of its employees, developing their leisure culture and responding to needs that also relate to their personal lives help create an enjoyable work environment

The Group's human capital is one of its most significant and essential growth engines. Our employees are full partners in the Group's business success and in its ability to achieve its goals. In order 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 fair and responsible work environments and comply with the latest statutory rules, the best practices in the Israeli labor market (especially in the financial sector) and with universal norms designed to protect human rights.

The Group attributes considerable importance to creating an appropriate and supportive work environment and to providing supplementary terms to help employees utilize their skills and work in an optimal manner. The Group believes that promoting the welfare of its employees, developing their leisure culture and responding to needs that also relate to their personal lives help create an enjoyable work environment. The Group implements this approach from an employee's first day on the job and throughout his/her employment until retirement, also in addition to routine activities.

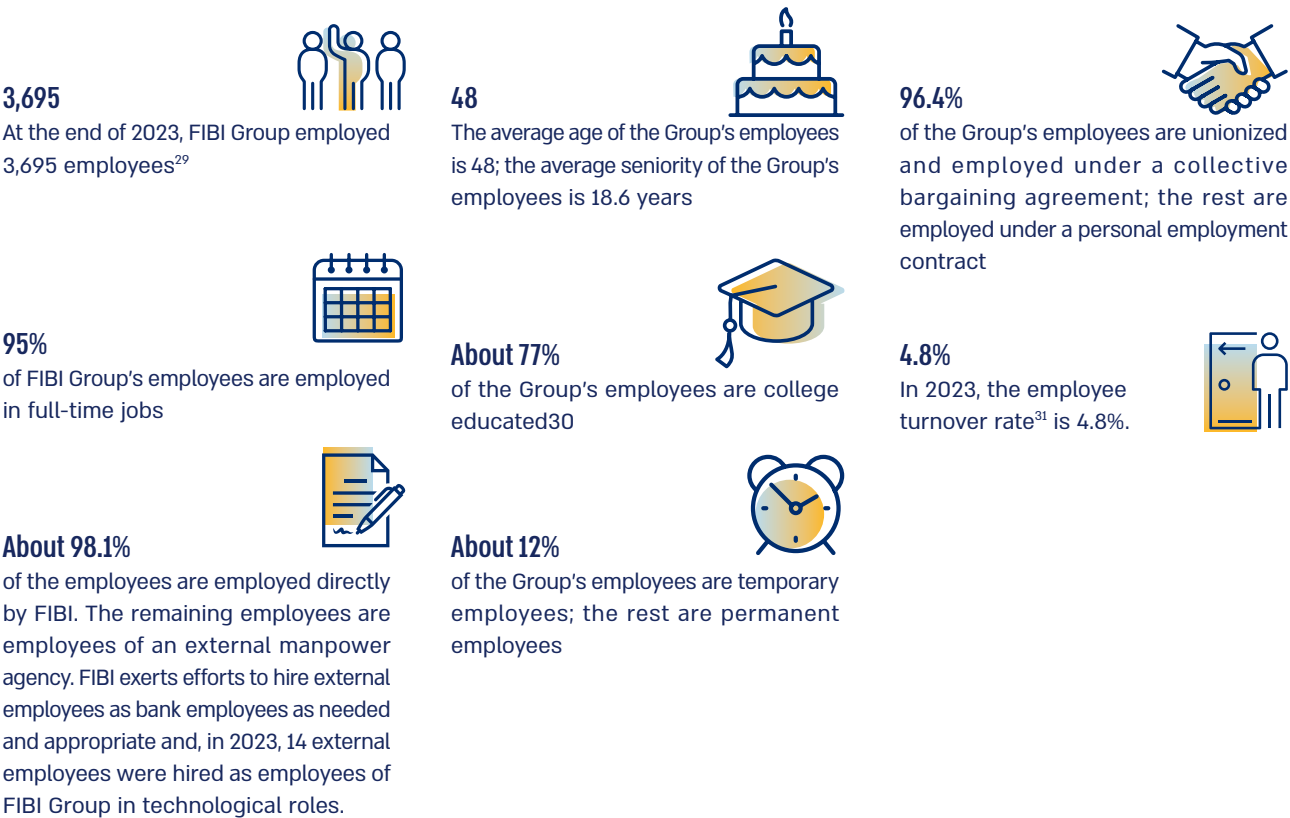
FIBI Group's HR departments are responsible for managing human capital in the Group's banks and in MATAF, and serve as supporting partners in the achievement of the banks' strategic goals. Our HR strategy focuses on integrating our banks' various goals, while providing solutions for our employees' needs, development and welfare, and while ensuring an appropriate work environment. This strategy helps our banks hire highly professional employees to work in a goal-oriented work environment that enables employees to be partners in an organizational culture of open dialogue, transparency, and well-being.

Our HR management approach includes several key principles whose main tenet is striving for continuous improvement in all spheres of activity:

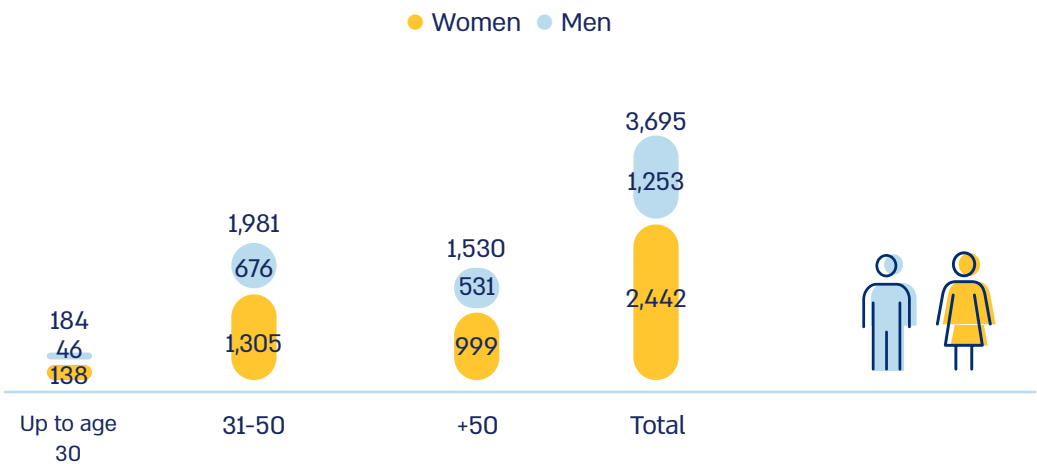
- Development of human capital and long-range manpower management**  
 FIBI strengthens and develops human capital according to the Group's needs and business targets from a long-range perspective: identifying and tapping employees' potential; mapping knowledge gaps and imparting core competencies; customizing career tracks; hiring and training succession management and succession professionals according to FIBI's needs; professional and management training and manager development.
- Organizational development**  
 FIBI develops advanced tools for all aspects of human capital management in the organization, including: improving our employee hiring, onboarding and retention processes; demonstrating our appreciation for our employees; streamlining organizational processes and designing performance evaluation and control tools; supporting the Group's units, etc.
- Employee hiring and onboarding**  
 FIBI Group places special emphasis on the onboarding period in the organization, out of its belief that the quality of the onboarding process affects new employees' performance, their integration in FIBI Group and their motivation. The onboarding processes in the Group's banks and in MATAF focus on several aspects: professional onboarding, including imparting the knowledge needed by employees; organizational onboarding, which helps employees internalize the Group's rules, norms and values; and social onboarding, which facilitates teamwork and solidarity with the employee's assigned unit.
- Intraorganizational communications**  
 our intraorganizational communications are based on openness and information transparency to stimulate organization-wide discourse and collaboration that empowers our human capital and encourages ongoing dialogues in FIBI in various ways through various communications channels.
- Organizational culture**  
 FIBI cultivates a culture that strengthens the Group's values and goals and focuses on excellence in all activities, ethics, corporate social responsibility and community outreach.



### Profile of the Group's employees<sup>28</sup>



FIBI Group's employees by age and gender – 2023<sup>32</sup>



28. The methodology for collecting HR data is based on the data on human resources as on 31.12.23, as extracted from FIBI's control systems, such as attendance-recording systems, employee data systems, etc. All data are aggregate data, unless specified otherwise.  
 29. Including external employees.  
 30. Not including external employees at MATAF.  
 31. Not including employees who retired.  
 32. Including external employees.



## Hiring of new employees and employee turnover:

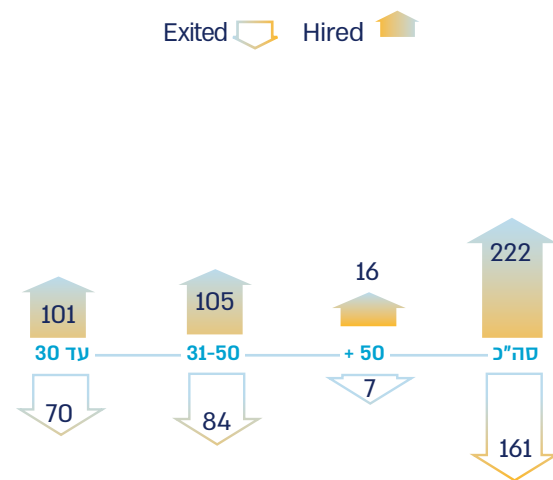
Employee turnover in 2023

Age	Hired				Exited <sup>33</sup>			
	Women	Men	Total	Ratio	Women	Men	Total	Ratio
Up to 30	67	34	101	45.5%	59	11	70	43.5%
31-50	60	45	105	47.3%	60	24	84	52.2%
50+	6	10	16	7.2%	0	7	7	4.3%
<b>Total</b>	<b>133</b>	<b>89</b>	<b>222</b>		<b>119</b>	<b>42</b>	<b>161</b>	

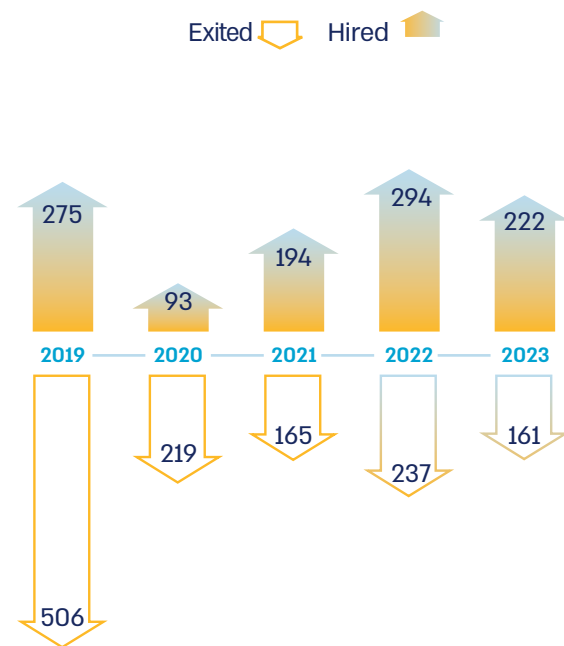
## FIBI Group employees by gender and echelon:

	2023			2022		
	Women	Men	Total	Women	Men	Total
Executive management / senior managers	48	80	128	50	78	128
Middle management echelon	426	285	711	409	279	688
Junior management echelon	123	90	213	133	100	233
Employees <sup>37</sup>	1847	796	2643	1,850	763	2,613
<b>Total</b>	<b>2,444</b>	<b>1,251</b>	<b>3,695</b>	<b>2,442</b>	<b>1,220</b>	<b>3,662</b>

## Employee turnover by age - 2023



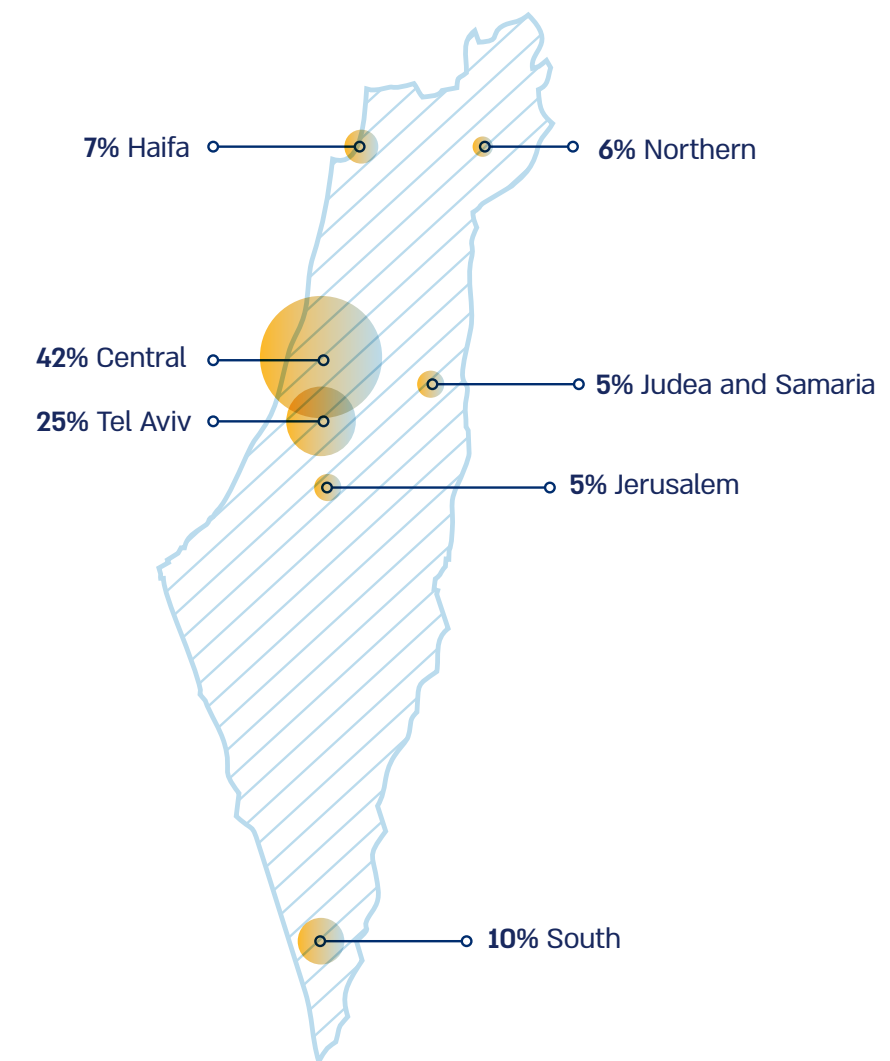
## Employee turnover in FIBI Group - 2023-2019



## Data on employee absences in 2023

	Number of days of absence	
	Women	Men
Number of sick days <sup>34</sup>	50,730	15,454
Number of days due to work accidents <sup>35</sup>	584	270
Number of vacation days <sup>36</sup>	64,808	30,670
Number of days of reserve duty	206	4,460

## FIBI Group employees by residential district<sup>38</sup>



33. The turnover data for 2023 is after deducting retirees.

34. Including sick days taken to care for a family member.

35. Sick days as a result of work accidents. In 2023, 27 work accidents occurred in the Group.

36. Including vacation deals and holiday vacations for non-Jewish employees.

37. Not including external employees.

38. Not including employees of Bank Massad.



## Dialogues with our employees

FIBI Group considers its employees to be full partners in its activities, development and success, and therefore, encourages ongoing open dialogues between the various units in the Group and between employees and the management. By doing so, the Group creates and promotes a culture of dialogue and ongoing communications with its employees. Dialogue facilitates exchanges of professional knowledge between employees, improves the collaboration and teamwork between employees from different units and different banks in the Group, strengthens team spirit and enhances the sense of belonging to the organization.

FIBI Group attributes considerable importance to maintaining ongoing communications and dialogues with employees in various ways and through a variety of communications channels. The Group focuses on the development and effective management of intraorganizational communications to promote transparency, stimulate dialogues, enhance employees' identification with the organization and strengthen the good work relations among all FIBI's employees.

### Our formal communications channels include:

- Open line to our HR division
- Employee feedback conversations
- Employee grievance officers
- Organizational portal
- System for HR-related queries
- Conferences for employees and managers of various ranks, including professional conferences for specific roles, such as mortgage counselors and investment counselors
- Operating efficiency forum
- Management visits (including the CEO) at branches and at the various HQ units

Our employees are also able to contact relevant officers in the Group through various channels, including anonymously, with questions about audits, compliance and ethics.

### Round-table discussions:

All banks and companies in FIBI Group are diligent about maintaining direct and ongoing discourse and dialogues between the management and employees. One of the most accepted practices for this purpose is round-table discussions attended by management representatives and employees. Inter alia, these discussions enable everyone to become acquainted, strengthen collaborative work and solidarity among the employees of the various organizational units, and deepen the employees' understanding of FIBI's objectives, vision and work plan. These round table meetings: engage in topics on the agendas of the bank and its employees; present a review of FIBI's business environment and the objectives of the work plan in core areas; and engage in open discussions of professional and other topics. The topics of discussion, as well as suggestions for improvements and streamlining, are forwarded to the relevant units for handling, and the outcomes after handling is completed are brought to the attention of all of the meeting's participants.

After most of the FIBI's employees had participated in round-table discussions in previous years, it was decided not to hold round-table discussions in 2023 and to launch a unique alternative program. During 2023, FIBI launched the "100 Program," an innovative program for employee and manager development and empowerment that brings together about 100 employees and managers for discussions with FIBI's CEO.

### Our open-door policy:

As part of our policy of open dialogue with our HR division, we launched our "Open-Door Program," which opens a direct channel of communications for our employees to schedule a meeting with an HR department manager and FIBI's organizational-development team in order to discuss various issues at the organizational and personal levels. These meetings enabled us to become personally acquainted with our employees, including their competencies, skills and personal needs vis-à-vis the needs of the system, and prompted examinations of organizational processes and the provision of solutions

to organization-wide and personal issues that arose. During 2023, 10 Open-Door meetings were held.

### Intraorganizational surveys:

During 2023, in light of the Swords of Iron War, we did not conduct the intraorganizational satisfaction survey that was scheduled for November and December. Nevertheless, our HR department continued maintaining direct communications with our employees and monitoring their feelings about FIBI in various and traditional ways. Inter alia, we received numerous individual comments about the community volunteering activities initiated by FIBI. Our employees sent messages to our HR representatives saying how proud they are to belong to an organization that is taking part in the war effort through its employees.

### Performance evaluations and feedback – direct dialogues:

The Group carries out an annual performance review process for its permanent employees. The performance review process for provisional employees is carried out more frequently in order to enable them to continue ongoing dialogues with their managers and to provide them with ongoing guidance and full coordination of expectations. In addition to this process, the Group's employees are also evaluated by external performance review institutes at key junctures, such as hiring, receiving permanent employee status and promotions.

The employee performance review process is an opportunity for open dialogues with direct managers, for empowering our employees and for obtaining an overview of the functioning of units and the organization. This process also serves as a tool for employee cultivation, for setting standards and defining a uniform language for managing performance. The performance review process is also an opportunity to guide and focus employees, to improve performance and to hold in-depth dialogues that are not possible during the busy daily routine.

### Performance reviews in FIBI Group:

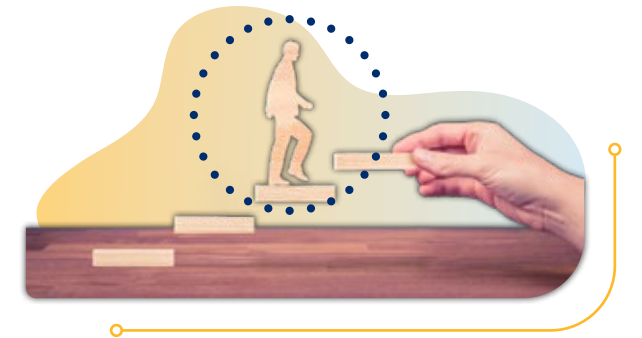
The annual employee performance review process at FIBI begins at the end of the year and culminates towards the end of the first quarter of the following year. Correct to the report preparation date, about 95% of the Group's employees had performance reviews.

### Employee performance reviews in MATAF:

The employee performance review process at MATAF is the foundation for creating an organizational culture that strives for excellence. All performance review processes are held for both MATAF's employees and for external employees (in cooperation with their employers). The process included a feedback questionnaire, as part of our organizational vision of partnership. The employee feedback questionnaire contains organizational messages emphasizing the pursuit of excellence and support of a performance-based culture, as well as our commitment to be attentive during our ongoing dialogues with our employees, to develop and support our employees so that everyone can realize his/her own personal potential.

In 2023, we revised our employee performance review process after completing an in-depth conclusion-drawing process in order to coordinate expectations and further improve

**The employee performance review process is an opportunity for open dialogues with direct managers, for empowering our employees and for obtaining an overview of the functioning of units and the organization**



constructive dialogues between employees and managers. We made several improvements to the process, including questionnaires tailored for each rank, a review stage by department managers and the introduction of an innovative "feedforward" feedback method based on dialogue and employee motivation. During this process, all managers at the various echelons received training during dedicated workshops and new tools for conducting effective feedback conversations.

### Expressing appreciation – recognizing outstanding employees:

FIBI Group believes that appreciating and commending outstanding employees contributes to our employees personally and to our organizational climate in general. Therefore, the Group pays respect to outstanding employees and cultivates the value of excellence as part of our organizational culture. The Group encourages the value of excellence among its employees and strives for continuous improvement by setting development goals and targets, by increasing professionalism and deepening our sense of commitment. During 2023, 37 FIBI employees were awarded the title "Outstanding Employee" at an awards ceremony.



### 37 Outstanding Employees

During 2023, 37 FIBI employees were awarded the title "Outstanding Employee" at an awards ceremony.

In March 2023, Bank Massad held an event for employees, which included the presentation of work plans by the CEO and bestowals of gifts to outstanding employees and to employees who acquired more than 100 new customers. The event, which included dinner and a guest performer, was held in Tel Aviv and was attended by all employees.



Dialogue and relations with labor committees:

Five labor committees operate in FIBI Group – three in FIBI (the managers’ and authorized signatories’ labor committee, the national labor committee of FIBI’s employees (“the clerks’ committee”) and the labor committee for employees under Otsar Ha-Hayal’s collective bargaining agreement), one in Bank Massad and one in MATAF. The labor organizations are responsible for the rights and obligations of the employees they represent, for employee welfare and cultural activities and for providing assistance to employees, if needed. The terms of nonunionized employees are determined through direct negotiations between FIBI and the employee in conformity with all laws. The ratio of FIBI Group employees employed under collective bargaining agreements was about 96% in 2023, while the ratio of employees employed under a personal employment agreement was about 4%.

FIBI Group’s management maintains ongoing and open dialogues with the labor organizations and a working relationship based on mutual respect and attentiveness. Collective bargaining agreements in FIBI require linkage of particular components of clerks’, managers’ and authorized signatories’ terms to the agreements signed between the management of Bank Leumi le-Israel (hereinafter: “Bank Leumi”) and Bank Leumi’s labor organization. In addition, the employees under Otsar Ha-Hayal’s collective bargaining agreement are continuing to be represented by Otsar Ha-Hayal’s labor committee.

In 2022, the wage agreements signed with FIBI’s labor committees expired (excluding Otsar Ha-Hayal’s labor committee). In 2023, we signed new and updated wage agreements with the clerks’ labor committee and with the managers’ and authorized signatories’ labor committee and with the Histadrut Federation of Labor, further to the collective bargaining agreement signed at Bank Leumi. In March 2023, a collective bargaining agreement was also signed with FIBI’s clerks’ committee, which addresses the method of payment of selective promotions and the possibility of employing manpower-agency employees at the call center and in particular roles in branches (tellers).

On July 13, 2023, MATAF signed a collective bargaining agreement for 2023-2025 with MATAF’s labor committee and the Histadrut Federation of Labor. MATAF’s management maintains supportive work routines with the labor committees’ representatives in order to maintain an effective work environment.

The labor organization at Bank Massad unites all of the bank’s employees.<sup>39</sup> Bank Massad’s management maintains ongoing and open dialogues with the labor organization. In December 2023, an agreement was signed between Bank Massad and the bank’s labor committee for 2023-2027. The wages of the bank’s employees are linked to the wage agreement that Bank Hapoalim signed in 2023. This agreement includes, inter alia, regular wage increases to be paid in increments, the defining of a yield-based annual bonus mechanism and bonuses, some of which depend on the bank’s yields.

There were no labor disputes in FIBI Group in 2023, and the labor relations were good.

Our work environment

In FIBI Group, we see value in maintaining a pleasant, fair and rewarding work environment, as part of our efforts to always be a “Good Place to Work.” Accordingly, we strive to create a professional, warm and inclusive work environment for all of our employees that provides them with support and deep concern for their well-being. All employees at our banks, permanent and temporary employees alike, are entitled to the statutory social benefits and to various benefits offered by our banks. FIBI Group also attributes considerable importance to developing employees’ health, recreation and work-life balance and offers them a variety of benefits and enrichment and leisure activities.



FIBI, the largest employer in FIBI Group, is regularly ranked among “the 100 Best Companies to Work For” in the survey conducted by BDICoface and The Marker magazine. The ranking is based on an annual survey conducted among thousands of employees at hundreds of companies, and among FIBI’s employees (a representative sampling). FIBI has been ranked among the top 50 companies in this survey in recent years and, last year, FIBI was ranked in 37th place. This leadership in the ranking directly derives from FIBI Group’s treatment of its employees as significant partners in driving its success, achieving its business goals and increasing the volumes of its activities. FIBI promotes a culture of partnership and transparency and exerts efforts to strengthen its employees’ sense of connection and involvement.

Supporting our employees during the Swords of Iron War

FIBI Group is diligent about supporting its people and being there for them during crises, and is also taking action during the Swords of Iron War. During the war in 2023, we provided a variety of activities for our employees’ welfare and well-being considering the challenges posed by the war, including activities via Zoom for our employees’ children. FIBI also offered its employees frequent supportive lectures about the war’s challenges, including tips for coping with stress, maintaining a healthy lifestyle, good nutrition, mind and body, breathing, mindfulness, physical exercise and more. Concurrently, our welfare department and managers stayed in touch regularly with our employees during the war in 2023, including with evacuated employees, employees who were called up for reserve duty and employees with children serving in the IDF. We held a special meeting led by professionals to help our employees who are parents of soldiers in order to give them supportive tools. We sent parcels to help them remain encouraged, we provided specific assistance and support to particular employee populations as needed and awarded vouchers in appreciation of employees’ special efforts during the war.

Bank Massad held activities for all of its employees, which were led by an external lecturer via Zoom, during which the employees received a toolbox for contending with stress and anxiety through breathing and mindfulness exercises.



Health, welfare and development of leisure culture:

FIBI Group attributes considerable importance to the wellbeing of its employees and their development of a leisure culture. To this end, the Group’s HR departments are responsible for taking care of our employees’ welfare and their development of a leisure culture. These departments accompany our employees throughout their work lives: in the work environment, during celebrations, during leisure time, during times of distress and trouble and upon retirement. As part of this approach, our various banks and MATAF hold social activities throughout the year, including special activity days for the whole family at various recreational and cultural sites, trips, classes, workshops and workplace sports teams. The Group offers employees the following benefits (not all benefits exist in all employment agreements in the Group): benefits in commissions, loans to employees, health insurance policies, sports activities, workshops and classes, subscriptions to cultural institutions, periodic medical screenings, holiday gifts, team-building events, as well as participation in funding family expenses, such as summer camps and preschools and college tuition for employees’ children.

During 2023, FIBI offered diverse welfare activities to its employees: a weight-loss group via Zoom; beauty and grooming workshops; “Healthy Life” get-togethers – 15 minutes of tips and activities for maintaining a healthy lifestyle; yoga workshops, a chocolate workshop, performances, fun days for the whole family at the Superland and Shfayim amusement parks, and more.

The Group takes action to raise awareness of the importance of maintaining good health, and encourages its employees to engage in physical exercise, including sports through our various sports teams, workplace sports leagues, yoga workshops, group exercise classes, 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 ergonomic workplace adaptations as needed. The Group provides employees with access to influenza vaccinations and enables them to be vaccinated at the workplace every year. The Group also supports employees psychologically and enables them to receive psychological services if they are contending with emotional situations.

Safe work environment:

FIBI Group takes all possible measures necessary to maintain

comfortable physical work conditions and maintain the health and safety of all of our employees. If necessary, the Group performs radiation and air-quality testing in the Group’s various HQ units and branches. The Group complies with all fire safety standards. The Group also ensures that its systems are planned in conformity with air-quality standards and does its best to install electricity panels as far away as possible from the employees’ work stations in order to prevent radiation. If necessary, we install radiation-protection systems. We also ensure the supply of fresh air in the various offices, as part of our air-conditioning systems.

Supporting and appreciating our reservists:

FIBI Group encourages its employees to answer callups for reserve duty and take part in the national efforts. When our employees are on reserve duty, they are entitled to their salary from FIBI, including increments that are usually given only for work actually performed. Additionally, in order to express our support and appreciation for the contributions of our employees who do their part serving in active reserve duty, the Group awards every employee who served in the reserves for at least 14 days per annum a luxurious recreational gift for two. The Group also complies with the statutory obligation to shorten the workdays of employees whose spouses are on reserve duty. In 2023, 95 FIBI employees served in active reserve duty at the volume of about 4,666 days of reserve duty.



95 FIBI employees served in active reserve duty at the volume of about 4,666 days of reserve duty

Since the outbreak of the war, FIBI has been regularly assisting its employees who were called up for reserve duty and their families. Within this framework, we called them regularly and sent gift parcels according to their needs during these difficult times.

Work-life balance:

FIBI Group recognizes the considerable importance of work-life balance and enables its employees to integrate personal and professional development with family life, thanks to generous employment agreements. For example, FIBI has a shorter workweek than is customary in the economy (an average of 39 hours per week), higher vacation leave and sick leave quotas than those prescribed by law, more beneficial criteria for accumulating and using sick leave days, etc. The Group also exerts efforts to manage the work flows so that employees will not have to work overtime.

In 2022, FIBI began preparing a pilot project in various departments to examine one day of work from home per week in order to improve its employees’ ability to maintain work-life balance. The pilot was launched in the following units in 2023: the chief accounting division, the legal department and the internal audit department.

Employee transfers and organizational changes:

As part of the Group’s efforts to develop its human capital

39. Excluding the four management members (including the CEO), who have signed personal contracts with FIBI.



both personally and professionally, it allows and encourages employee transfers between the various units. Organizational changes enable employees to acquire experience in a variety of occupations and roles and continue developing, enriching their professional knowledge and realizing their full potential, while maintaining dynamism and high motivation throughout their careers at FIBI. New vacant positions are offered to employees through the relevant organizational systems, while specifying the job requirements for submitting their candidacies. Furthermore, in the business environment in which FIBI Group operates, the Group is required, or deems fit, from time to time, to implement organization-wide changes or business adjustments that also involve employee transfers, which are carried out in conformity with the law and the agreements in effect at FIBI Group. The Group is aware of the impact of organizational changes on employees' work conditions and welfare, takes reasonable geographical considerations into account and issues advance notice.

#### Retirement:

FIBI Group also supports its employees when they retire and offers comprehensive retirement preparation and support programs on various topics for employees approaching retirement. FIBI Group also considers it highly important to regularly stay in touch with retirees. The Group's banks also fulfill all of their obligations to employees in respect of contributions to pension or provident fund plans.

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

- The Group's retirees' club: The Group continues to support and stay in touch with its retirees by operating and supporting a nationwide network of retirees' clubs that are active on an ongoing basis. Activities offered at the clubs include social activities, lectures, parties, holiday toasts, as well as trips and vacations.

- FIBI's retirees are also entitled to a wide range of benefits in their bank accounts and at the branch that is managing their account, such as exemptions from a variety of fees, credit lines at preferred terms, and the same preferred terms as bank employees for deposits, interest rates and other services, such as renting a safe-deposit box, credit card issues and ordering check-books. FIBI's retirees are also entitled to gifts on holidays.
- Once again in 2023, we held a workshop for our retiring employees to help them prepare for retirement. This in-person, three-day workshop was led by external and internal professional lecturers and discussion leaders and engaged in topics such as:
  - Retirement as a process of profound change – preparing to design a new lifestyle
  - Developing a second wind
  - Family and personal relations upon retirement
  - Balanced and prudent post-employment financial conduct, while addressing pension planning and insurance aspects
  - Wills and bequeathals.

Considering the importance of this topic, the Group also enables employees' spouses to participate in the workshops, free of charge. In 2023, 64 employees and their spouses participated in the retirement preparation workshop.



**In 2023, 64 employees and their spouses participated in the retirement preparation workshop.**



### Employee training and development

FIBI Group's strength in the competitive environment in which it operates is reflected in its human capital, which is its corporate image, both vis-à-vis its customers and internally. As a world-class financial service-provider, the Group is committed to providing the most professional service to its customers and other stakeholders. To this end, the Group continuously takes action to empower and cultivate its employees through training, personal development and encouragement to pursue excellence. The Group fosters a culture of learning and develops professional tools to further enhance its employees' competencies. These training programs encourage personal development, organizational growth and maintaining professional excellence.

FIBI Group's training programs focus on cultivating and developing individual and organizational capabilities, on providing tools and skills to managers at all echelons and on maintain ongoing processes that impart knowledge and skills to improve the organization's overall performance. Our goal is to maximize our levels of professionalism while encouraging constant excellence. The Group uses structured and gradual processes among managers and employees to help them acquire professional knowledge and the various skills that they need in the performance of their roles.

#### The Group has two training units:

1. A Group-wide training department managed from FIBI's headquarters and serving all of our banks.
2. At MATAF, the HR department is responsible for building an annual training program. The program is structured as a derivative of strategic focuses, divisional goals and a process of identifying needs with the managers.

Our training departments provide responses to our banks' needs and objectives, while developing and enhancing our managers' and employees' professional and personal competencies and while helping them build their long-range career horizons.

**In 2023, the Group's employees completed 11,126 days of non-computerized training, constituting an annual average of 3 training days per employee. Additionally, the Group's employees completed about 6,192 days of study using learning courseware, constituting about 1.7 days of study on average per employee**

The Group's training activities provide our employees with knowledge in the following topics:

- Basic banking
- Professional training in the fields of credit, the capital market, mortgages, foreign currency and foreign trade
- Customer service and sales
- Soft skills (personal, social and communications skills that improve job performance)
- Professional and personal ethics and preventing corruption
- Management skills.
- Professional know-how in implementing operating systems
- Specialized professional skills.
- Technological skills
- Topics in conformity with regulatory requirements.

All departments also routinely assess the training needs by examining objective and subjective knowledge gaps and using various mapping processes. The departments also examine the professionalism of their activities by reviewing anonymous feedback from participants in the various courses and using other tests that indicate the quality of the training. FIBI Group also adjusts the annual training program according to market developments and regulatory requirements.





FIBI attributes considerable importance to developing its employees' soft skills, since these skills are a key to success in all roles in FIBI and to the personal empowerment of all of its employees. FIBI regularly considers additional ways to integrate soft skills training in its various training programs

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**Professional training and developing soft skills**  
Professional training being provided to the Group's employees includes introductory basic courses in various spheres of knowledge, which constitute a foundation for more specialized training.

All new employees hired in the Group for all roles participate in a basic course that qualifies them as "bankers." Additionally, all new employees hired for roles in our branches are invited to take several additional basic courses during their first year of employment in order to train them in a variety of topics they need for their roles.

The departments themselves take action to reduce knowledge gaps also among veteran employees through extensive knowledge mapping processes and by building courses dedicated to veteran employees. Additionally, employees receive in-depth training in professional topics according to their roles.

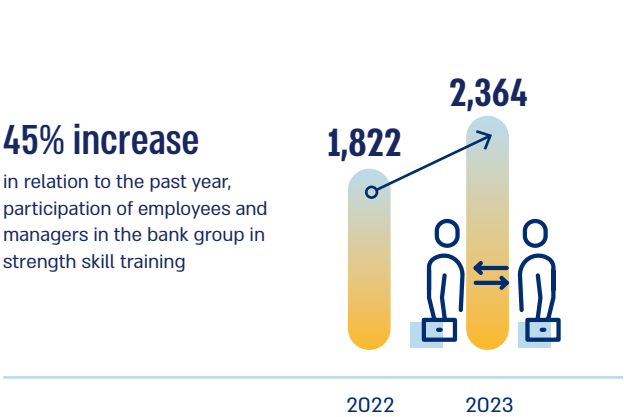
In addition to imparting professional knowledge, we hold

workshops to impart soft skills (core skills that improve employees' abilities and personal skills, such as social and communications skills, character and personality traits, as well as social intelligence and emotional intelligence, which FIBI calls "power skills"), as well as workshops in personal and managerial development and enrichment skills as a platform for applying professional knowledge and maximizing professionalism and excellence. FIBI attributes considerable importance to developing its employees' soft skills, since these skills are a key to success in all roles in FIBI and to the personal empowerment of all of its employees. FIBI regularly considers additional ways to integrate soft skills training in its various training programs.

In 2023, we continued developing and reinforcing the set of required skills and future competencies of the Group's employees and managers through a variety of training courses in needed soft skills, such as resilience, agility, innovative and analytical thinking, digital literacy and emotional intelligence. The courses that employees completed in these topics included:

Topic	Number of types of training	Total number of cycles
Tools for conveying messages	4	16
360° perspective on customers	8	53
Understanding characteristics of the business environment	6	16
Business leadership	5	5
Personal leadership and social skills	9	38

In 2023, a total of 2,364 employees and managers in FIBI Group participated in power skills training, compared to 1,822 employees in 2022.



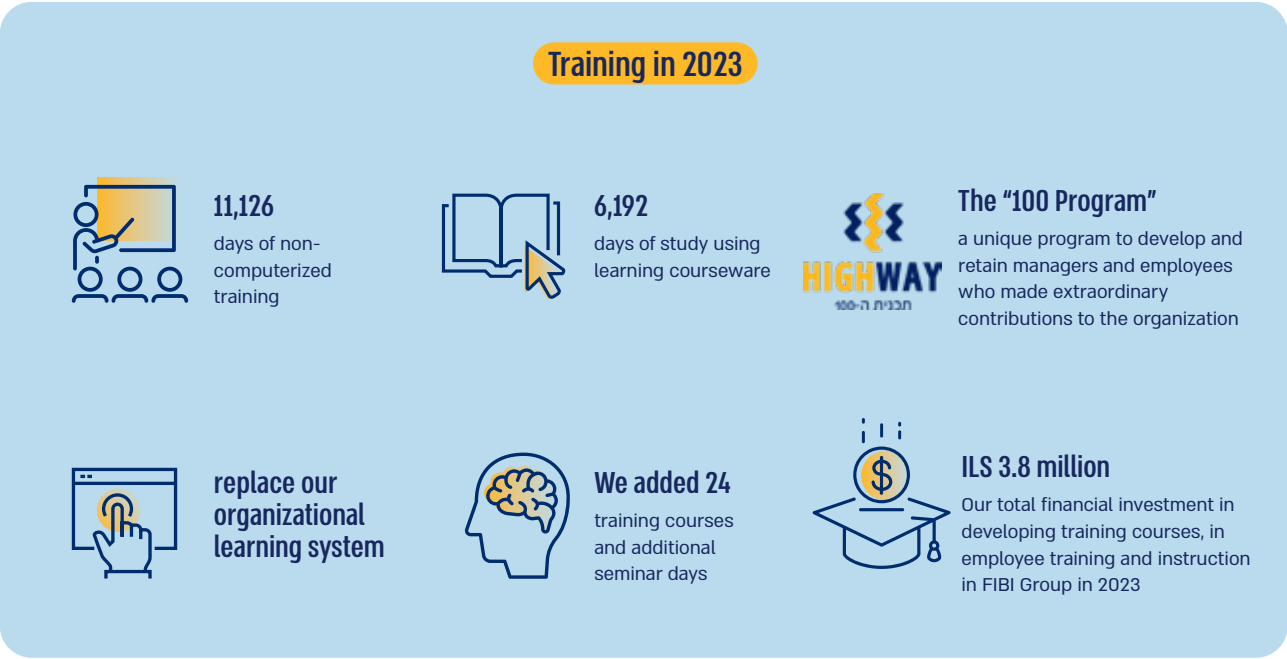
Training in 2023:

- We ran the training program for 2023 in a hybrid learning format that combines digital and in-person studies, including professional and managerial training according to the various roles, in order to impart knowledge and skills to managers and employees relating to regulatory and technological aspects, work processes, etc. in a variety of spheres of activity so that they can optimally perform their duties and achieve targets. Through teaching and deepening knowledge, the program promotes a culture of excellence, professional upskilling and of improving performance. Within this framework, we designed training tracks according to categories of roles.
- We launched our "100 Program" this past year – a unique program to develop and retain managers and employees who made extraordinary contributions to the organization. This program includes training and upskilling courses in a variety of fields, including personal development, power skills, essential skills for work in the future, as well as intraorganizational entrepreneurship projects.
- During 2023, we launched a project to replace our organizational learning system with an innovative and convenient system that emphasizes a simple user experience, which enables our employees to access extensive learning opportunities, and our access to their learning history, including for the purposes of internal control. The new system was launched in 2024.
- During the year, we added 24 training courses and additional seminar days. The new courses include: value-based sales workshops, story-telling, training in opening accounts for digital investments, training in the sectoral classification system, a lecture on the subject of durable powers-of-attorney, tools for success in a changing world, using a credit data report, the security forces' tender, managerial resilience and unit resilience, LinkedIn for managers, agile management in the BANI era, and more.

- 2023, FIBI began preparing to offer professional workshops in managing climate and environmental risks, in credit risk and in promoting green financing to relevant employees in FIBI's various divisions, particularly to employees in the corporate division. The training workshops were held during the first quarter of 2024.
- Our total financial investment in developing training courses, in employee training and instruction in FIBI Group in 2023 totalled ILS 3.8 million.

**Regulatory training:**  
To complete the cycle of training, we emphasize the topic of regulations as an additional layer of professionalism and excellence, in addition to the regular inclusion of regulatory content in training courses and activities. In 2023, our training departments provided regulatory training in a variety of topics, such as: the Prohibition of Money Laundering Law, the Fair Credit Law and the Reduction of the Use of Cash Law, opening an account for a minor and a recognized entity, credit to private customers and repayment capacity, accounts bearing cross-border risk, virtual currencies, financial crime and fraud, donations and more. All of the Group's employees participate in these training courses and/or complete courseware on regulatory topics and integrity according to the needs of their roles.

**Special programs to prepare our employees for the future of work:**  
FIBI is taking action to develop its human capital according to the future of work, while creating an employee experience that includes a sense of pride and a sense of meaning. FIBI promotes a culture of professional development, excellence and the latest professional competencies in order to be ready for tomorrow's challenges. Within this framework, FIBI develops and implements a variety of designated programs for the development and cultivation of its human capital.



40. The decrease in the number of days of computerized study derives from a decrease in the number of new courseware developed in 2023 compared to 2022.

FIBI takes action to develop its managers and employees through three tracks:

## Up-skilling

A training program enabling our employees to develop the skills needed for the changing world of work according to our strategic plan for our human capital.

Strategic planning of the future workforce and adapting it to the changing competitive environment. FIBI makes adjustments by mapping skills, and focusing on success in the future world of banking according to the anticipated developments in technologies and in innovation.

## Re-skilling

## Re-careering

Training our employees with the goal of preserving and developing their diverse skills for a variety of roles.

### In the upskilling track

this year, FIBI engaged in developing and strengthening skills needed for the changing world of work, according to the skills highlighted in our human capital strategic plan, as follows:

- **"Trusted Advisor" program** – banker as financial expert. This program includes workshops on the topics of conveying messages, acquiring a holistic view of customers and the business environment in a disrupted world characterized by high uncertainty. In 2022-2023, 3,238 employees and managers completed training in these topics (some of the managers participated in several types of courses).
- **"Business Leadership" program** – This program includes sales and proactive service workshops, one-day targeted workshops according to customer lines, based on the approach that does not differentiate between sales and service. In 2022-2023, 232 employees and managers completed training in this program.
- **"Personal Leadership" program** – This program includes training to develop and strengthen personal leadership capabilities and social skills, as well as training to managers to develop and enhance management and leadership capabilities. In 2022-2023, about 700 employees and managers completed training in this program.

### In the upskilling track

FIBI committed – within the framework of its defined ESG goals – that, by 2025, at least 75% of its managers will participate in at least one power skills training course over two years. In 2023, FIBI made significant progress in achieving this target since, correct to the end of 2022, about 60% of our managers and authorized signatories and, correct to the end of 2023, about 67% of our managers and authorized signatories, participated in at least one power skills training course.

FIBI also committed to include training in at least one power

skill in all continuing courses in core subjects, and achieved this target. The topic "Talk like Ted" was added to a senior credit manager course; a workshop on marketing and sales in relation to the capital market was included in a course training bankers in the capital market prior to the transition to counseling centers; and, since the July 2022 training cycle, a workshop on marketing and sales in relation to mortgages has been included in the course on mortgages. Since the 2023 training cycle, a workshop on value-based marketing and sales has been included in the advanced course on mortgages.

### In the recareering track

In 2023, 20 employees completed training in the recareering track for the purpose of acquiring new professional capabilities that FIBI needs: 8 employees completed the certification track for "financial strategist" and 12 employees completed retraining and certification for investment counseling.

### Management training courses:

FIBI Group holds structured management training courses for all management echelons, which provide management and leadership tools and maximize the managers' capabilities in their current roles and in preparation for their next roles, concurrent with regular management succession training processes and imparting knowledge, tools and skills in professional fields and supporting current managers. The training for managers is provided in conjunction with the HR department. The training includes long-term courses, management upskilling courses and various management workshops customized for the various management echelons.

In 2023, about 555 managers completed training in a variety of topics, including: an advanced management course; the 100 Program – the talent program, Talk like Ted, a course in agile management, story-telling for managers, a course on managerial resilience and unit resilience, improving productivity using AI and more. In addition, 13 managers completed a personal coaching process by licensed external coaches.



### Reviewing satisfaction with our training programs:

The training department evaluates the effectiveness of the training provided and the level of our employees' satisfaction with the training in the following ways:

- **Evaluating the effectiveness of the training** through final exams, which ascertain the level of knowledge acquired after completing the training.
- **Feedback** – At the end of every course, all students complete a computerized anonymous feedback questionnaire to measure their satisfaction with the classes and with the quality of the training. A summation conversation is also held at the end of every course, attended by the training department manager or his/her deputy, during which every participant is given the opportunity to express his/her opinion.

### Equal opportunities, diversity and inclusion

FIBI Group is diligent about ensuring equal opportunities and opposes discrimination of any kind in any of the organizational processes taking place in the Group, including hiring and onboarding, wage and employment terms, promotions and professional training, or in any other organizational process. The Group believes that it is highly important to enable full representation of the population and to create a diverse work environment that provides equal opportunities and an inclusive culture to all employees, regardless of gender, religion, race, ethnic origin, nationality, disability, age or sexual orientation.

As part of its hiring policy, the Group supports employment diversity by hiring employees from minority segments of the Israeli population. Empowering these populations provides added value for all those involved – on the one hand, it provides employment opportunities to members of these population segments and, on the other hand, enables the Group to offer tailored service to customers in these population segments. The Group's HR departments collaborate with screening and placement agencies specializing in various population segments in order to make the necessary adjustments in the hiring and onboarding processes. The Group also invests resources in creating work environments suitable for all employee populations. Furthermore, the Group collaborates with NPOs specializing in empowering and integrating diverse population groups in the labor market.





### Employment diversity in FIBI Group

FIBI Group, as a bank operating with diverse populations in Israeli society, recognizes the importance of employment diversity. Apart from the immense social value in providing employment opportunities to talented employees from across Israeli society, FIBI also considers this as having business importance, considering the value in the bank's employees having deep and personal knowledge of the diverse needs of their customers in all population segments. The diversity in FIBI is reflected in the fair and equal employment of employees from across Israeli society, regardless of religion, race, gender, geographical location or any other aspect. Also in 2023, no complaints about discrimination among FIBI Group's employees were received. About 9.9% of the new hires this year in FIBI Group were from various underrepresented populations in the labor market.

### Promoting employment in Israel's ultra-orthodox Jewish society:

PAGI specializes in serving Israel's ultra-orthodox and religious Jewish society. As part of our desire to hire employees from the ultra-orthodox Jewish society, the bank adjusts its educational requirements during the hiring process, while maintaining the high standards of employees that we wire. PAGI uses various media that appeal to this population segment: it places want ads in ultra-orthodox Jewish newspapers; initiates activities with ultra-orthodox Jewish educational institutions to hire suitable employees; and cooperates with placement agencies specializing in this population segment. Even after hiring ultra-orthodox Jewish employees, FIBI Group regularly takes action to adapt the work environment to these employees' needs, both professionally and through various welfare activities, as well as through intraorganizational communications.

Correct to the end of 2023, FIBI estimates that about 220 employees who consider themselves part of the ultra-orthodox Jewish society are employed in its ranks, 58 of whom hold management positions, constituting about 5.5% of FIBI Group's managers. FIBI's accommodations for the ultra-orthodox Jewish society take the form of special adjustments in the dialogue with ultra-orthodox Jewish employees and in the communications

platforms between FIBI and its employees, customized vacations and food supervision under the strictest kosher dietary rules. In order to ensure that the work environment is suitable for the needs of our ultra-orthodox Jewish employees, a dedicated officer in the Group's headquarters coordinates the HR aspects of PAGI's employees, while providing a tailored response to the unique sensitivities and requirements of our ultra-orthodox Jewish employees.

PAGI supports – both through donations and through employee volunteering – two initiatives to promote employment in Israel's ultra-orthodox Jewish society:

- **Leadership in education** – program for the advancement and development of ultra-orthodox Jewish women educators and caregivers while focusing on and impacting their spheres of influence. This project is a continuation of the High-Tech Leadership Project in which PAGI took part in 2022.
- **Career 21** – program to impart practical tools and training to ultra-orthodox Jewish young adults for the world of work in the 21st century. This program consists of in-person meetings and digital meetings led by mentors on behalf of PAGI and professionals in their fields.



### Promoting employment in Bank Massad among Israel's Arab society:

About one third of Bank Massad's branches and extensions operate in geographic areas where the majority of the population is from Israel's Arab society. Accordingly, and in order to provide optimal and customized service, the bank takes action to recruit many employees from this society. We recruit through advertisements in the media (newspapers and internet) that appeal to relevant target audiences; through collaborations with various officials in the educational system and the Israel Teachers' Union; and through collaborations with placement agencies specializing in this society. Correct to the end of 2023, about 20% of Bank Massad's employees are from Israel's Arab society, with managers from the Arab society constituting about 9% of all of Bank Massad's managers.

### Promoting employment of people with disabilities:

The Group considers it of utmost importance to integrate people with disabilities, to provide equal opportunities, to hire them on the basis of equal, respectful and nondiscriminatory treatment, and to provide them a work environment adapted to their needs. FIBI Group invests numerous resources in order to make the work environment accessible by diverse populations, to adapt it to the extent necessary for current employees with disabilities and to enable us to hire new people with disabilities for employment in FIBI. The Group complies with the Expansion Order for the Encouragement and Increased Employment of People with Disabilities and adapts the work environment for their roles in the following ways:

- The Group maintains contact with entities specializing in recruiting employees with disabilities, in order to publicize vacant positions via customized channels through them, and while prioritizing this population.
- FIBI has appointed officers to be responsible for hiring people with disabilities. These officers were trained and took part in events and activities relating to the employment of people with disabilities, in collaboration with organizations specializing in this field, including Access Israel, Esek Shaveh, the Israel Joint and the Ministry of Economy.
- FIBI ensures a suitable and customized work environment in the event that new employees are hired who have physical disabilities, or in instances when adjustments are needed for employees whose state of health has changed.

- If needed, the Group takes action to adapt roles to the functioning of employees with disabilities, in terms of distance from home, work hours and the nature of the role.
- If necessary, we adapt our screening processes to the needs of new candidates or of employees in the Group in managerial or professional advancement tracks. The Group's HR departments collaborate with screening and placement agencies in order to make the maximum adaptations needed in the screening and placement tests.
- Once a year, FIBI conducts a survey to raise awareness of the rights of employees with disabilities, including employees' reporting that they have disabilities.
- Our HR department also performs processes to increase awareness among our employees through appropriate training and lectures, with the goal of maintaining an inclusive work environment for employees with disabilities. The Group also collaborates with NPOs specializing in empowering and integrating diverse population groups in the labor market. FIBI estimates that at least about 5% of its employees are people with disabilities.<sup>41</sup>

During 2023, we handled about 82 employee requests to make adjustments in their work environments, including the provision of ergonomic computer equipment (such as keyboards and mice), orthopaedic chairs, work stations enabling work either when sitting or standing, alert bracelets for people with hearing impairments, etc.

### Equal rights:

All of FIBI Group's employees, regardless of gender, are entitled to parental leave by law. We consider the needs of our new parents when they return to work and understand their need for work-life balance. This consideration includes flexible work hours, crediting them with more days of sick leave and vacation leave, as well as higher convalescence pay than is customary in the labor market. The Group's banks also provide employees who are new parents with work conditions that exceed those prescribed by law, such as entitlement to a daily "parenting hour" for up to one year after the baby was born, as opposed to four months after the return from parental leave prescribed by law. In 2023, 125 female and male employees took parental leave, and 122 female and male employees returned to work after parental leave.



### Parental leave data

	Men	Women	Total
Took parental leave	3	122	125
Returned after parental leave	1	121	122
Returned after parental leave and remained in the workplace for an additional 12 months	0	82	82

41. This estimate is based both on employees' declarations during hiring and on additional sources of information.

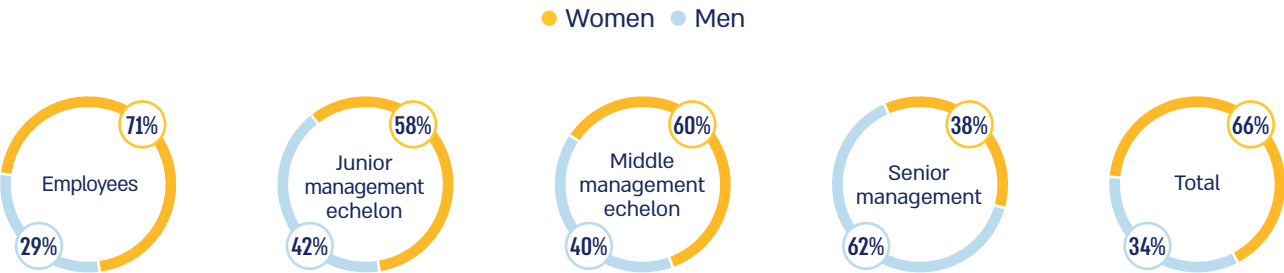


Gender equality:

FIBI Group takes action to promote gender equality in the workplace. The Group maintains a high ratio of women at all echelons and integrates them in key roles. Women account for 66% of all employees in the Group: 58% of the junior management

echelon, 60% of the middle management echelon and 38% of the senior management. In total, women account for 57% of the recipients of the highest wages (in the management echelons) in the Group – about a 1% increase compared to 2022.

Management echelons by gender - 2023



Prevention of sexual harassment

FIBI Group handles incidents of sexual harassment with all due gravity. Each of the banks in the Group, MATAF and all other companies in the Group that employ employees, have an officer responsible for the prevention of sexual harassment. All units in FIBI have regulations that specify, inter alia, the key provisions of the law regarding sexual harassment or workplace bullying, and the ways to file a complaint to the officer. These regulations are also displayed on FIBI's website. The Group's employees receive relevant information in order to prevent incidents of sexual harassment. These regulations are also disseminated annually to each employee individually. Once every three years, employees are also required to refresh their familiarity with the regulations and the expected workplace culture and are required to complete training in the subject through compulsory courseware/training. The last training in the subject was in 2021 and, in 2024, compulsory courseware is scheduled to be released for all employees. A refresher circular on this subject is also published annually to FIBI's employees.

Additionally, every new employee is obligated to complete the current courseware on the subject of preventing sexual harassment. In 2023, 217 new employees completed this courseware.

In 2023, the Group received only a few complaints of sexual harassment that were investigated in conformity with the law, while optimally protecting the dignity and privacy of all those involved. Appropriate actions were taken in the relevant cases according to the results of the investigation in order to prevent any recurrence of the incident and to raise awareness and sensitivity in this regard.

Fair wages

The base wage of every manager and employee in FIBI is defined according to role and rank, without referring to or being influenced at all by the employee's gender. Differences in wages may be found between the various employees as a result of employees' credentials, such as seniority, education, professional experience, etc.

In 2023, the highest wage paid to a FIBI employee was 11.66 times higher than the median wage in FIBI (after deducting the highest wage, for the purpose of calculating the median). In 2022, this ratio was 11.9. Correct to 2023, the minimum wage paid to a FIBI Group employee is 39% higher than the minimum wage in the economy; in 2022, this ratio was 46%.

The disparity in FIBI between the average wage for men and women by echelon.

The calculation was performed in relation to the average gross monthly wage in each echelon (a positive disparity indicates a higher wage for men):

Senior management:	-2%
Middle management echelon:	11%
Junior management echelon:	16%
Employees:	10%



Investing in the community

FIBI Group is committed to active involvement in society and in the community, with an emphasis on the participation and involvement of the Group's employees. The Group holds diverse and wide-scale community activities in ongoing strategic collaborations with social organizations. These activities are in line with FIBI Group's vision, strategy and values, with its major role in the Israeli economy and its leadership in the business world.

The donations policies of FIBI Group's banks are approved annually by FIBI's board of directors. FIBI's management, through FIBI's resources and financial management division, is responsible for the donations budget and for managing it. The donations activities are guided by a steering committee that is in charge of community investments, which is headed by the chairman of FIBI's board of directors and whose members are other directors and functionaries in FIBI who are involved in donations to the community. The steering committee outlines the policy for investments in the community, guides and directs the Group's spheres of activities in this regard and monitors performance. New social outreach initiatives are submitted to FIBI both from our employees and from civil society and are examined from time to time by professionals in FIBI and by the steering committee.

FIBI works with social NPOs operating in selected fields and formulates a shared plan with the goal of maximizing the positive impact of the resources being invested. This plan relates to the nature of the donation, how it is invested and its objectives, and examines the effectiveness of the activity being carried out with the donation. We constantly examine additional needs and opportunities for additional collaborations, in addition to FIBI's traditional activities.

Donations are approved only to duly registered NPOs (holding all certificates and confirmations needed for proper management and taxation as required). Every donation to an NPO dedicated to objectives that are supported by FIBI and fulfilling the aforesaid criteria is examined and considered, including in order to ensure that the assistance granted is being used in conformity with a clear policy that reflects FIBI's vision. The donations process is structured and regulated, including an

Within the framework of its social activities, FIBI also takes action, inter alia, to make the unique professional knowledge of its employees available to the populations that are the focus of the activities and to the organizations with whom the Group collaborates.

assessment of the need and the requisite approvals. FIBI Group does not donate money or cash equivalents to political parties, to politicians or to political institutions.

The Group's community investment is carried out on two levels: employees' social outreach and donations to social organizations. The Group's collaborations with social organizations are contingent upon their holding proper management certificates as stated, as well as upon an examination of the quality of their activities to ensure that the activities will have a significant positive impact on Israeli society in general and on the populations that are the focus of the activities in particular. In 2023, the Group continued to focus its community investment policy on two principal social causes: supporting the IDF and the security forces, and supporting the ultra-orthodox Jewish society. Within the framework of its social activities, FIBI also takes action, inter alia, to make the unique professional knowledge of its employees available to the populations that are the focus of the activities and to the organizations with whom the Group collaborates. For example: FIBI employees volunteer to teach financial literacy during some of their volunteering programs.

Community outreach

In 2023, following the vicious surprise attack on southern Israel and the ensuing war, FIBI significantly increased its donation budgets. At the same time, FIBI mobilized to promote unique projects and hundreds of our employees volunteered to help in the war effort.

In 2023, FIBI Group donated ILS 8 million to various social causes according to the Group's policy – a 66% increase over the Group's donations in previous years. Our resources and financial management division manages our donations activities.

In 2023, FIBI Group donated

ILS 8 million

66% increase over the Group's donations in previous years





## The Swords of Iron War

Upon the outbreak of the war, FIBI mobilized to assist the war effort. FIBI significantly increased its donations budget by millions of shekels and formed an ad hoc forum tasked with formulating a donations plan, particularly to support residents of the communities around the Gaza Strip and soldiers at the fronts.

FIBI's community outreach in 2023 focused, inter alia, on the following projects:

### Kibbutz Nir Oz

FIBI mobilized to assist and support the community of Kibbutz Nir Oz. FIBI's management led the project to rehabilitate the Nir Oz community, which included, inter alia: finding alternative housing solutions in Carmei Gat; bridging payments to suppliers; engaging with Homez, which designed and prepared the apartments for occupancy; and donating plants and decorative accessories to give the apartments a bit of a kibbutz feeling. FIBI is continuing its commitment to assist the Nir Oz community.

The community's members relocated to highly-equipped apartments in Carmei Gat, which were prepared by many volunteers, including FIBI's employees, who were highly motivated to help prepare and furnish the apartments before the community arrived.

Employees of our Eilat branch warmly embraced the members of this community through welfare activities during the period of their temporary housing in Eilat until they relocated to Carmei Gat.

### Kibbutz Erez

FIBI donated a first-aid room to this community, which includes live-saving medical equipment.

### The 411th Battalion and the Black Snake Squadron

FIBI has adopted these combat units and is assisting them during these challenging times, inter alia, through donations of equipment and supplies for the soldiers and to support welfare and morale-building activities during their service.

### The Maccabiah

FIBI donated to the Israeli delegation to the Pan-American Maccabiah games held in Buenos Aires, which is comprised of 74 athletes – 45 of whom are athletes from communities around the Gaza Strip, communities in Hevel Eshkol and the Shaar HaNegev regional council in southern Israel.

These donations are in addition to other donations to the war effort, including donations to combat-support NPOs, purchases of equipment and the provision of support to deployed soldiers; direct support and donations to evacuees so that they can purchase equipment, (direct payments to evacuees through a business forum, purchases of laptops for the evacuees, etc.); donations to medical centers that are supporting the war effort (such as to Kaplan and Barzilai hospitals), and more.

Concurrently, hundreds of our employees took part in a variety of volunteering activities that support the war effort, including, inter alia: providing logistics support to our soldiers; collecting and transporting equipment and providing other forms of assistance to residents of communities around the Gaza Strip; volunteering to provide activities to evacuees' children; help in farming and food initiatives, etc., as well as volunteering activities through additional NPOs, including the Alon and Ella NPO that supports vulnerable and disadvantaged communities.

**In total, about 530 workdays were donated during 2023, at an inclusive cost to FIBI assessed at about ILS 500 thousand.**



**Up until the third quarter of 2023, prior to the outbreak of the war, FIBI continued focusing on our following key partnerships with the security forces:**

- **"Warm Home for Every Soldier"** – FIBI supports the security forces, and particularly provides solutions for the needs of lone soldiers in the ranks of the IDF. In conjunction with the NPO Yahad Organization for Lone Soldiers, FIBI made 30 fully-furnished apartments nationwide available for lone soldiers enabling them to maintain a comfortable daily routine and feel that they have a warm home. We designated branches to adopt each home and the branches' employees assist the soldiers living in the apartments and regularly keep in touch with them to provide an attentive ear and respond to the soldiers' routine needs.
- **"Leading to Success"** – FIBI attributes considerable importance to taking action to narrow disparities in Israeli society and provide opportunities for disadvantaged

soldiers and veterans to integrate into society. FIBI formed a scholarship program to fund academic courses at the Open University and provide them with a key to financial independence, to enable a change in their life trajectory by increasing their earning capacities and, thus lead them to successful integration in society.

- **"Adopt a Soldier"** – FIBI adopted two combat units within the framework of the "Adopt a Soldier" initiative. During this initiative, FIBI takes part in events held by the units and supports the soldiers' well-being throughout their service.
- **"Special in Uniform"** – FIBI has joined the "Special in Uniform" program that takes action to integrate young adults with disabilities into the IDF and enable them to enlist and serve "like everyone else." This program also serves as a springboard for their integration into workplaces in Israeli society in all spheres of activity. FIBI adopted three units within the framework of this program and expects to adopt an additional unit. Each unit is supported by an adoptive FIBI branch that assists these special soldiers during their service.

- **"Soul Key"** – FIBI, in conjunction with the Lior Vishinsky Foundation, donated to the Soul Key Program, which grants scholarships to people suffering from PTSD as a result of military service, who are studying music within the framework of therapeutic rehabilitation at the Israel Conservatory of Music in Tel Aviv.
- **"Now Me"** – FIBI, in conjunction with the IDF Disabled Veterans Organization, contributed to the creation of a program to provide individual coaching and empowerment to wounded and disabled female soldiers interested in undergoing a process of personal development and fulfillment, of coping with their injuries and becoming part of an enveloping and embracing female community. Female employees of FIBI volunteered to participate in this support program and presented informative talks to the program's participants about financial conduct and planning.
- **"Lior Foundation"** – FIBI contributes to the promotion of cultural experiences for IDF soldiers. FIBI, in conjunction with the Lior Foundation, granted a donation supporting events held nationwide for soldiers to meet with male and female authors, and donated to Sunday cultural gatherings that contribute to the soldiers' wellbeing.

### Community outreach at PAGI

**Partnerships to advance Israel's ultra-orthodox Jewish society:** In 2023, PAGI continued its involvement in innovative initiatives promoting employment in Israel's ultra-orthodox Jewish society and invested about ILS 400 thousands in sponsorships and donations to innovative programs designed to eliminate cultural and professional obstacles and to provide opportunities for women and men in the ultra-orthodox Jewish society to develop professions, to gain access to a broader range of employment opportunities, earn higher wages and attain greater fulfillment in the job market in Israel.

PAGI advanced two major initiatives – both through philanthropic donations and through employee volunteering – to promote employment in Israel's ultra-orthodox Jewish society:

- **Leadership in education** – program for the advancement and development of ultra-orthodox Jewish women educators and caregivers while focusing on and impacting their spheres of influence.
- **PAGI is taking action in conjunction with the NPO "Leadership"** – which promotes ultra-orthodox women's social mobility and occupational leadership so that they can reach their full potential – to establish a training program for women educators and caregivers. With this program, we hope to have a double impact: to help ultra-orthodox Jewish women educators and caregivers develop and be able to earn higher wages, and to develop educational leadership among ultra-orthodox Jewish women educators and caregivers so that they can influence the generation of children under their care and schooling.
- **Career 21** – program to impart practical tools and training to ultra-orthodox Jewish young adults for the world of work in the 21st century. PAGI, in conjunction with the Toronto Foundation for Social Innovation in Israel, initiated a program to impart soft skills to about 200 ultra-orthodox Jewish young adults that will soon enter the job market. This is a three-

**FIBI considers itself a significant pillar of Israeli society and, as such, has set itself the goal of strengthening the national economic and resilience, in light of the war**

month training program providing practical experience and mentoring in soft skills with the goal of narrowing cultural and behavioral gaps to enable better integration in the job market and avoid dropouts.

### Community outreach at Bank Massad

The community outreach of Bank Massad and its employees also relates to its commitment to the population of educators and teaching staffs. Bank Massad maintains numerous collaborations with community organizations taking action to strengthen the status of teaching staffs throughout Israel, particularly in special education. In 2023, Bank Massad continued its collaborations with the NPO, Alumot Or, which operates in about 15 special education schools nationwide, with the NPO, SASA Setton, a philanthropic social-educational organization that helps about 40 schools for hospitalized children in Israel, and with the NPO, Lines and Thoughts, the Israeli Organization for ADHD. In addition to this activity, Bank Massad is continuing to be a very significant partner in the flagship project – "Israel's Teacher of the Year." Concurrent with the bank's activities in this channel, Bank Massad's employees also took part in enrichment activities for pupils within the framework of the NPO, A Different Lesson, which focuses on expanding students' horizons. Seven branches of Bank Massad and HG employees participated in this program in about 10 school across Israel.

In addition, 60 of Bank Massad's employees took part in various volunteering activities, including helping farmers with their harvests and helping evacuees as part of the social efforts as a result of the war. In total, at issue is 480 hours at Bank Massad's expense. It is also worthy of mentioning that employees of Bank Massad collected and donated about ILS 20 thousand to IDF soldiers and to evacuees.

### Our employees' community outreach

Every year, FIBI employees take part in various volunteering activities, such as cooking for lone soldiers and involvement in teaching financial literacy to adolescents, in addition to the volunteering activities relating to the war effort in 2023, as mentioned above. At the same time, FIBI is active in financial education initiatives in conjunction with the Bank of Israel, the Israel Association of Banks and the banking system that help additional, diverse populations.

This past year, FIBI employees volunteered and donated 530 days of volunteering in the community. This is a massive increase in hours of volunteering in community outreach activities, as a result of the Swords of Iron War that began towards the end of 2023. FIBI considers itself a significant pillar of Israeli society and, as such, has set itself the goal of strengthening the national economic and resilience, in light of the war.



# ESG Corporate Governance





As a leading financial group in Israel, the corporate governance practices of FIBI Group and the Group's banks play an important role in the Group's ability to generate value for its customers, the Israeli economy and the stakeholders of the Group and its banks. As a core activity of the Group, banking activity is considerably influenced by the Group's ability to apply its corporate governance practices effectively, in conformity with the law and with proper professional ethics.

In order to ensure compliance with provisions of the law, with proper ethics and with the desirable threshold of effectiveness defined by corporate governance bodies, we in FIBI Group take a broad range of measures to enhance our corporate governance practices. Inter alia, we take measures 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 means to increase the efficiency of FIBI's activities and improve the services it provides to its customers. We exert efforts to ensure that the privacy of our customers' information is safeguarded and protected from any third parties. In this way, we take action to enhance the reputations of the Group's banks as banks that operate fairly, effectively and ethically.



## Corporate governance structure

As part of managing the corporate governance practices in FIBI Group, the corporate governance of each of the banks in the Group is headed by its board of directors, which is responsible for formulating the bank's policy and overseeing its implementation. In conformity with Proper Conduct of Banking Business Directive 301 – Board of Directors, the boards of directors of the banks in the Group are responsible for formulating the banks' business strategies, for defining their risk appetites, for approving a policy to guide their routine activities and for supervising the banks' managements and the extent that their activities are in line with policy. The board of directors of each bank also approves the bank's code of ethics, supervises the bank's compliance with the provisions of the law and regulations, and formulates professional and appropriate standards of conduct as part of the bank's organizational culture. The various boards of directors carry out their activities through subcommittees that focus on a specific issue under the purview of the board of directors.

The responsibility of each bank's board of directors for overseeing the management is also expressed by defining the powers and duties of the CEO. Within this framework, the boards of directors define the methods for reporting and transmitting information between the CEO and management and the board of directors. The CEO is responsible for directing,

managing and coordinating the activities of all other members of the management and, through them, the activities of all of the bank's units.

The accounting firm Somekh Chaikin (KPMG) have been FIBI's independent auditors since 1972. The independent auditors are appointed annually by the general meeting, at the recommendation of the audit committee. In conformity with the Proper Conduct of Banking Business Directives, the audit committee discusses the option of replacing the independent auditor every three years.

### The board of directors' composition and activities

Two principal boards of directors operate in FIBI Group – the board of directors of FIBI and the board of directors of Bank Massad. The board of directors and committees of each bank in the Group direct and guide its management in relation to that bank's business strategy and policy, with Bank Massad operating consistently with the Group's policy as set by FIBI. Within this context, two members of FIBI's management serve as directors of Bank Massad, one of whom as the chairman of the board. Five of FIBI's board members are outside directors in conformity with the provisions of proper banking procedure, and two are outside directors in conformity with the Companies Law. The board of directors approves the objectives, qualitative

and quantitative targets, the bank's operating segments and allocations of resources to the various units.

FIBI's and Bank Massad's boards of directors operate in conformity with the corporate governance guidelines prescribed by law, which guide the banks' management, including by setting the risk management policy and defining the risk appetite in all of the operating segments and the various risks to which the banks are exposed. The bank's management submits an annual work plan to the board of directors based on the bank's multiyear strategic plan, which include the bank's budgets, including qualitative and quantitative details of the mix of income, expenses and investments that the management has defined as long-range targets and specific targets for the current operating year.

Additional roles of the board of directors include supervising the effective implementation of the bank's risk management policy. Once a year, the boards of directors and/or board committees of FIBI and Bank Massad approve the annual work plan and the risk management policy in the various material risk categories, such as credit risks, market risks, liquidity risks, operational risks, including business continuity, cybersecurity and information security, compliance risks, including the prohibition of money laundering and the financing of terror, cross-border risks, and the internal enforcement program relating to securities and competition laws. The board of directors performs an annual review of the definition of the appetite and the tolerance for compliance risk, and oversees the effective handling of compliance findings by the bank's management and, once every two to four years, reviews the policies in other risk categories, including strategic risks, reputational risks, legal risks and model risks.

The work plans, policies and KPIs deriving from them, set standards for the management, measurement, control and reporting of exposures to the various risks, which include, inter alia, the risk appetite, the risk frameworks and maximum permitted exposures in the various operating segments and sectors. Within this context, the board of directors adapts the various risk exposure policies to the changes in the bank's financial markets and operating environment. For example, the board of directors approves the compliance department's work plans and ensures that the plans are sound and risk-oriented and will provide an effective response commensurate with the bank's risk appetite.

The board of directors and its various committees also discuss the ESG topics that are material to the Group. Within this framework, inter alia, the head of the resources and financial management division presents FIBI's annual ESG Report to a meeting of the board of directors. Various social and environmental topics that FIBI manages are supervised by the board of directors and discussed in several forums, during meetings of the board of directors and during meetings of the various committees. The topics discussed by the board of directors include, inter alia, responsible employment, control mechanisms in the bank, regulatory compliance aspects, providing credit for environmental projects and managing climate and environmental risks when providing credit, mitigating environmental impacts, the donations policy, etc.

**The board of directors and its various committees also discuss the ESG topics that are material to the Group. Within this framework, inter alia, the head of the resources and financial management division presents FIBI's annual ESG Report to a meeting of the board of directors. Various social and environmental topics that FIBI manages are supervised by the board of directors and discussed in several forums**

On April 3, 2023, the board of directors held a discussion of the ESG Report for 2022. In 2023, a lecture on the subject of ESG was presented as part of the continuing education program for the board of directors.

The ESG policy document was discussed and approved by the board of directors in 2022 and is submitted for reapproval every three years, or earlier if necessary.

The board of directors also performs an important role in supervising the bank's senior managers to ensure that their activities are consistent with the Group's policies. The board of directors appoints the CEO and defines his/her mode of work and obligations to the board of directors, and approves the appointments of senior officers and other functionaries and the remuneration to be given to them. The board of directors also discusses these employees' performance.

The board of directors and the management of each bank in the Group is responsible for: defining the vision, values, strategy



The board of directors and the management of each bank in the Group is responsible for: defining the vision, values, strategy and goals in the bank’s operating segments; outlining the organizational culture and standards of professional conduct and a plan for their implementation in all echelons in the bank; ensuring that clear spheres of accountability and reporting in relation to compliance with laws and regulations are being maintained; and for discussing any irregular incident and any matter of material importance to the bank’s activities or to the supervision and control of the bank’s management

and goals in the bank’s operating segments; outlining the organizational culture and standards of professional conduct and a plan for their implementation in all echelons in the bank; ensuring that clear spheres of accountability and reporting in relation to compliance with laws and regulations are being maintained; and for discussing any irregular incident and any matter of material importance to the bank’s activities or to the supervision and control of the bank’s management. The board of directors approves the capital planning, periodically discusses the bank’s financial position and is also responsible for approving the financial statements. The board of directors’ spheres of responsibility also include: appointing the internal and external auditing and control professionals; engagements and transactions that must be approved by law or by resolution of the board of directors; restructuring of the Group; raising capital and investments, including disposals of permanent investments; issues of securities; periodically reviewing the bank’s capital adequacy, etc.

The board of directors is responsible for approving the policy for handling public complaints and the SLA of the bank’s ombudsman. The board of directors holds at least annual discussions of the ombudsman’s periodic reports, as soon after they are received as possible. The board of directors ensures that the public complaints department is properly staffed and has the resources and authorities needed to carry out its role.

In conformity with the board of directors’ procedures in the Group’s banks, if and when it is necessary to submit an

urgent matter to a meeting of the board of directors, an urgent meeting may be convened, including a meeting via means of communication or through a written resolution, in order to pass resolutions as needed, in conformity with the conditions prescribed in the board’s procedure and by law. The board of directors’ procedures in each of the Group’s banks prescribe provisions that regulate the directors’ right to receive the information they need in order to perform their duties as directors and, if necessary, to consult with various parties within the framework of performing their roles, pursuant to the provisions of the law (including the Companies Law of 1999) and pursuant to Proper Conduct of Banking Business Directive 301 regarding the board of directors.

The board of directors performs a comprehensive annual evaluation of the management’s performance. The board of directors’ performance is evaluated once every two years (see elaboration below). Targets for improvement and actionable decisions are derived from these evaluations in order to strengthen the performance of these corporate organs and the Group’s corporate governance in general. Furthermore, in order to advance directors’ knowledge and understanding, a dedicated training program is compiled annually year for the directors of FIBI Group.

The directors regularly participate in professional continuing education courses in business, regulatory, technological and other subjects in order to enhance the effectiveness of their supervisory roles and in order to ensure that they are kept abreast of new and significant developments and trends in the banking system and in the financial sector. In 2023, FIBI’s board of directors completed several continuing education courses, some directly pertaining to ESG topics. These continuing education courses included, inter alia, the following subjects:

- Mutual funds, focusing on banking in Israel and abroad
- Cyber intelligence activities
- The provisions of Basel IV
- ESG and the transforming world
- Israel’s ultra-orthodox Jewish society, focusing on economic aspects.

FIBI’s secretariat assists the board of directors and coordinates its activities, inter alia, in relation to the following: scheduling meetings of the plenum and the various board committees; general meetings; recording of minutes; following up on resolutions of the board of directors and of board committees; following up on the holding of periodic discussions of regulatory matters; forwarding various reports to regulatory authorities; managing the shareholders’ register; payments of remuneration to the directors; handling the subject of transactions with “related parties” and “interested parties”; and dividend payments.

The compositions of the boards of directors in FIBI Group at the end of 2023

	FIBI	Massad
Total number of directors	10	10
Number of independent directors <sup>42</sup>	5	4
Directors possessing accounting and financial expertise	10	9
Directors possessing accounting and financial expertise in the audit committee	5	4
Number of women directors	2	4
Number of directors up to age 30	0	0
Directors between the ages of 31 and 50	1	0
Directors at the age of 51 +	9	10
Number of meetings of the board’s plenum	27	14
Number of meetings of all board committees	6243	23
Is the chairman of the board an independent director? (yes/no)	No	No
Age of the youngest director	48	58
Age of the oldest director	82	80.5
Average age of the directors	65	66.5
Average number of years serving on the board of directors	8.8	7.1
Year of appointment of the newest director	2021	2023
Year of appointment of the longest-serving director	2003	1985

For additional details about the composition of the board of directors, appointments, retirements, spheres of responsibility, remuneration, expertise, conflicts of interest and additional roles held by members of the board of directors, please refer to the corporate governance sections of FIBI’s and Bank Massad’s annual financial statements.

42. Outside directors are also included in this group, pursuant to the Companies Law and/or the Bank of Israel’s instructions.  
43. This number also includes 6 ad hoc meetings of the CEO search committee, in addition to 56 meetings of the board’s regular committees.





## Board committees

FIBI's board of directors and Bank Massad's board of directors each have several permanent committees. Every board of directors in the Group also appoints additional committees as necessary, such as a CEO search committee or a strategy committee (which operates in Bank Massad once every five years). The roles and spheres of responsibility of the various committees are determined in the board of directors' procedure and as prescribed by law. The committees' spheres of activity relate to most aspects of the board of directors' activities and, in many instances, the committees hold discussions 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, as well as audit reports of regulatory authorities, and submits the reports that it deems appropriate for discussion during a plenum of the board of directors or by another board committee. The audit committee discusses deficiencies in the bank's activities that arise from audit reports and the ways proposed for contending with them. The audit committee discusses employee grievances about deficiencies, the policy regulating the manner by which grievances are submitted and handled, as well as the protection of employees who have submitted grievances.

The board of directors establishes procedures for disclosures of conflicts of interest in the bank. The audit committee discusses approvals of transactions with related parties in conformity with the provisions of the law and the Bank of Israel's directives. The audit committee discusses the financial statements and recommends their approval to the board of

directors. The material risks facing the bank include compliance risks (including the prohibition of money laundering and the financing of terrorism). To maximize the board's ability to assess the effectiveness of compliance risk management and to overcome the challenges and failures and maintain the quality of risk management in the bank and in the Group, the board of directors – through the audit committee – holds a personal meeting at least once a year with the compliance officer. The audit committee holds meetings with the rest of the "gatekeepers" according to their definitions by the various regulatory authorities.

The remuneration committee discusses the remuneration policy and the severance terms of employees, managers and officers and recommends their approval to the board of directors. This committee's discussions take into account, inter alia, the bank's business position, the impact of the remuneration policy on the corporation's risk profile, the provisions of Proper Conduct of Banking Business Directive 301A, the bank's corporate culture, its long-range strategy and its control environment. The remuneration committee is also responsible, inter alia, for ensuring that the remuneration incentives do not encourage risk-taking beyond the defined risk appetite. The committee also recommends the principles of the bank's employees' remuneration agreements to the board of directors and discusses negotiation processes with the labor committees in the bank in this regard and recommends the KPIs.

FIBI's IT, technological innovation and administration committee discusses, inter alia, FIBI's innovation and technology issues, while considering the risks involved. This committee defines the bank's technological risk appetite. The committee oversees

the implementation of the innovation and digital work plan and the appropriate allocation of resources to achieve these goals. The committee also engages in other issues relating to administration, including FIBI's management succession training programs, the organizational development plan and the training department's annual training program. The committee also discusses and approves general and exceptional issues concerning human resources, such as headcount, employee mobility, rotations, vacation leave continuity, etc. Once every three years, the committee reviews FIBI's code of ethics, means of disseminating it, performs controls over actual compliance with the code and the mechanism for handling of instances of violations of the code of ethics. The committee also receives annual reports on community outreach and occasionally receives requests for exceptional donations. In Bank Massad, these roles are divided between the credit and risk management committee and the audit and remuneration committee.

A steering committee has been operating for several years in FIBI Group comprised of two members of FIBI's board of directors, which is responsible for overseeing, closely monitoring and guiding the Group's community outreach activities on an ongoing basis, for initiating and setting a policy governing all of the Group's community outreach activities and submitting it to the board for approval.

The risk management committee coordinates the board of directors' activities relating to risk management and creates a basis for discussion of risk management for the board of directors. The committee discusses FIBI's overall risk strategy in the present and prospectively. The committee oversees the manner by which risks are being managed in FIBI and the risk

management division's activities. Based on the committee's recommendations, the board of directors periodically reviews and approves the various policy documents and the risk management framework anchored in the policy document and verifies – through discussions of the quarterly risk documents submitted for discussion by the risk management division and through discussions of additional reports submitted to the committee for discussion – that the risk management policy is being implemented effectively in FIBI, including supervision of the management's activities. Furthermore, the board of directors is also responsible for outlining an organizational culture of risk management as well standards of professional conduct and integrity and for ensuring that they are implemented in all echelons of the bank.

The loans committee and the risk management committee hold joint discussions of FIBI's credit management and credit risk management policy and submit their recommendations for approving them to the board of directors. The loans committee supervises FIBI's compliance with the credit policy approved by the board of directors and discusses, as necessary, the need to revise the credit policy. The committee monitors the credit situation and developments in it according to reports and parameters defined by the committee from time to time. The committee also receives sectoral surveys and discusses them. In particular instances, the committee is delegated authorities to approve credit applications and to approve write-offs or waivers of debts, debt collection arrangements and any arrangement relating to credit-related claims, all in conformity with the terms of the credit policy document. At Bank Massad, these topics are discussed by the credit and risk management committee.

## Composition of board committees:

FIBI:					
	Remuneration committee	Audit committee	IT, technological innovation and administration	Risk management committee	Loans committee
Number of directors who are members of the committee	3	5	5	6	6
Number of independent directors <sup>44</sup>	3	4	2	4	2
Ratio of independent directors on the committee	100%	80%	40%	67%	33%
Is the committee chairman an independent director	Yes	Yes	No	No	No
Number of committee meetings	8	25	6	10	7
			Bank Massad:		
			Credit and risk management committee	Audit, financial statements review and remuneration committee	
Number of directors who are members of the committee			5	4	
Number of independent directors			4	4	
Ratio of independent directors on the committee			80%	100%	
Is the committee chairman an independent director			No	Yes	
Number of committee meetings			11	12	

Directors’ qualifications and experience

Pursuant to the Bank of Israel's directives (Proper Conduct of Banking Business Directive 301 – hereinafter: “PCBB”), the board of directors must collectively possess knowledge, qualifications, expertise and experience commensurate with the bank's strategy and operating characteristics. The PCBB also prescribes that at least one third of all directors must possess “banking experience,” at least one fifth of all directors must possess “accounting and financial expertise,” at least half of all directors must possess “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 control (as these terms are defined in the PCBB).

Directors of FIBI Group are appointed in conformity with the provisions of law, with the provisions of the Bank of Israel's PCBB and with approval of the Bank of Israel. Appointments are also governed by:

- The Companies Law (section 57) prescribes that the appointment of outside directors shall be approved by a special majority of the general meeting.
- Section D of FIBI's Articles of Association (hereinafter: “FIBI's Articles”) prescribes provisions regarding the process of appointing directors. Accordingly, article 86 of FIBI's Articles prescribes that the general meeting has the authority to appoint directors. However, the Articles also allow the board of directors to appoint directors, subject to the provisions of the legislative arrangement and the criteria prescribed in Article 87 of FIBI's Articles. In such instance, the appointment is valid until the end of the first annual general meeting after the appointment. Pursuant to the provisions of the Banking Ordinance, the general meeting votes separately on the appointment of each candidate for office as director. Furthermore, prior to summoning a general meeting whose agenda includes the appointment of a director, advance notice of this must be issued (via immediate report through the Magna system) at least 21 days before the notice of the convening of the general meeting is published. Sections 63, 64 and 66 of the Companies Law prescribe the rights to request the convening of a general meeting and to propose topics for discussion during the meeting, including nominating a candidate for appointment as director. For example, the board of directors may nominate a candidate for office on the board of directors, and any shareholder holding at least 1% of the voting rights may nominate a candidate. The composition of the board of directors is subject to the provisions of the Companies Law, to Proper Conduct of Banking Business Directive 301 and to FIBI's Articles.

Each of the banks in the Group implements all provisions in conformity with the law and the Bank of Israel's directives regarding the prevention of conflicts of interest in the board of directors. Accordingly, each of the banks has dedicated procedures in this regard, the purpose of which is to define guidelines for situations whereby a candidate for office as director may be in a constant state of conflict of interests between his businesses or routine business dealings and the candidate's future role in the bank, in a manner that could result in the candidate's disqualification to serve as a director, as

well as guidelines for situations whereby a director may have a personal interest. There are also dedicated procedures for disclosures and reporting of conflicts of interest or a personal interest, and for the process of approving transactions in which officers have a personal interest. None of the directors (including the chairman of the board of each of the banks in the Group) holds any another management position at the bank where they serve as directors or as chairman of the board.

Evaluating the board of directors’ performance:

Once every two years, the board of directors of each of the banks in the Group performs an internal self-evaluation process for the purpose of further improving the board of directors’ performance. The evaluation process is regulated in a procedure drafted by the bank pursuant to the requirements of Proper Conduct of Banking Business Directive 301. The purposes of the process are to evaluate the effectiveness of the board of directors’ work, to identify weaknesses and to make changes and adjustments to its work and the work of its subcommittees, as needed. The evaluation process focuses on aspects of corporate governance, risk management and control and supervision being carried out by the board of directors. In December 2023, FIBI's board of directors completed a self-evaluation process. During this process, the directors completed an evaluation questionnaire. The plenum of FIBI's board of directors held a summary discussion of the directors’ replies on January 2, 2024 and passed resolutions accordingly. The next self-evaluation process is scheduled to take place at the end of 2025. The plenum of Bank Massad's board of directors held a summary discussion of its directors' replies on September 10, 2023 and its next self-evaluation process is scheduled to take place at the end of 2025.

**Mechanisms for communicating with the board of directors:**  
The board of directors operates according to an accepted managerial hierarchy: issues, questions and grievances are forwarded from the employees of each bank to the management and, if necessary, are forwarded from the management to the board of directors. Queries to the board of directors are submitted to each bank’s secretariat. Queries from shareholders are forwarded to the board by the shareholders through the mechanism of the general meeting of the shareholders. In 2023, FIBI held three general meetings and Bank Massad held one general meeting.

Employee remuneration policy

Pursuant to Proper Conduct of Banking Business Directive 301A - Remuneration Policy in a Banking Corporation (hereinafter: “the Directive”), the board of directors approves an updated remuneration policy once every three years for all employees of the bank, including key employees, and the Group's remuneration policy principles, with the officers’ remuneration policy constituting part of this policy. The bank's officers are entitled to remuneration according to the policy set by the board's remuneration committee and by the bank's board of directors, and with the approval of the bank’s shareholders' meeting. The officers are entitled to fixed and variable remuneration, subject, inter alia, to their achieving business targets in conformity with the bank's remuneration policy.

The remuneration committee and the board of directors approve KPIs for remuneration at the beginning of each year, in conformity with the approved remuneration policy and, at the end of each year, the proposed remuneration is submitted for approval by the remuneration committee and the board of directors.

Directors’ remuneration is based on annual remuneration and on remuneration per meeting, in conformity with the regulations, while referring to the size and nature of the bank. The bank's directors are only entitled to fixed remuneration. For additional information about the remuneration to various officers and the remuneration to directors, see the bank’s remuneration policy published on the websites of the TASE and the Israel Securities Authority.

Effective communications with our stakeholders

FIBI Group has many diverse stakeholders who affect and are affected by the Group's activities. The Group maintains contact and dialogues with all of its stakeholders about various topics that interest them through direct and indirect channels of dialogue. Within this context, the bank has professional staff who are responsible for maintaining contact and dialogues with each stakeholder group. FIBI Group exerts considerable efforts to be attentive to the needs of its stakeholders and to address them during the course of its business activities. FIBI Group's relevant professionals hold dialogues with each stakeholder at the frequency and in the manner deriving from the nature of the interface with that stakeholder. FIBI Group integrates its stakeholders’ positions into its activities as part of its work routine, insofar as these positions help the Group avoid risks and create positive value for its stakeholders.

Stakeholder group	Key channels of dialogue in 2023
Customers	<p><b>Branches</b></p> <p>FIBI Group maintains direct contact with its customers through its many branches nationwide. The branches offer customers a wide range of high-quality banking services that are provided by the top professionals to all FIBI Group customers – private banking, capital market and/or business customers. The Group strives to strengthen its relations with customers through its branches, while maintaining unique direct dialogues between its employees and customers.</p> <p><b>Direct channels</b></p> <p>FIBI Group take constant action to promote and assimilate the use of online channels (including a website, a mobile application, the FIBI Call center, SMS and web-mail services, as well as a marketing website and a Facebook page), and to open extensive communications channels with its customers to the extent possible. To this end, inter alia, we provide training to customers and bankers through various means and add a variety of channels for holding dialogues with customers and stakeholders, as the case may be (via webmail, SMS, push notification, correspondence with bankers, chat, video chat, our Facebook page, etc.).</p> <p><b>Conferences and workshops</b></p> <p>FIBI Group promotes dialogues with its customers by conducting dozens of training sessions, conferences and workshops each year. Professional conferences are held for business customers, capital market customers and for private customers. We also hold dedicated conferences for various populations, such as teachers and educational staffs, the ultra-orthodox Jewish society, members of the security forces and immigrants from CIS countries. These conferences, which include lectures on a variety of topics are presented by FIBI's experts and by external experts according to the needs arising during our ongoing dialogues with our stakeholders.</p> <p><b>Customer satisfaction surveys</b></p> <p>The various banks in FIBI Group conduct annual customer satisfaction surveys, tailored to each bank’s unique activities and customers. The banks also conducted surveys through direct channels for new and former customers and for customers who switched branches. The Group also held high-quality focus groups among customers from the various population segments.</p> <p><b>Queries and requests</b></p> <p>The bank’s customers have a variety of ways to communicate with the bank’s public queries department and can send proposals, requests and complaints via the website, in writing or by fax. Customers may also communicate with the bank through the “your opinion” tab on the bank’s website or through our Facebook page. The bank is diligent about responding swiftly and efficiently to its customers’ satisfaction.</p>



Stakeholder group	Key channels of dialogue in 2023
Customers	<p><b>Business customers</b></p> <p>FIBI maintains direct contact with its business customers through regional business branches providing comprehensive financial support for every business need. FIBI also focused its business customers' existing potential by dividing them into three operating segments (according to their volumes of business): small businesses, medium-sized and large commercial businesses. We assigned a manager to each segment whose role is to adapt our relevant products and services to the nature of each population and to provide optimal solutions for their needs. We also maintain direct and ongoing contact with the segment of small and medium-sized businesses through dedicated business units at our branches and through teams in the credit units at our headquarters. Our various digital channels also offer services tailored to the needs of business customers, who can also avail themselves of our services offered through our various digital channels.</p>
FIBI Group's employees	<p><b>Direct line to HR</b></p> <p>The Group's employees have a direct line for communicating any matter to the employee relations officer (and to the sexual harassment officer, if needed) and a hotline for internal audit issues. Employees may also communicate through both of these channels anonymously. The HR department is also responsible for ethics-related queries, which may also be submitted anonymously.</p> <p><b>Employee feedback and evaluations</b></p> <p>FIBI Group considers the employee evaluation process one of the key processes in human capital management. Therefore, it conducts an annual evaluation process for the Group's employees through feedback discussions between employees and their managers.</p> <p><b>Meetings between employees and the management</b></p> <p>All banks in FIBI Group hold management meetings with employees, which include visits by the CEO, members of management, senior managers in branches and in the various HQ units.</p> <p><b>Intraorganizational communications channels</b></p> <p>including the organization portal of each bank in the Group and other means of communications.</p> <p><b>Conferences and workshops for managers</b></p> <p>Unique activities for manager development and for improving organizational performance. These conferences and workshops focus on enhancing management skills, on holding discussion teams to address core banking issues and on providing enrichment on banking topics and on the latest banking practices.</p> <p><b>Process improvement teams</b></p> <p>We hold annual discussions that serve as a key means for obtaining information, feedback and suggestions for improvement in a variety of strategic and procedural topics, which are attended by our entire population of managers and authorized signatories. These discussions facilitate fruitful dialogues between managers from the bank's various units, branches and HQ units.</p> <p><b>Streamlining forum</b></p> <p>During which employees can propose ways to increase efficiency in relation to various topics.</p>
Shareholders and investors	<p><b>Reports to the TASE and to the Israel Securities Authority in conformity with the law</b> – which update FIBI's investors and shareholders immediately and with full transparency.</p> <p><b>Financial statements.</b></p> <p><b>ESG reports.</b></p> <p><b>Risk management reports.</b></p> <p><b>Investor relations tab on our website</b> – providing full access to information.</p> <p><b>The mechanism of the general meeting of shareholders.</b></p> <p><b>Dialogues (frequent conference calls, meetings) with analysts and investors.</b></p> <p><b>Contacting the bank's investor relations officer.</b></p>

Stakeholder group	Key channels of dialogue in 2023
Suppliers	<p><b>Periodic meetings</b></p> <p>FIBI Group holds periodic meetings with its suppliers at a frequency that depends on the nature and volume of the activities.</p> <p><b>Direct contact person for complaints and queries by manpower agencies' employees</b></p> <p>The Group's procurement manager serves as a direct contact for manpower agencies' employees to submit queries and complaints about any issue.</p>
Society and community	<p><b>Close ongoing relations with NPOs and social organizations</b></p> <p>FIBI Group maintains dialogues with various social organizations (for details, see the section “community outreach” in this report). We lead the various community outreach programs that FIBI Group is operating in conjunction with these organizations. FIBI Group also holds periodic meetings with these organizations and forwards reports in this regard to the management and to the board of directors.</p>
Environment	<p><b>Measuring FIBI Group's key impacts on the environment</b></p> <p>FIBI Group works in collaboration with relevant professional entities and discusses the potential for reducing the Group's environmental impact. Inter alia, FIBI held dialogues with the Standards Institution of Israel and with various consulting firms, for example, when we were incorporating green building standards in our buildings (FIBI's headquarters and MATAF House) or with regard to other aspects of managing logistics resources relating to environmental quality (electricity consumption, paper consumption, etc.).</p>
Government authorities	<p><b>Ongoing communications and cooperation</b> – FIBI Group cooperates with the relevant government authorities, maintains communications with them and is diligent about updating them about any relevant information. However, FIBI Group does not express support of public positions and does not participate in the setting of public and/or political policies.</p> <p><b>Lobbying</b> – FIBI's lobbying activities are carried out in conformity with Chapter 12 of the Knesset Law of 1994, and the bank's lobbying firm reports on the Knesset website that FIBI is its client.</p>

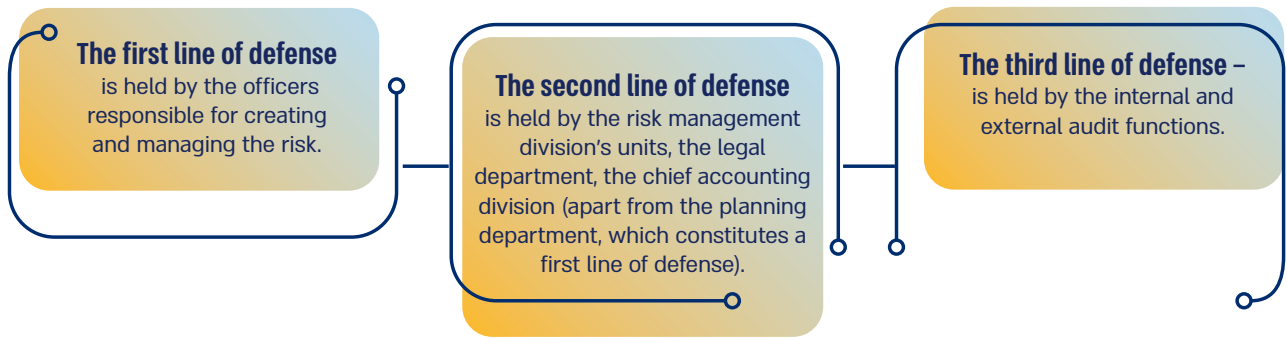


Risk management

FIBI Group considers effective risk management an integral part of its responsible business conduct. The banks in the Group are committed to operating responsibly and to managing all risks they face in conformity with the Group's risk appetite defined by the board of directors. We consider proper and responsible risk management a precondition to proper operation of the Group and to achieving our various goals.

The Group's diverse activities give rise to exposure to a variety of financial and other risks. The Group manages these risks in conformity with that required in Proper Conduct of Banking Business Directive 310 of the Bank of Israel's Banking Supervision Department, and in conformity with the provisions of other Proper Conduct of Banking Business Directives that pertain to specific risks. We update our risk management work methods according to regulatory amendments and business changes on an ongoing basis.<sup>45</sup>

The various risks in the Group are managed and controlled through an adequate infrastructure of command, control, supervision and auditing mechanisms that are implemented through three lines of defense:



In order to ensure that FIBI Group's employees are capable of managing the risks in their environment, the Group provides them with courseware on risk management-related topics. These courses are mainly a variety of online courseware on various topics depending upon the employee's role and rank. Our employees complete training via courseware on such topics as: information security, money laundering, embezzlement and fraud, competition law, risk management, business conduct, and FATCA and CRS risks. We provide refresher courses on most of these subjects every one to three years, and as needed, in addition to individual courseware on the various professional subjects.

FIBI also instituted a code of ethics (for elaboration, see the section "Ethics – FIBI's moral compass"). The processes for inculcating our code of ethics, which include workshops, ethics officers and "the book of ethical dilemmas," also help FIBI's employees contend with challenges posing a risk to the bank in nonregulatory channels, such as reputational risks.

FIBI's risk profile and risk management methodology

Like with any business activity, the Group's activities necessarily entail exposure to risks. The main risks to which the Group is exposed are: credit risks (including the concentration risk of economic sectors and borrowers), market risks (primarily interest rate risk), liquidity risks, operational risks (including cybersecurity and information security risk and IT risk), compliance risk and money laundering risk, strategy risk, legal risk, reputational risk, legislative and regulatory risk and model risk.

Generally speaking, the Group's risk appetite is proportional. All main risks are managed by management members or senior officers. Each risk is managed under a dedicated policy document that defines, inter alia, the risk appetite. The Group's risk management policy is intended to achieve the defined strategic goals, while cultivating specializations in the Group, utilizing the advantages of diversity and economies of scale, while maintaining the approved risk levels and the existence of adequate risk management, control, auditing and reporting mechanisms.

The Group's overall risk-management approach is consistent with the regulatory framework defined by the Banking Supervision Department and with the sound practices of the Basel Committee, which is based on the principle that any banking activity involving risk must be defined and characterized: the risk policy and appetite, limits to define and delineate the volume of exposure, control and audit circles, reporting systems and a mechanism for quantifying, measuring, and reporting profit according to accepted standards.

FIBI's chief risk officer (CRO) is a management member who bears responsibility for the risk-management function and for the overall risk management across the entire organization. The CRO also serves as the operational risks manager, the internal enforcement officer in relation to securities laws and as the business continuity manager.

The CRO heads the risk management division, which is the second line of defense. The division's roles are to supplement the risk management activities of the business lines (the first line of defense), to perform ongoing planning, maintenance and development of the framework of the risk-management efforts, to challenge the adequacy of the inputs, to manage the business lines' risks and to measure and report risks.

The division includes the credit risk management department, the unit for risk management and the implementation of the Basel directives, the compliance and prohibition of money laundering and financing of terrorism department (including internal enforcement of securities laws and internal enforcement of economic competition laws, managing cross-border risks, FATCA, CRS, QI and privacy protection), the unit for market and liquidity risk management and model validation and the operational risk management unit (including cybersecurity risks, IT risks, business continuity risks and fraud and embezzlement risks). The risk management division leads the formulation of the various policy documents and challenges the other risk management policy documents under the responsibility of the various risk managers. The division also develops methodologies and quantitative and qualitative tools for identifying and measuring exposures to risks, supports the entities assuming the risk in relation to all matters pertaining to managing the risks under their responsibility, performs controls, analyses and reporting of FIBI's exposures and FIBI Group's exposures to the various risks.

The division also assesses the effectiveness of the control by the control functions in the first line of defense, formulates recommendations on topics relating to risk management, including in relation to the risk appetite, submits independent opinions on credit, recommends capital adequacy targets, and more. As part of the annual ICAPP process over which the division is responsible, an in-depth process is performed to challenge the risk concentrations identified in Basel Pillar I, additional risk concentrations are identified and, if necessary, additional capital is allocated in respect of the risks.

Each subsidiary in the Group with separate business activities performs risk management according to the policy defined by the subsidiary's board of directors, based on the Group's policy and on the Group's risk-management methodology, while considering the distinct nature of each subsidiary's activities. The banking subsidiary (Bank Massad) has its own CRO who is subordinate to the subsidiary's CEO and is professionally guided by the Group's CRO.

FIBI 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. FIBI Group maintains ongoing processes to identify, assess, document and monitor the material risks to which it is exposed, in order to ensure that these material risks are constantly being identified and managed effectively. FIBI Group considers corporate governance practices a cornerstone for assessing its capital adequacy.

Control mechanisms over risk management processes

The command, control and supervision of the adequacy of FIBI's risk management is performed, inter alia, by the board of directors, by the board committees, by the management and by the management committees in the different areas of risk.

The management's supervision and control

FIBI's management is responsible for maximizing FIBI's profits according to the defined risk appetite while staying within the risk exposure limits. The management is responsible for executing the resolutions of the board of directors, including implementing the strategic plan and FIBI's policy within the framework of the risk appetite approved by the board of directors.

FIBI's management, headed by the CEO, convenes at least weekly to discuss, inter alia, a variety of risk management and control issues, including risk management policy documents, the quarterly risk report, findings of key audit reports, events of default, status reports on the progress made in various plans, stress scenarios, new products or processes, and more. The management forwards its recommendations on the relevant issues to the board of directors and its various committees. In addition, the current affairs committee, chaired by the CEO or the financial risk officer and attended by management members and senior managers, including the CRO, convenes three times a week to discuss – based on management reports – the liquidity situation in shekels and in foreign currency, the market risk (including FIBI's interest rate risk), financial developments in financial markets and new products. The committee performs a weekly review of fundamental issues in FIBI's nostro activities. The committee also receives a current report on FIBI's mortgage performance and an update on credit transactions exceeding a particular sum that were executed the previous day. In addition, the credit committee, chaired by the CEO, convenes at least weekly to discuss new credit applications and renewals of credit facilities under its authority.

In addition to these frequent meetings, several other meetings are held periodically as part of FIBI's risk management processes. The operational risk management forum (including cyber defense), headed by FIBI's CEO and attended by the management and Bank Massad's CEO, convenes quarterly to monitor the status of the exposure to operational risks, including technological risks and information security and cybersecurity risks, inter



45. For details about material risks and our risk management methodology, see the risk management report on FIBI's website and in the annual report of the board of directors and management, under the section "risk review."



alia, based on the findings of the various risk reviews and the actions being taken by the various units and subsidiaries to minimize these exposures. The forum also serves as a forum for the prevention of embezzlement and fraud risks.

A discussion of the topics of asset and liability management, nostro investments and developments in the financial markets, led by the CEO, is held at least once every two months. This meeting discusses developments in FIBI's financial exposures, including interest rate risk, liquidity risk, macro developments, activities in the nostro portfolio and other issues pertaining to the management of FIBI's assets and liabilities.

The forum for compliance and internal enforcement of securities laws and competition laws, headed by the CEO and attended by the heads of the divisions and departments in FIBI and in the subsidiaries, meets quarterly.

The troubled debt committee chaired by the CEO and attended by the head of the corporate division and the head of the risk management division meets quarterly. This committee issues its recommendations to the board of directors regarding credit loss provisions in respect of troubled debts.

The various divisions also have committees headed by management members and various senior managers in their operating segment.

The board of directors' supervision and control

The board of directors is responsible for the banking corporation's businesses and its financial robustness. The board of directors outlines the overall risk strategy, including the risk appetite. Once a year, FIBI's board of directors and/or its committees discuss and approve the annual work plan and, periodically, the risk management policy in the various material risk areas, which include, inter alia, the overall risk appetite, risk frameworks and the maximum permitted exposures in the various operating segments and sectors, and also sets standards for managing, measuring, controlling and reporting the exposure to the various risks. Within this framework, the board of directors and/or its committees adjust the exposure policy for the various risks to changes in FIBI's financial markets and business environment.

FIBI's board of directors and/or its committees approve material new activities and products that could create new exposures, while assessing the risk that the activity generates and FIBI's ability to manage, measure and perform independent control over the activity's risks. As part of the work of FIBI's board of directors, a board committee for risk management convenes about ten times a year. In Bank Massad, a credit and risk management committee convenes about 12 times a year. The committee receives a report on the bank's and the Group's exposure to the various risks, and on the bank's and the Group's compliance with regulatory restrictions and restrictions imposed by the board of directors. The committee also assesses the adequacy and effectiveness of the bank's risk management and control system. The committee discusses, inter alia, the quarterly risk report.

Internal auditing

Within the framework of the audits being performed by FIBI's internal audit department in branches and in the HQ units, the internal audit department assesses the risk management processes in the Group, the implementation of the policy and the actual execution of resolutions of the board of directors pertaining to the various risk management aspects. It also assesses the adequacy, effectiveness and quality of the control processes in the Group. The internal audit department also performs the independent annual review of the ICAAP in FIBI, which challenges the process and assesses the reliability and completeness of the data presented therein and its compliance with the Banking Supervision Department's requirements.

The internal audit department works according to a multiyear work plan for a period of four to five years and according to an annual work plan that derives from it, which encompasses all of FIBI's activities and entities, including the subsidiaries. The work plan is based on a risk assessment methodology and takes into account, inter alia, the risk assessment as reflected in the ICAAP document and in the internal audit department's assessments regarding the risk concentrations in FIBI's activities, including the various risk concentrations and the findings of previous audits performed by it and by external entities. The work plan includes the allocation of inputs and the frequency of the audits according to the level of risk of the audited entity/activity.

The internal audit department carries out its function in conformity with the various statutory 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, inter alia, the roles of the internal audit function, the scope of its activities, its work methods and the reports that it is required to submit), guidance issued by other regulatory bodies, as well as in conformity with accepted professional standards set by the International Institute of Internal Auditors.

The periodic internal audit reports include a monthly report, a biannual report and an annual report, which are submitted to the CEO and to the members of FIBI's management, to the members of the audit committee and to the chairman of the board of directors.

The biannual and annual internal audit reports include a report on the completion of audits compared to the work plan, a list of all audit reports issued during the reporting period, reporting on the findings of its monitoring of the rectification of deficiencies raised in the audit reports and a summary of material findings that arose in the audit reports and in the annual report, as well as an assessment of the effectiveness of the internal control.

Business continuity

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

In conformity with the provisions of Proper Conduct of Banking Business Directive 355 – Business Continuity Management, the Group prepared for disaster recovery and business continuity during various types of emergencies.

The head of FIBI's risk management division (who is a member of the management) is responsible for coordinating the matter at the Group level, and the preparations are carried out through the operational risk and business continuity management unit, which are comprised of several layers:

- Formulating a policy document and a work framework for managing business continuity, which is discussed and approved by the managements of each of the banks in the Group, as well as annually on an alternating basis – once by the technology, innovation and administration committee of FIBI's board of directors and once by FIBI's board of directors.
- Performing a BIA (Business Impact Analysis) in relation to aspects of business continuity every three years or in the event of material changes.
- Implementing a process for improving preparedness for business continuity on an ongoing basis, during which the unit updates the mapping of all essential activities and resources required in an emergency, and updates the emergency scenarios and the policy document accordingly.

The unit also performs routine maintenance of the action plans and emergency dossiers of the Group's units.

- Convening the Group's emergency preparedness forum headed by the manager of the risk management division, which coordinates the entire Group's business continuity activities. The forum is responsible for implementing the policy and procedures and for monitoring the Group's preparedness for various types of emergencies. This forum convenes at least quarterly.
- Reporting quarterly to the management, to board's risk management committee and to the board of directors on business continuity and emergency preparedness.
- Formulating of a multi-year plan for business continuity drills and carrying out drills simulating various emergency situations, as well as providing training.
- In the event of an emergency, FIBI opens a Group situation room, headed by the manager of the risk management division, which coordinates the activities to trigger emergency protocols, the emergency routine, the resumption of routine activities, reporting to various parties inside and outside FIBI, etc.

In 2023, FIBI Group approved a policy document and work framework for business continuity management, which defined the targets and goals, the mode of their implementation, spheres of responsibility and authority, the Group's actions to maintain the level of readiness, details of emergency scenarios and failures and the work and reporting framework for managing business continuity.

Furthermore, as part maintaining business continuity in light of the Swords of Iron War that broke out in October 2023, the Bank took a series of measures, including: holding ad hoc emergency meetings, shifting employees to remote work, operating a mobile branch, and more.







## Ethics, regulatory compliance and integrity

### Ethics – FIBI's moral compass

#### Achievement of our targets for 2025

**Target:** In addition to the comprehensive processes to inculcate our code of ethics to be performed at a frequency of every two years, by 2025, at least 2,500 employees will receive quarterly updates about ethical issues through a dedicated memo in this regard, which will be disseminated to all of FIBI's employees.

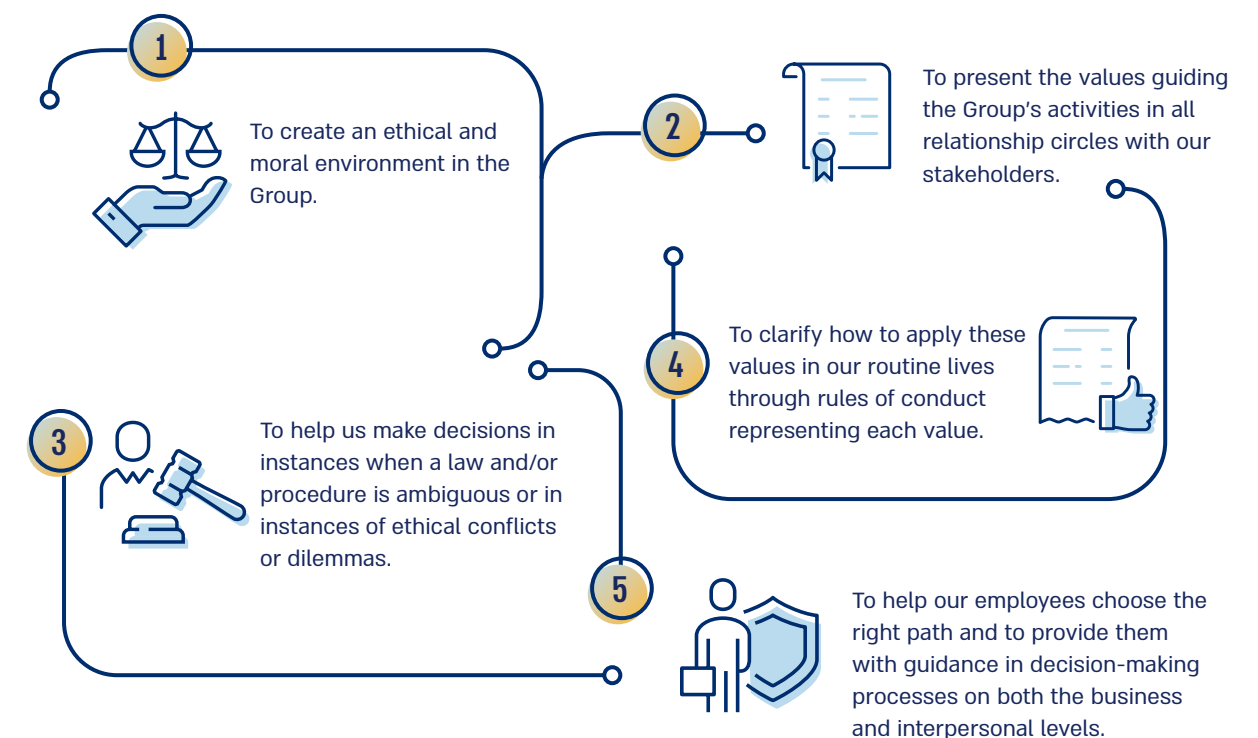


**Target achievement status:** 50%. Updates were disseminated during the first and second quarters of 2023. We note that FIBI fully achieved the target in 2022.

FIBI Group operates and promotes a culture of ethics and corporate social responsibility that constitutes the infrastructure and foundation stone for all of the Group's relationships and spheres of influence vis-à-vis employees, customers, suppliers, competitors, the community and the environment. The Group respects the rights and dignity of every person, which is reflected in the Group's code of ethics. FIBI Group's code of ethics is based on the values of human rights, including integrity, fairness, reliability, excellence, responsibility and commitment, initiative and innovation, transparency, openness and human dignity. Our code of ethics reflects FIBI Group's spirit that strives to set a high bar for appropriate and correct aspirations. Our code of ethics is the moral foundation for the Group's business activities and serves as the moral compass for all of the Group's employees, at all echelons, during their routine work.<sup>46</sup>

Our code of ethics is an integral part of the Group's approach towards the proper way to conduct itself in the business environment as part of its desire to inculcate ethical and moral behavior in the Group's organizational culture, compliance with regulatory provisions and business excellence. Our code of ethics was drafted in a collaborative process with the employees and managers in the Group's divisions, and it applies to all employees of the Group, in all echelons and in all roles, including the members of the management and board of directors, which also approved the wording of the code of ethics.

### The key objectives of our code of ethics:



At the end of 2023 we had planned to implement an organization-wide process of refreshing our code of ethics and inculcating the new code of ethics. Due to the outbreak of the Swords of Iron War, this process was postponed to 2024. In addition to the Group's code of ethics, each of the Group's subsidiaries – MATAF and Bank Massad – have their own customized codes of ethics. MATAF's code of ethics is based on a series of values that its employees and managers must follow and strive to uphold both inside MATAF and towards MATAF's customers and other stakeholders – the community, professional partners, suppliers and more. MATAF's code of ethics was last updated in 2020. Bank Massad's code of ethics, which is based on the Group's code of ethics, was also last updated in 2020, and is expected to be updated again after the updating of the Group's code of ethics is completed.

#### Inculcating the code of ethics

As part of the Group's activities promoting a culture of ethics and inculcating the code of ethics to instill an ethical organizational culture, ethics committees were formed at every bank in the Group and in MATAF (chaired by one of the members of the management of that bank), which are responsible for inculcating the code of ethics and for providing advice and guidance according to the Group's values. The committees convene quarterly and their actual convening is subject to there being issues requiring examination. Additional committee meetings are also held upon request. The chairman of FIBI's ethics committee is the manager of the resources and financial management division; at Bank Massad, the chairman is the manager of the HR department, and at MATAF, the chairman is the manager of the HR department. In addition, an ethics

officer on behalf of FIBI's management, has been appointed in every bank, and they are responsible for the ongoing activities to inculcate the code of ethics and for updating it and the related procedures.

In 2023, FIBI's ethics committee held a meeting to discuss a transaction relating to a particular employee that involved aspects of conflicts of interest. This matter was discussed while analyzing aspects of the conflict of interests and their effect on business activities.

Another way that the FIBI inculcates the code of ethics and its contents among its employees is by making the contents of the code of ethics accessible by managers and employees through the organizational portal. In order to turn the code of ethics into a practical and routine tool for guiding FIBI's employees, the organizational portal also contains a "book of dilemmas" that describes ways to contend with and resolve possible dilemmas during a banker's work. The book, which was written with the help and collaboration of a variety of employees and managers from various business units who participated in focus groups and round-table discussions in this regard, is available at all times on the code of ethics portal. A "book of ethical dilemmas" pertaining to the capital market and the trading rooms has also been prepared.

The Group's employees complete digital training in the code of ethics every three years, as one of the means of refreshing their familiarity with the subject. Every new employee in the Group learns the code of ethics when he/she begins working and participates in an orientation day during which information

46. To read the Group's code of ethics, please use this link: <https://www.fibi.co.il/wps/portal/FibiMenu/Marketing/Private/General/About/Ethics>



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## During 2023, we continued to take action to refresh ethical issues with employees and update the book of dilemmas and the dedicated book of dilemmas for the trading rooms. In addition, during 2023 and the beginning of 2024, we took action to refresh ethical issues among our employees

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about the code of ethics is provided, along with detailed explanations of the conduct expected of a FIBI employee. The timeframe during which each employee is obligated to complete courseware to refresh his/her familiarity with the code of ethics differs among the companies in the Group (ranging between one and three years). In 2023, 153 employees completed the courseware.

During 2023, we continued to take action to refresh ethical issues with employees and update the book of dilemmas and the dedicated book of dilemmas for the trading rooms. In addition, during 2023 and the beginning of 2024, we took action to refresh ethical issues among our employees in the format of message pages and we designed GIFs for situations in which ethical dilemmas arose, which we identified and examined, that advise employees how to act. The message pages were distributed to all employees.

### Reporting mechanisms and channels

Employees can regularly seek advice or report ethical issues, including via the organizational portal. Employees also have additional ways of communicating ethical issues – they can refer to one of the ethics officers (members of the ethics committee or the ethics officer) to seek advice or to report unethical conduct, orally or in writing, and through one of the following: the ethics portal on the HR website, dedicated phone number, in-house mail or via email or fax to the ethics officer. Employees may also contact the ethics organs anonymously. Names and contact details for members of the ethics committee are displayed through various channels in the intraorganizational communications system, as well as through various mechanisms installed for employees.

The ways to obtain advice or report ethical issues are regularly displayed and available to all of the Group's employees. The Group allows managers or employees to remain anonymous when reporting. In order to ensure that whistleblowers are not harmed or adversely affected as a result of their reports, the Group allows employees to report to an objective and independent party in instances of suspected significant irregularities relating to the management of FIBI's businesses, to integrity or to controls over financial reporting. To this end, FIBI's board of directors and Bank Massad's board of directors have appointed the manager of the financial and capital markets unit in the internal audit department to serve as the Group's employees' ombudsman. The manager of the resources and financial management division and the



ombudsman are responsible for providing protection to the employee whistleblowers in order to ensure that their rights are not violated as a result of their filing of a grievance.

In 2023, the various ethics organs received only a few grievances about ethical issues. These grievances were examined by the internal audit department, conclusions were drawn and disciplinary proceedings were held for the relevant employees, when such a proceeding was warranted. In isolated instances, a suspicion of embezzlement arose, which was also reported to the Bank of Israel to the extent required by law, and customers were compensated if they suffered damage. In addition, a lawsuit filed in 2022 by a bank employee is pending.

### Compliance with the law

Since FIBI Group is part of the banking system in Israel, it is subject to an extensive legislative and regulatory system that regulates the banking sector. This system forms the main legal foundation for the Group's activities. The main laws governing the Group's activities are the Banking Ordinance, the Bank of Israel Law, banking laws addressing licensing and customer service, etc. By virtue of these laws, the Group's banks are subject to the supervision of the Bank of Israel and particularly, to the supervision of the Governor of the Bank of Israel and of the Banking Supervision Department and all provisions, rules, directives and orders issued by virtue of their authority apply to the banks.

In addition to the banking legislation, the Group's activities are also subject to additional legislative systems that regulate the Group's activities in various fields, such as: our activities as a publicly traded company, our capital market activities, our mortgage activities, etc. In these fields as well, the Group is subject not only to legislation, but also to provisions, rules and directives of the State's competent authorities and other entities, including the Israel Securities Authority, the Commissioner of the Capital Markets, Insurance and Savings in the Ministry

of Finance, the Tel-Aviv Stock Exchange, the tax authorities, the FATCA and CRS directives, and the directives of the Israel Competition Authority and of the Privacy Protection Authority. Additional laws addressing specific matters impose specific obligations and provisions on the entire banking system; for example: the Prohibition of Money Laundering and the Financing of Terrorism Law, the Credit Data Law, legislation pertaining to privacy protection, etc.

The Group's compliance department, headed by the Group's chief compliance officer (to whom the compliance trustees in the network of branches are professionally subordinate) is responsible: for ensuring the implementation of provisions of law, including with regard to bank-customer relations; for ensuring the implementation of legislation relating to the prohibition of money laundering and the financing of terrorism and relating to cross-border risks; for managing the internal enforcement of securities laws and economic competition laws (including, inter alia, implementing controls and providing ongoing training on these topics); for the policy governing proper business conduct with customers; serves as the responsible officer for the provisions of the QI agreement; for FATCA and CRS provisions (identifying and reporting about customers with foreign residency for tax purposes); for the declared monetary policy (for the purpose of contending with risks deriving from the possibility that funds being deposited in the bank originate from tax evasion in source countries); and for privacy protection matters. The Group's compliance department participates in the formulation of work processes by approving procedures and circulars, by approving new products, systems and processes and by providing advice on aspects of due disclosure, proper business conduct, the prohibition of money laundering and the financing of terrorism, etc. The Group also maintains a conservative and low risk-appetite policy in relation to engaging in agreements and legal liabilities, and conducts its business activities with customers with proper business conduct, with adequate legal assistance and meticulous compliance with all legislative and regulatory provisions and with the restrictions and obligations deriving from them. Moreover, the Group's policy is to take a strict approach towards the Group's managers and employees in relation to any administrative or criminal violation of provisions of law applying to the Group's activities.

All employees of FIBI Group, clerks and managers alike, in the branches and in HQ units, have free and direct access to the chief compliance officer and/or to a representative on the officer's behalf in the various units in the compliance department for the purposes of obtaining professional advice and/or reporting various deficiencies discovered in aspects of compliance. Queries are made directly by telephone, email or through dedicated systems. FIBI Group's employees also complete training on compliance topics through courseware on various subjects that are distributed to the Group's employees according to their roles and responsibilities.

2023 was characterized by the continued uptrend in the quantity and complexity of new regulatory requirements that require preparations for their implementation. This was in addition to the diversion of the Group's compliance department resources in 2022 in order to handle the issue of the Russia-Ukraine war

and the resulting expansion of international sanctions and, towards the end of 2023, also handling issues that arose in the wake of the outbreak of the Swords or Iron War. This handling includes increased monitoring and control of: international and cross-border activities and entities and/or platforms involved in activities suspected of financing terrorism.

To the best of FIBI's knowledge, there were no incidents of bribery or corruption in 2023 (apart from the aforesaid isolated incidents of suspected embezzlement). In addition, no fines or regulatory sanctions were imposed on FIBI in respect of compliance violations.

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### Swords of Iron War

In light of the war and the state of emergency declared in the State of Israel following the events of October 7, 2023, and further to the Israel Money Laundering and Terror Financing Prohibition Authority's letter to financial institutions on October 11, 2023 containing emphases concerning the war in Gaza and demanding increased awareness of attempts to finance terrorism by means of financial transactions that could assist terrorist organizations, our unit for the prohibition of money laundering and the prohibition of financing of terrorism published a circular to all branches, auxiliary and operational units and business units throughout FIBI Group containing both the emphases conveyed in the aforesaid authority's letter and guidelines for identifying and handling financial activities raising suspicions of funding or supporting terrorism and/or suspicions of funds being transferred to Gaza.

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### Sanctions

For decades, Western countries, led by the United States, have been using sanctions programs to advance geopolitical goals, including deterring and punishing countries that violate the international order, preventing the financing of terrorism, reducing human and drug trafficking, protecting human rights, etc. In 2022, in light of the escalation of the war in Europe, the US OPEC, the European Union and other countries intensified the sanctions imposed on Russia. The State of Israel has not imposed sanctions on activities with Russia, but FIBI is committed to complying with many of the aforesaid countries' requirements through various contracts and agreements, mainly during activities with correspondent banks, and by virtue of its activities with entities abroad. FIBI's compliance policy, which was approved towards the end of 2022, includes a new section on this subject and the compliance unit operates according to this policy, including by obtaining advice from a leading external professional firm. In 2023, the aforesaid countries added many bodies and names to these lists of sanctions, and FIBI is continuing its efforts to prevent activities with the aforesaid sanctioned entities and updated the said policy section in December 2023.



Providing training in regulatory compliance to our employees and managers

- Our compliance department operates an ongoing training program in conjunction with our training department, which includes professional training in various fields according to the focus and development of risks, as well as a dedicated, comprehensive and in-depth training program for compliance trustees. These training programs include a periodic seminar day for all of FIBI's compliance trustees, during which particular regulatory compliance topics are emphasized, developments, cases and responses are presented to the compliance trustees, and a professional discussion is held with our HQ's content experts. FIBI also provides ongoing practical training to new and/or acting compliance trustees at the branches and periodic refresher training for incumbent compliance trustees and their alternates. Content experts from our HQ teach these practical training courses, including exercises and updates on topics on the agenda, which are carried out on an ongoing basis and as needed.
- FIBI Group provides an annual seminar day dedicated to the subjects of regulatory compliance and the prohibition of money laundering to all branch managers, compliance trustees and their alternates in FIBI Group, in which highlights from the field are raised and a professional discussion is held with our HQ content experts and external content experts on current issues on the agenda. In 2023, we held 8 cycles of seminar days for branch managers, compliance trustees and their alternates via digital platforms to provide an efficient alternative learning experience.
- During 2023, we held seminar days focusing on various compliance topics, such as: opening an account for minors and recognized entities; opening a trust account pursuant to an agreement; the annual seminar day for compliance trustees and their alternates; and an annual seminar day focusing on regulatory compliance for branch managers. We also held a workshop on types of corporations and opening a corporate account; provided focused training to investment counselors regarding enforcement of securities laws; and training in FATCA during a workshop about opening an account for a single adult.
- In addition, during the year, employees of the compliance department participated in a seminar day on international sanctions and financial warfare, which was presented by an external firm. The department's employees also participate in seminar days, continuing education courses and professional conferences.

In addition, in conjunction with our training department, we are introducing improvements and updates to existing courseware modules in the field of compliance, and are continuously examining the need to provide additional training, and to expand the employee populations that are obligated to complete courseware in compliance topics.

In 2023, we held an annual forum for compliance risk managers who are not part of the compliance function, which was led by the risk management division and was under the responsibility of the compliance unit. This forum constitutes a significant meeting between the Group's compliance function and the second line of defense for the purpose of contending with compliance risks: the compliance risk managers in the risk management division, in the legal department and in the chief accounting division. The purpose of this forum is to strengthen the working interfaces between the compliance function and the compliance risk managers in the second line of defense that are not part of the compliance function.

Tax policy

FIBI manages its tax policy at the Group level and pays taxes in compliance with the statutory requirements and all provisions, laws, rules and directives, while diligently cooperating with the relevant tax authorities and the law, and while implementing the compliance, disclosure and reporting provisions in full coordination with these authorities. The Bank complies with the provisions of the law.

Upholding integrity

FIBI Group recognizes the importance of upholding integrity and preventing incidents of corruption during the activities of the various banks in the Group – from the board of directors and the management to the employees. Accordingly, the Group advances mechanisms and work processes in order to prevent such incidents through risk assessment and control processes so as to ensure thorough and complete handling of such incidents. These mechanisms are similar in nature to the Group's general risk management mechanisms: they include a first line of defense that every employee and manager in the Group performs; a second line of defense, which 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 considered civil servants as it pertains to accepting gifts, and the provisions of the Penal Law prohibiting the acceptance of bribes apply to them. Therefore, gifts or discounts exceeding reasonable discounts being given by a customer or supplier could be deemed the giving or receipt of a prohibited benefit, with all that this implies. As part of the responsibility imposed on every employee and manager in the Group to uphold integrity, they are obligated to familiarize themselves with the provisions of law pertaining to integrity that are relevant to their roles and to comply with those provisions. Within this context, we provide training in integrity to our employees and managers. In 2023, 320 employees completed the courseware on preventing bribery and corruption.

Our risk management division regularly takes action to improve



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the management and prevention of risks associated with issues of integrity and conduct in violation of FIBI Group's procedures. Furthermore, before promoting any employee to a first managerial position, whenever an employee rises in managerial rank or is promoted to a new managerial position (even without a change in rank) and whenever anyone is appointed to the position of branch manager, the relevant HR division employee obtains "no objection" evaluations from the chief compliance officer in the risk management division and from the internal audit department. This process is carried out in order to verify that no incidents have occurred that would disqualify the candidate for promotion.

The audits being performed by FIBI Group's internal audit department also examine the exposure to risks of embezzlement and fraud. The internal audit work plan is based on a systematic methodology of assessing the various types of risk, including embezzlement and fraud risks. The internal audit department examines the information that it receives regarding suspected incidents of embezzlement or other integrity violations not only during its scheduled audits, but also as a result of grievances submitted to the employees' ombudsman or grievances submitted to any other bank officer. If necessary, an audit report is prepared and forwarded to the managements of the relevant banks for the purposes of instituting measures against those responsible and reporting the incident to the board's audit committee. The audit reports are reviewed by a



In 2023  
**320 employees**  
completed the courseware on preventing bribery and corruption

dedicated committee, which is chaired by the manager of the resources and financial management division and comprised of additional members of the management and other senior managers, and the committee recommends disciplinary measures against any employee found responsible for the offenses specified in the audit report.

Preventing conflicts of interest

A key risk of integrity violations could derive from the existence of a conflict of interests. To address this risk, FIBI Group implements a procedure for preventing conflicts of interest, which specifies permitted and prohibited conduct during relations with customers and suppliers. This is a mandatory procedure applying to all employees of the Group. This procedure was revised in 2021 and a refresher memo about the revised procedure was disseminated to all FIBI employees. Generally speaking, the procedure prohibits personal transactions with customers and suppliers, except in exceptional instances only. FIBI's ethics committee discusses exceptional instances, if any, examines and approves them to the extent possible. The Group places emphasis on accounts of close associates, which are those accounts that are defined as such because the account-holders have ties to an employee of the Group and managing them could raise concerns of a conflict of interest. Each relevant employee is responsible for declaring and reporting the existence or absence of accounts that their close associates are managing in the bank where the employee works, through the system that we established specifically for this issue. FIBI invests numerous resources in order to ensure that FIBI's employees are aware that they are prohibited from executing and/or authorizing transactions in accounts reported as belonging to their close associates. We also implemented special procedures and arrangements for preventing officers' conflicts of interest, which include detailed rules about disclosures of related parties and FIBI's handling of this matter.







## Fairness

### Fairness in products and services

We in FIBI Group consider our customers' best interests and maintaining long-term relations with them an integral part of our business considerations. Therefore, fair treatment of customers is a core value in FIBI Group. The Group is diligent about fairness and transparency in all banking products and services that it offers.

FIBI Group is subject to a series of laws and regulations relating to the provision of banking services and products (such as: the prohibition of deception or exploitation of hardship; the prohibition of making one service contingent upon another service; the duty of care, the duty of safeguarding confidentiality; the duty to act in good faith; the fiduciary duty, etc.) and various specific obligations, such as: due disclosure, registration processes, cancellations of liens, etc. FIBI Group plans, develops and offers its products and services to customers in constant awareness of its duty to comply with all laws and regulations applying to the Group. FIBI Group uses dedicated control mechanisms, which are themselves also subject to control and auditing. Our primary mechanism is our compliance function, which is tasked with: ensuring that all banks in the Group are complying with the statutory provisions applying to them; conducting ongoing assessments of the effectiveness of the control mechanisms in preventing compliance violations by the various units in the banks; and preparing for the promulgation of new laws and regulations that are relevant to FIBI Group.

Within this context, before launching a new financial product or service, we carry out an orderly process during which the new product or service is thoroughly tested by professionals in our business units, legal department, operational risk

management unit, the compliance officer, etc., to verify that the new product or service complies, first and foremost, with the statutory and regulatory requirements, and that it contains no aspects that deviate from the Group's principles of ethics and fairness:

- FIBI Group is diligent about due disclosure and provides its customers with any information that may be relevant to them in order to help them make more informed and prudent financial decisions. FIBI Group also ensures that its banks' websites display the Group's code of ethics, the price list for products and services, etc.
- The Group strictly complies with the provisions of law applying to FIBI Group during its interactions with its customers. FIBI Group also deems compliance with the law as a means to further enhance the well-being and satisfaction of its customers.
- Every bank in the Group notifies its customers about all matters pertaining to their assets and their liabilities to the bank in each of the accounts managed by that bank.
- When FIBI Group representatives introduce customers to the variety of solutions and products relevant to them, their value propositions include clear information about the various options available to customers and the advantages and disadvantages of the products and services according to the customers' profiles and preferences.
- In its relations with its customers, the Group is diligent about providing complete information, comprehensive explanations and about rectifying and improving deficiencies identified in products and services that it offers, if necessary (taken from FIBI's code of ethics).

FIBI customarily conducts comprehensive surveys in conjunction with every major advertising campaign, inter alia, segmented by the age groups of the responding customers, for the purpose of analyzing and validating how the messages that FIBI conveys are perceived and their impact on the population. We conduct this segmented customer survey by age groups at least annually.

In order to ensure that all employees of FIBI Group internalize the values of fairness and transparency, we provide dedicated training in FIBI Group's code of ethics and provide tools to them for contending with ethical dilemmas.

### Incorporating proper and fair business principles and values in all of the Group's banking activities

Conduct risk arises as a result of unfair or nontransparent conduct or as a result of insufficient due disclosure by bankers and employees to customers, investors, suppliers and other employees (hereinafter: "the stakeholders"). Conduct risk is a cross-organizational risk that derives its normative framework from the entire set of regulations applying to FIBI Group. Our fundamental values of fairness and transparency are reflected in the Group's routine conduct and in its compulsory code of ethics.

In recent decades, the global banking industry has faced several significant crises. An analysis of these crises shows that one of the key factors in the occurrence and intensity of these crises was conduct risk.

Conduct risk is one component of our overall risk management approach. This approach guides FIBI Group, under the leadership of its corporate organs, during its inculcation of proper and fair business principles and values in all of its banking activities. Risk management in FIBI Group, and conduct risk management in particular, affects how FIBI Group develops and offers products while ensuring due disclosure to customers and to all other stakeholders. High awareness of conduct risk means that FIBI Group is transparent in its presentation of the risk components inherent in its financial products and develops solutions tailored to customers' needs and the changing market needs. As a leading banking group with a diverse customer base, FIBI Group is diligent about providing solutions to every customer in a professional, caring and responsible manner. The Group is diligent about conducting an in-depth, fair and unbiased and objective clarification of any complaint received, according to defined procedures. In particular instances, if necessary and depending upon the circumstances, the Group provides a response ex gratia.

### Fairness in investment counseling

FIBI Group's approach to investment counseling services prioritizes its customers' best interest and their financial future. FIBI Group's investment counseling is tailored to its customers' characteristics and needs. Investment counseling in FIBI Group, with its diverse range of customers, is based on an orderly methodology developed by the Group. This methodology has defined milestones in investment counseling and adapts the risk level to the needs and personal characteristics of each customer. Alongside FIBI Group's mission to provide solutions for the needs and personal preferences of each customer, the

Group believes that it is just as important to provide its customers with information to improve their financial understanding and enable them to make informed investment decisions with a sense of confidence. We provide our counseling services to our customers with full transparency and in compliance with relevant regulations, including the avoidance of conflicts of interest.

### Fairness in marketing, advertising and sales

As a direct derivative of the Group's professional responsibility and obligation to comply with the law, FIBI Group adheres to proper disclosure practices, responsible marketing and activities in compliance with accepted ethical principles. FIBI Group believes that the key to forging long-term relationships with customers is to provide professional, fair, courteous and efficient service, while constantly ensuring that all customers of the various banks in the Group receive added value from the products and services that the Group offers.

In order to ensure that all marketing and advertising messages published on behalf of FIBI Group comply with the statutory requirements and are free of any semblance of unfairness or inequity, and out of a desire to manage and maintain the positive brand image and reputation of FIBI Group, the Group takes extra precautions when launching an advertising campaign and applies several layers of meticulous screening and control. The advertising policy is set by the management of each bank in the Group, in conformity with its business strategy, while paying constant close attention to the bank's characteristics and target audience. The Group also consults with external advertising specialists and consultants as needed.

All content published by FIBI Group (on FIBI's website, in marketing brochures, advertisements, commercials, etc.) undergo an orderly approval process by the legal department and compliance officer in each bank in the Group as needed. The banks in the Group ensure that their various publications are clear and understandable and include all detailed information required for the customers' benefit. As befitting a banking group renowned for its adherence to the statutory requirements and for its fairness to its customers, in 2023 too, no fines or other sanctions were imposed on FIBI Group in respect of noncompliance with marketing or marketing communications laws and regulations.

In order to ensure that the design of messages conveyed in publications is straightforward and does not distract or divert attention from the information that is material to our customers, the Group's publications are designed according to clear rules that were defined in FIBI's brand book by an external firm that specializes in this field. We implement our brand rules in order to ensure that our publications are clear and visually agreeable, are presented against a white background, with a clear distinction between texts and various design elements. The texts in our various publications are worded according to guidance from an external expert consultant and are subject to examination of the clarity of the wording by the Group's compliance officer.



The Group is taking action to identify innovative and relevant technologies in external technological companies and is advancing strategic collaborations with various fintech companies. Through these collaborations, the Group also contributes to the development of the high-tech industry in Israel, the main engine of the Israeli economy



## Innovation

### Innovation in products and services

We have been witnessing extensive technological changes in the banking sector in recent years, including launches of new channels of communication with customers, automation of processes, information management technologies, etc. FIBI Group is a significant part of this trend. The Group's strategic plan includes the development of innovation in the Group, collaborations with fintech companies and the integration of innovative services and technological capabilities tailored to the specific needs of the Group's customers. 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 improve our ability to provide solutions for a wide variety of needs.

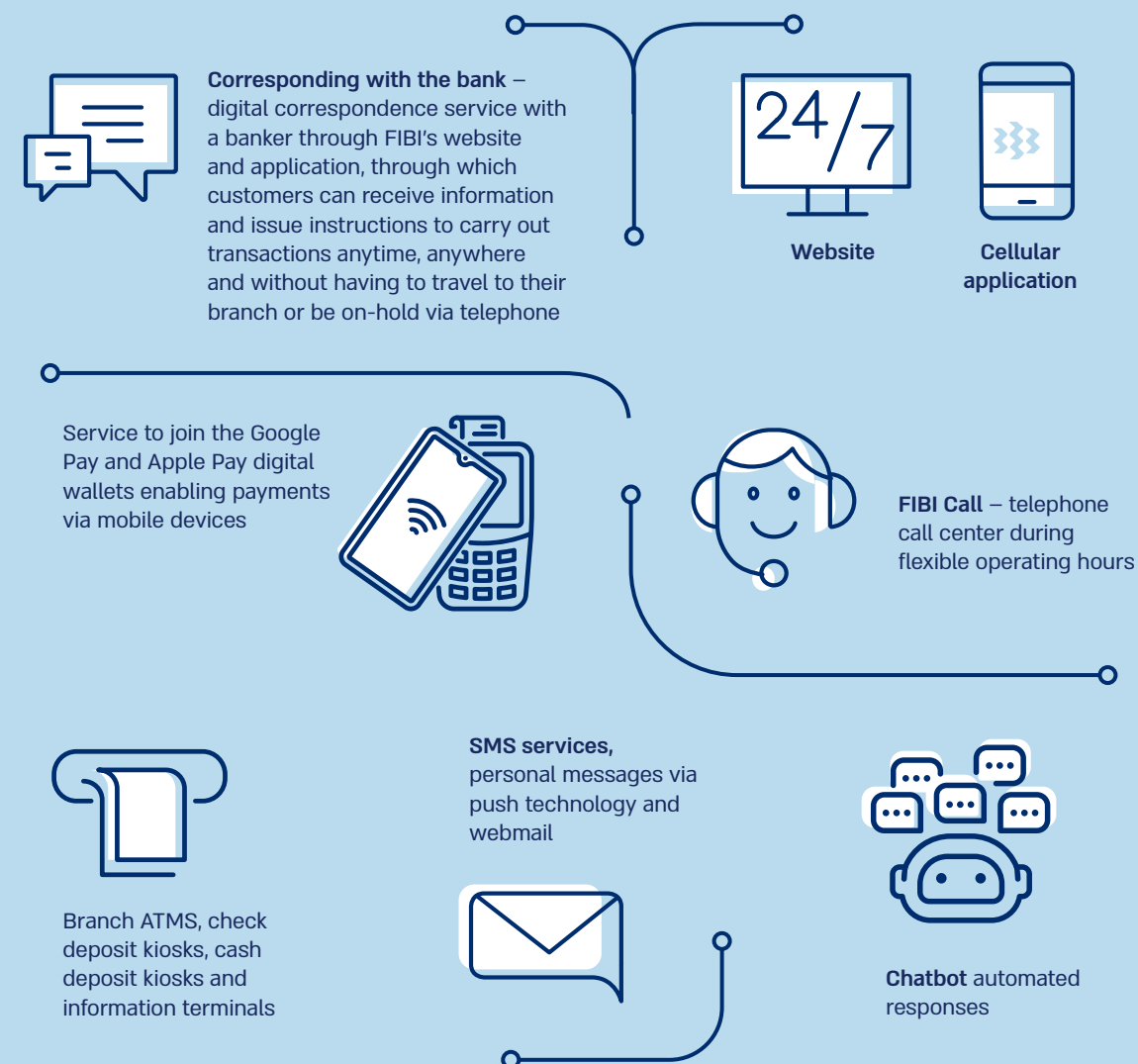
Innovation in FIBI Group focuses on creating value for the Group's customers. In order to achieve this, we performed a comprehensive process of mapping available technological means to empower customers and provide high-quality responses to their needs. We also selected areas for focusing our investments in technological developments and in collaborations with fintech and other technology companies. Inter alia, these include improving customer experience and our dialogues with customers, capital market products and counseling services, customizing services according

to customers' unique needs, expanding our communication channels with them and providing information security at the highest possible standards.

In order to enable us to achieve the Group's strategic goals relating to innovation, the Group operates on two technological axes concurrently. Along on one axis, FIBI Group is taking action to internally develop advanced technologies and IT infrastructures for high-quality digital banking services. Along the second axis, the Group is taking action to identify innovative and relevant technologies in external technological companies and is advancing strategic collaborations with various fintech companies. Through these collaborations, the Group also contributes to the development of the high-tech industry in Israel, the main engine of the Israeli economy. The Group is collaborating, inter alia, with the following fintech companies: Finnvest, Scanovate, Levent, Transmit Security, Personetics, BridgeWize and TipRanks.

One of the focal points in the Group's innovation efforts is to increase 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 having to travel to our branches.

FIBI Group is taking action to enable its customers to carry out most of their routine banking activities via digital channels and ATMs. Following is the variety of direct channels available to our customers:



Each of FIBI Group's banks and brands has its own application enabling customers to execute a wide variety of banking operations, in addition to viewing their personal financial information. Transactions that may be executed via application include: depositing checks, ordering check-books, paying bills, viewing comparative information and advanced information analyses, locating branches, depositing cash, credit card transactions, standing orders, withdrawals from daily deposit accounts, bank transfers, deposits, loans, mortgage applications, forex and securities trading, etc. Naturally, all operations that may be performed in the application can also be performed on the websites of the banks in FIBI Group.

Concurrent with developing its digital services, the Group strictly maintains a high level of service and human responses. The banks' branches have service attendants who explain to customers how to use the various ATMs and teach customers how to use the tools on the banks' websites and applications. These representatives are assigned to the various branches according to the needs arising from the branches and customers, especially in instances when there are changes in the services being provided at the branches. Customers who do not succeed in executing an operation online (transfers, loans, ordering a check-book, etc.) are invited to chat with a banker and/or leave details for a banker to contact them.



Highlights of FIBI Group’s activities in 2023:

FIBI

In 2023, FIBI continued the momentum of developing new products and services for its customers.

Thanks to our substantial investments in innovation in recent years, FIBI Group is highly prepared for the shift in consumer preferences and the accelerated adoption of digital tools.

The volume of use of our digital services continued to be high in 2023 too, and the percentage of customers using digital tools also continues to be high. In 2023, more than 80% of banking operations, more than 80% of the securities transactions and more than 90% of money transfers were executed through our website and application. Subscriptions to FIBI's digital services reached 88%, 80% of which were, on average, private customers using FIBI's website and application.

In 2023 as well, FIBI continued developing, improving and expanding the digital services that it offers to its customers, and launched new services:

- **We significantly upgraded our website** in relation to the capital market to improve the customer experience and make all services accessible, including expanding advanced trading tools and capabilities, participating in IPOs, investing in mutual hedge funds and after-hours trading.
- **We expanded our Multibank service.** FIBI was the first bank in Israel to provide a service of aggregation of financial data from different bank accounts in Israel as part of the Open Banking reform. In 2023, We expanded the presentation of credit card data from banks and credit card companies.
- We launched an innovative AI-based decision-support service for investments in order to make analyses of tens of thousands of securities accessible on our website and application, in collaboration with the fintech company, BridgeWize.
- **Digital mortgage** – enabling customers to digitally apply for a mortgage until approval in principle, including a personal zone for customers to upload documents.
- **We expanded our service enabling the Group's customers to receive credit via digital channels**, and added a managed online account for existing customers. This service is also accessible using facial-recognition technology for joint accounts. This service increases the accessibility of FIBI's services for people who prefer not to travel to a branch, such as people with physical disabilities, residents of outlying communities and young adults.
- **Life Plan** – financial planning system that performs a holistic analysis of a customer's investments in financial products in relation to a wide range of exposures, produces a report on the development of a customer's portfolio, including returns, segmentation and a presentation of alternative assets.

Thanks to our substantial investments in innovation in recent years, FIBI Group is highly prepared for the shift in consumer preferences and the accelerated adoption of digital tools. The volume of use of our digital services continued to be high in 2023 too, and the percentage of customers using digital tools also continues to be high

- **Credit cards** – this past year, we added a service of increasing the credit framework via our website, for issuing standing orders via our website and application and for ordering a virtual credit card.
- **We developed API interfaces** to IT systems of business customers and we continued to expand the services that we offer, including information extractions and money transfers in shekels and in foreign currency from the customers’ systems.

Bank Massad

During 2023, the uptrend in use of Bank Massad’s digital channels continued. As part of its strategy of enabling customers to independently execute banking operations, Bank Massad continued to increase banking operations that are possible through direct channels and to assimilate the Group's advanced technological solutions in its application. During 2023, additional tablets were sent to all branches and extensions in order to enable the bank to teach its customers how to perform operations via digital channels, particularly how to open an online account. Bank Massad also assigned service attendants at several branches to help customers perform operations in direct channels, to show them how to use ATMS and open online accounts using the application. Bank Massad also installed an advanced queue-management system in about 10 branches.



Privacy protection and data security

FIBI Group safeguards its customers' information and maintains a meticulous information security and cybersecurity policy that is approved by the managements and boards of directors of the various banks and companies in FIBI Group. The Group's information security and IT policy reflects the management's commitment to information security, and to the availability, privilege, integrity and reliability of the information assets and systems of the Group and its customers, while safeguarding customers' privacy, banking confidentiality, banking resilience and functional continuity. In this regard, the Group complies with the Protection of Privacy Law and the regulations enacted by virtue thereof and with strict regulatory requirements for information security issued by the Bank of Israel (Directives 357, 361, 362, 363, 367 and 368) and by other relevant authorities, including international entities, and by the Capital Market Commissioner in its Regulations for Cyber Risk Management at Institutional Entities, etc. The Group's IT department is certified under ISO 27017, ISO 27001 and ISO 27032 for information security, cybersecurity and cloud computing, which are largely requirements included in binding regulations.

Accelerated technological development presents challenges to the Group as well as opportunities. Cyberattacks, which are increasing worldwide, especially in the financial sector, are posing more sophisticated threats that are increasing in magnitude and frequency. This fact obligates the Group to take action to ensure banking stability and protect its customers. At the same time, digitization enables FIBI Group to become more efficient and deploy stronger defenses against cyberattacks. In order to ensure that the most up-to-date security protocols are being implemented, the Group collaborates with the stakeholders relevant to cybersecurity, keeps abreast with developments on a regular basis and is informed of all technological innovations in cybersecurity in Israel and abroad. In order to be at the vanguard of technological developments in cybersecurity, FIBI is operating – for the seventh year – a cybersecurity accelerator for start-ups engaging in improving cyber-defense capabilities. The accelerator operates in MATAF, FIBI Group's subsidiary specializing in computing and financial operations, with the goals of identifying cyber defense technologies and integrating them into the Group's systems as soon as possible.

The implementation of our information-security policy combines a proactive strategy for safeguarding information, protecting IT infrastructures and protecting FIBI's online presence. FIBI's information security and cybersecurity manager is responsible for implementing the policy, issuing instructions, requirements and procedures to the various units, including the development units and the technological units, and for controlling performance and periodically reporting to the managements and boards of directors of the banks in FIBI Group.

This strategy is implemented through a supportive organizational structure that includes the information security and cybersecurity unit (whose roles include coordination, guidance, enforcement, control and reporting on these issues, and responding to information-security incidents in real time, through the cyber defense center, in collaboration with the business and operational

units) and the technological function, which assimilates and operates layers of defense and technological means for preventing and monitoring information-security incidents.

Within this framework, these professional teams in the Group map, review, analyze, manage and assess all of the risks, process intelligence information and implement processes and technologies to hedge and mitigate risks and detect suspicious attempts to access systems on an ongoing basis.

The Group also attaches considerable importance to training people and carries out extensive activities to increase the awareness, involvement and commitment of our employees and suppliers by way of courseware, guidelines, training seminars and exercises. We tailor employee training to their various roles and especially focus on populations characterized by higher exposure to cybersecurity risks.

In order to validate the level of information security and cybersecurity, the Group conducts regular drills and tests designed to ascertain the level of defense of our existing systems and in-depth tests before activating new services. These drills test the technological and human aspects of defense. We conduct real drills, as well as simulation drills based on actual incidents that occurred in various organizations in Israel and elsewhere, and draw conclusions based on the results of the drills.

In addition to protections, controls and drills, the Group is also prepared in the event of a cyber incident and engaged with a company specializing in managing cyber crises at all levels. We also purchased cyber insurance and comply with the insurance companies' cyber-readiness requirements.

Subject to the disclosure obligations applying to the Group pursuant to any law, the Group and its employees are bound to safeguard the confidentiality and privacy of all customers, whether individuals or corporations. The details and data about customers and parties related to an account (whether provided by customers or by other sources), including account information and balances, are retained, in whole or in part, in FIBI's databases or in databases of any party acting on its behalf, or by entities engaging in data processing for FIBI or providing other services to FIBI, in relation to the existence or management of accounts. The information collected is used by the Group for the purpose of decision-making about relations with account-holders and/or with parties related to accounts and the provision of various types of banking services.

The Group does not forward information in its possession to any other party unless it received the customer's consent, or in instances when furnishing the information is mandatory by law and/or is necessary in order to uphold a vital public interest, or if it is necessary in order to protect a vital interest of the bank.

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



### Responsible supply chain

FIBI Group manages its supply chain in conformity with the ESG principles and FIBI's values. This is reflected both in our fair and proper treatment of suppliers and in our process of selecting suppliers, services and products. FIBI Group maintains long-term, fair and responsible relationships with suppliers and service-providers with whom the Group works, and expects its suppliers to comply with the highest management and social standards.

The Group operates according to a responsible procurement policy. This policy regulates the principles for carrying out responsible procurement, for managing procurement processes and for maintaining mutually beneficial and long-term relationships between FIBI and its suppliers. This policy also stipulates that ESG considerations must be integrated into the procurement and supplier-selection processes according to the Group's material issues. The Group is diligent about working with suppliers and service-providers that conduct themselves responsibly and about working with suppliers with whom the cooperation can create added value for the Israeli economy. When selecting suppliers and managing our engagement with them, the Group takes into account considerations of service-orientation, availability, compliance with quality and reliability standards, experience, fulfillment of requirements, and the quality of the service or product, in addition to cost considerations. The Group also takes into account particular social considerations in assessing the conduct of suppliers (such as compliance with statutory requirements, proper tax payments and fair employment terms), which help us select

the most appropriate suppliers for the Group. FIBI Group's procurement process is carried out transparently, while informing suppliers and bidders about our mode of engagement with them. Procurement is based on the principles of fairness, integrity, safeguarding of employee rights and reciprocity.

All of FIBI Group's procurement activities are managed by the Group's procurement department, which is responsible for coordinating and managing all procurement transactions and the interfaces of the Group's banks with suppliers and bidders, in conformity with the Group's procurement procedure.

The Group strives to create reliable, long-term relationships with its suppliers, based on our belief that these relationships can evolve into true partnerships that generate business value to both parties in the long range. These relationships are created by acting responsibly and considerately towards suppliers, by demonstrating real reciprocity and by maintaining ongoing open dialogues between the Group and its suppliers through various channels.

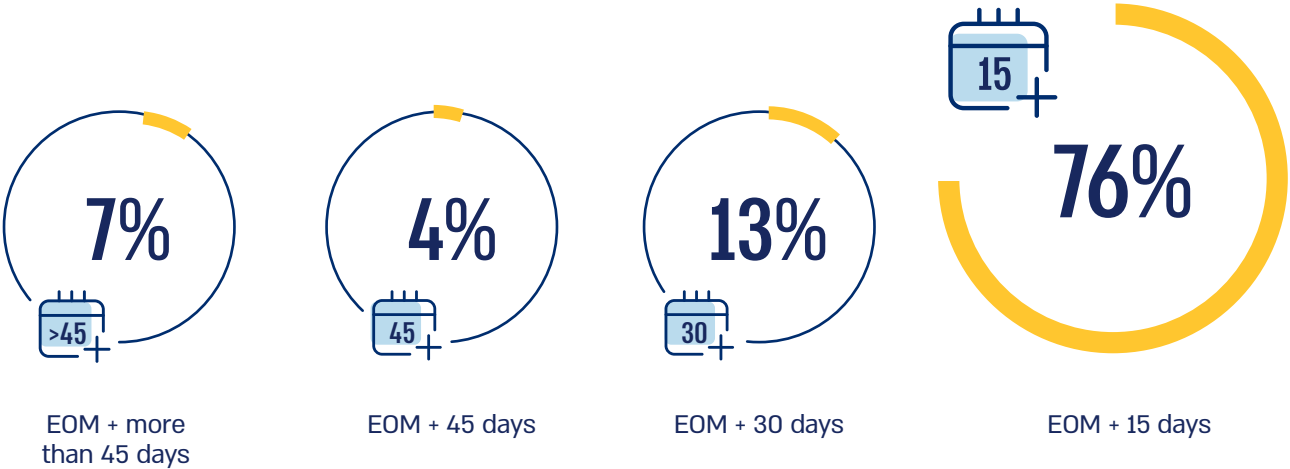
Before signing any material contract, the Group's procurement department conducts a thorough review of the market and relevant suppliers. The purpose of this review is to enable FIBI Group to select the most suitable suppliers. After selecting a supplier and, as a precondition to entering the supplier into our procurement system and beginning to work with it, the supplier must submit, inter alia, a certificate of bookkeeping, a declaration that it has not paid any sum to any of the bank's

employees in respect of the engagement and that it is not sharing its profits from the engagement with any of the bank's employees, as well as additional declarations pertaining to safeguarding confidentiality and the prohibition of the use of insider information.

As part of FIBI's policy of encouraging competition and efficiency, the maximum term of engagement with any supplier is limited to 7 consecutive years or 7 non-consecutive years within a period of 10 years, except in exceptional instances defined in FIBI's engagements procedure. This procedure encourages new suppliers to enter the market and to accumulate unique experience working with the banking sector, and thus, supports their growth potential. FIBI is also diligent about continuously adding new suppliers and service-providers, which we consider a mutual opportunity that enables us to learn about new products, services and ideas and, of course, to learn about new work methods.

Within the framework of FIBI's activities, FIBI Group arranges payment schedules with its suppliers already at the start of the engagement. This arrangement is based on our awareness of the financial capabilities of small suppliers with limited credit capacity. Thus, FIBI tries to transfer payments to suppliers as soon as possible after receiving the invoice. About 76% of the Group's payments to suppliers in 2023 were paid within 15 days or less of the invoice issue date, representing a slight improvement over last year, while some of the payments to suppliers more than 30 days after the transaction date decreased by about 13.5% in 2023. In any case, FIBI Group shows empathy and support for suppliers in times of crisis and exercises judgment.

FIBI Group's payments of invoices by number of days (after the invoice is issued):



### Social procurement

As part of our commitment to social procurement, we take action to increase our volume of procurement from social NPOs and organizations, particularly from organizations that employ people with disabilities. Procurement from organizations that employ people with disabilities has a significant, direct impact. Besides the direct impact of our procurement from those organizations, purchases from these organizations also increase the exposure of FIBI's employees and their family members to these organizations' activities and products. We encourage this exposure by communicating these organizations' activities and products to the Group's employees. This activity, together with the direct exposure through consumption of those organizations' products by our employees and their families can potentially create an additional socio-economic impact. This year, our HR division and our banking division increased procurement from NPOs and organizations that employ people with disabilities, particularly of gifts for employees and customers.





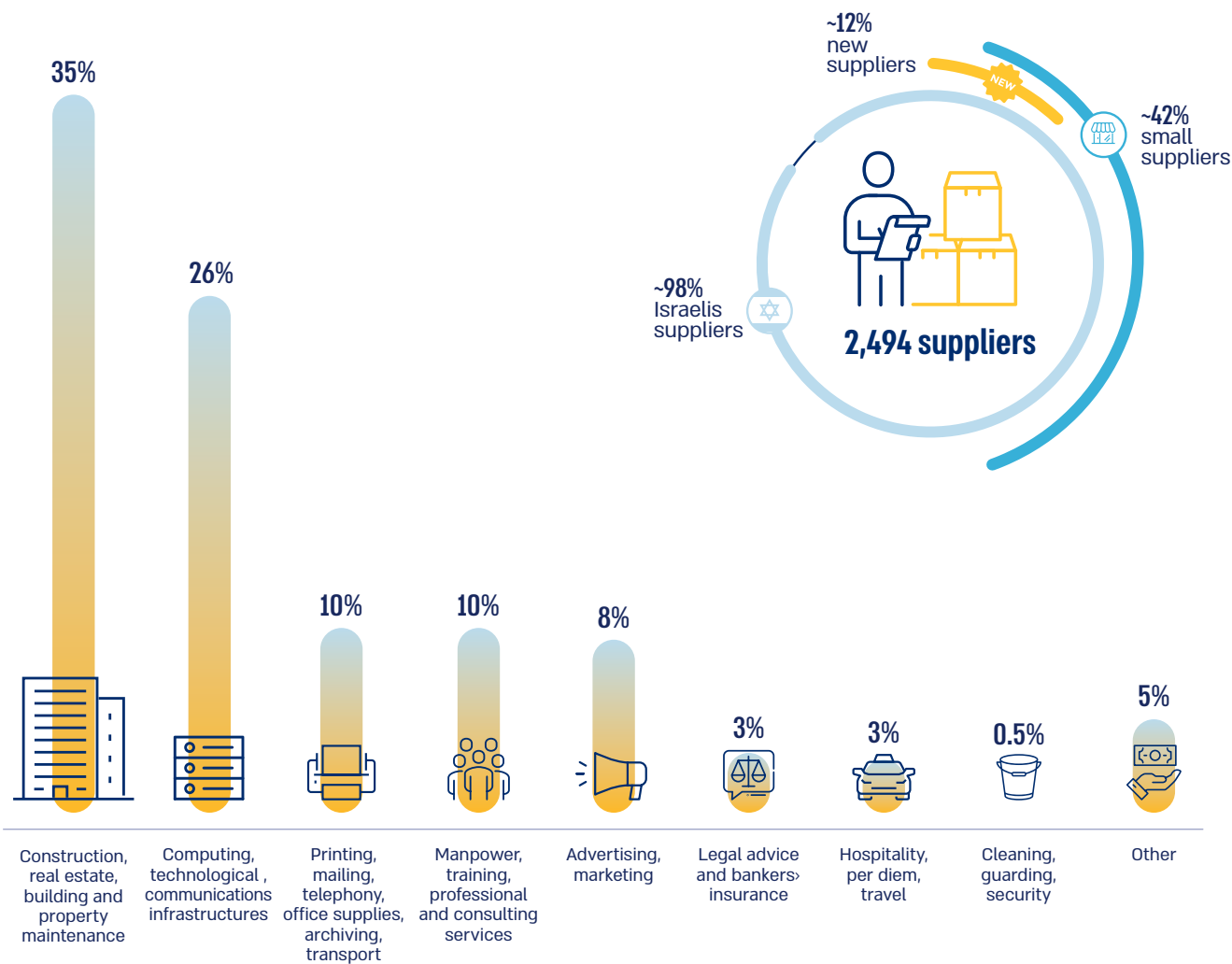
Profile of FIBI's suppliers

- In 2023, FIBI maintained working relations with 2,494 suppliers.
- 310 (about 12%) of the suppliers with whom FIBI worked in 2023 were new suppliers that FIBI had not worked with before.
- FIBI Group's portfolio of suppliers enables it to contribute to the development and growth of the Israeli economy. FIBI is diligent about "blue and white" (Israeli-made) procurement, and therefore, in 2023 too, most of our suppliers (about 98%) were Israeli suppliers. Furthermore, as part of FIBI's efforts to support the small business segment, 1,038 suppliers (about 42%) that worked with FIBI in 2023 were small suppliers. Of the new suppliers with whom FIBI began working in 2022, 195 (about 63%) were small suppliers.
- In relation to some of our procurement, such as gifts for employees and customers, the Group prefers suppliers that demonstrate social responsibility. During the year, FIBI continued to strengthen its collaborations with NPOS that employ people with disabilities by making bulk purchases from them as gifts for employees and for workshops being operated on FIBI's behalf.

FIBI's procurement is divided into four main categories: technological procurement, personnel-related procurement, general procurement, and construction and real estate-related procurement.

In 2023, the main procurement categories (89% of all procurement in the Group) were:

- Construction, real estate and building maintenance (35%)
- Computing, technological and communications infrastructures (26%)
- Printing, mailing, telephony, office supplies, archiving and transport (10%)
- Manpower, training, professional and consulting services (10%)
- Advertising and marketing (8%)



Protecting the rights of employees of manpower agencies

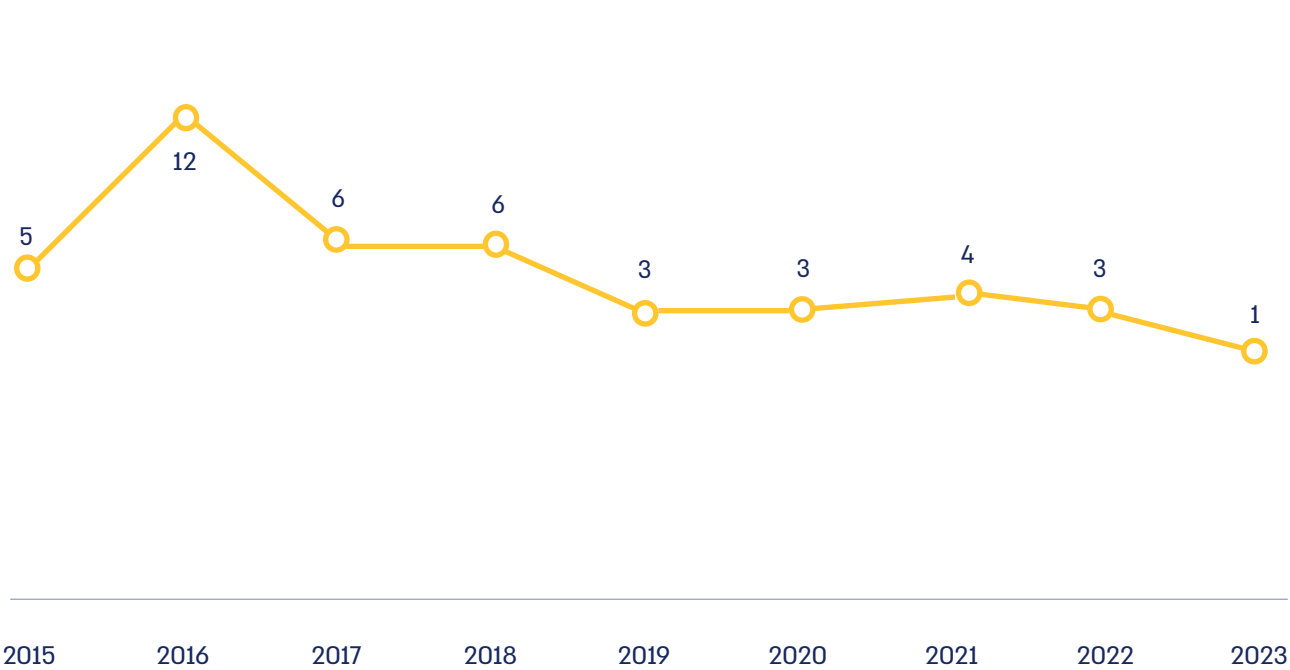
In 2023, the Group engaged with 14 manpower agencies in relation to cleaning, guarding and security services (10 agencies for cleaners and 4 agencies for guards and security personnel) at the inclusive volume of 198 employees (excluding employees employed by property management companies at properties in which the Group's offices are located). FIBI does not engage with manpower agencies for other services. Manpower agencies account for about 0.6% of all active suppliers in FIBI Group.

Pursuant to the Law for Increased Enforcement of Labor Laws of 2011, which applies to engagements with contractors for cleaning, guarding, security and catering services, and in light of FIBI's principles of fairness and safeguarding employees' rights, the Group formulated an enhanced enforcement procedure to regulate the handling of relations with manpower agencies and their employees. According to this operating procedure, the Group's procurement department verifies that relevant manpower agencies employ their employees in compliance with the provisions of the law. The Group's procurement manager is responsible for inculcating and ensuring compliance with the procedure, and also serves as the direct contact for manpower agency employees to file grievances and other queries in relation to any matter. As it does annually, so too in

2023, FIBI is continuing to perform a periodic inspection of all cleaning and guarding agencies through a certified labor and wage inspector. Such inspections, which include, inter alia, sample inspections of pay slips, ensure that the manpower agencies safeguard the rights of their employees and comply with the relevant expansion orders and labor laws.

Once a manpower agency begins working with FIBI Group, it is required to inform all of its employees who are working on FIBI's premises about the direct contact details of FIBI's representative to whom they can refer to deliver notices or file a grievance about the terms of their employment. FIBI's procurement department may be contacted in writing or by telephone. According to FIBI's procedure, when the Group's procurement department receives a complaint from a manpower agency's employee, it notifies the relevant agency, and the subsequent clarification and handling of any complaint is carried out according to the timeframe defined in the procedure. FIBI is obligated by law to document the complaint, investigate it thoroughly, contact the manpower agency in writing and, of course, to respond to the complainant. In 2023, one complaint was received about a manpower agency that was found to be justified.

Number of documented complaints against manpower agencies - 2023-2015



Appendices

GRI Index

FIBI Group is reporting in accordance with the GRI Standard for the period January 1 to January 31, 2023. The report was approved by the management and the board of directors.

The First International Bank has reported in accordance with the GRI Standards for the period of 1 January 2023 to 31 December 2023.

GRI 1: Foundation 2021

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	2-17 Collective knowledge of the highest governance body	90
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	2-20 Process to determine remuneration	89-90
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	2-22 Statement on sustainable development strategy	4-5
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	2-26 Mechanisms for seeking advice and raising concerns	53-56, 91-93, 113
	2-27 Compliance with laws and regulations	100-101
	2-28 Membership associations	8
	Stakeholder Engagement	
	2-29 Approach to stakeholder engagement	91-93
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GRI STANDARD	DISCLOSURE	LOCATION
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Business Maintaining and Management Risk		
GRI 3: Material Topics 2021	3-3 Management of material topics	4-5, 97, 94-96
	201-1 Direct economic value generated and distributed	11
GRI 201: Economic Performance 2016	201-2 Financial implications and other risks and opportunities due to climate change	26-29
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GRI 202: Market Presence 2016	202-1 Ratios of standard entry level wage by gender compared to local minimum wage	78
	202-2 Proportion of senior management hired from the local community	76-77
GRI 3: Material Topics 2021	3-3 Management of material topics	10-11
GRI 203: Indirect Economic Impacts 2016	203-1 Infrastructure investments and services supported	44-60
	203-2 Significant indirect economic impacts	10, 30, 49-53, 57-58
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GRI 3: Material Topics 2021	3-3 Management of material topics	100-101
	205-1 Operations assessed for risks related to corruption	100-105
GRI 205: Anti-corruption 2016	205-2 Communication and training about anti-corruption policies and procedures	100-105
	205-3 Confirmed incidents of corruption and actions taken	102-103
GRI 3: Material Topics 2021	3-3 Management of material topics	100-103
GRI 206: Anti-competitive Behavior 2016	206-1 Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	100-101
GRI 415: Public Policy 2016	415-1 Political contributions	79
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	207-1 Approach to tax	102
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GRI 3: Material Topics 2021	3-3 Management of material topics	38-39



GRI STANDARD	DISCLOSURE	LOCATION
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	301-2 Recycled input materials used	40-41
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GRI 3: Material Topics 2021	3-3 Management of material topics	41
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	303-2 Management of water discharge-related impacts	41
	303-3 Water withdrawal	41
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GRI 3: Material Topics 2021	3-3 Management of material topics	37
GRI 305: Emissions 2016	305-1 Direct (Scope 1) GHG emissions	37
	305-2 Energy indirect (Scope 2) GHG emissions	37
	305-3 Other indirect (Scope 3) GHG emissions	37
	305-4 GHG emissions intensity	37
	305-5 Reduction of GHG emissions	37
	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	
GRI 3: Material Topics 2021	3-3 Management of material topics	41
GRI 306: Waste 2020	306-1 Waste generation and significant waste-related impacts	41
	306-2 Management of significant waste-related impacts	41
	306-3 Waste generated	41
	306-4 Waste diverted from disposal	41
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	308-2 Negative environmental impacts in the supply chain and actions taken	110
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GRI STANDARD	DISCLOSURE	LOCATION
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	403-2 Hazard identification, risk assessment, and incident investigation	68-69
	403-3 Occupational health services	68-69
	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	68-69
	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	68-69
	403-9 Work-related injuries	64
	403-10 Work-related ill health	64
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GRI 3: Material Topics 2021	3-3 Management of material topics	71-74
GRI 404: Training and Education 2016	404-1 Average hours of training per year per employee	71-74
	404-2 Programs for upgrading employee skills and transition assistance programs	71-74
	404-3 Percentage of employees receiving regular performance and career development reviews	74,67
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GRI 3: Material Topics 2021	3-3 Management of material topics	75-78
GRI 405: Diversity and Equal Opportunity 2016	405-1 Diversity of governance bodies and employees	77-78
	405-2 Ratio of basic salary and remuneration of women to men	77-78
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GRI 3: Material Topics 2021	3-3 Management of material topics	78-105
GRI 413: Local Communities 2016	413-1 Operations with local community engagement, impact assessments, and development programs	79-81
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GRI 204: Procurement Practices 2016	204-1 Proportion of spending on local suppliers	112-113

GRI STANDARD	DISCLOSURE	LOCATION
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GRI 414: Supplier Social Assessment 2016	414-1 New suppliers that were screened using social criteria	110-111
	414-2 Negative social impacts in the supply chain and actions taken	110-111
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GRI 3: Material Topics 2021	3-3 Management of material topics	104-105
	417-1 Requirements for product and service information and labeling	104-105
GRI 417: Marketing and Labeling 2016	417-2 Incidents of non-compliance concerning product and service information and labeling	104-105
	417-3 Incidents of non-compliance concerning marketing communications	104-105
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Social considerations in financing and investments	GRI 203: Indirect Economic Impacts
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Improving operating and environmental efficiency	GRI 302: Energy GRI 303: Water & Effluents GRI 305: Emissions GRI 306: Waste 2020
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Investing in the community	GRI 413: Local Communities



SASB Index

Commercial Banks

Sustainability Disclosure Topics & Accounting Metrics

Topic	Metric	Category	Unit of Measure	Code	Reference
Data Security	(1) Number of data breaches, (2) percentage that are personal data breaches, (3) number of account holders affected	Quantitative	Number, Percentage (%)	FN-CB-230a.1	2023 ESG Report: Privacy protection and information security page 109
	Description of approach to identifying and addressing data security risks	Discussion and Analysis	n/a	FN-CB-230a.2	2023 ESG Report: Privacy protection and information security page 109
Financial Inclusion & Capacity Building	(1) Number and (2) amount of loans outstanding that qualify for programmes designed to promote small business and community development	Quantitative	Number, Presentation currency	FN-CB-240a.1	2023 ESG Report: Promoting the small and medium-sized business segment pages 58-91 Financial education pages 44-54
	(1) Number and (2) amount of past due and nonaccrual loans or loans subject to forbearance that qualify for programmes designed to promote small business and community development	Quantitative	Number, Presentation currency	FN-CB-240a.2	
	Number of no-cost retail checking accounts provided to previously unbanked or underbanked customers	Quantitative	Number	FN-CB-240a.3	
	Number of participants in financial literacy initiatives for unbanked, underbanked, or underserved customers	Quantitative	Number	FN-CB-240a.4	
Incorporation of Environmental, Social, and Governance Factors in Credit Analysis	Description of approach to incorporation of environmental, social and governance (ESG) factors in credit analysis	Discussion and Analysis	n/a	FN-CB-410a.2	2023 ESG Report: Climate management in FIBI page 25 Strategy page 26 Promoting climate-related opportunities page 30 Promoting climate resilience – analysis of scenarios page 32 Risk management pages 32-33 Identifying climate risks page 33 Assessing the various risks pages 34-35

Topic	Metric	Category	Unit of Measure	Code	Reference
Financed Emissions	Absolute gross financed emissions, disaggregated by (1) Scope 1, (2) Scope 2 and (3) Scope 3	Quantitative	Metric tons (t) CO <sub>2</sub> -e	FN-CB-410b.1	2023 ESG Report: Indicators that FIBI uses to monitor and track climate-related risks and opportunities page 36 Carbon footprint page 37
	Gross exposure for each industry by asset class	Quantitative	Presentation currency	FN-CB-410b.2	2023 ESG Report: FIBI's exposure to emissions-intensive economic sectors page 36
	Percentage of gross exposure included in the financed emissions calculation	Quantitative	Percentage %	FN-CB-410b.3	2023 ESG Report: Financed emissions page 40
Business Ethics	Description of the methodology used to calculate financed emissions	Discussion and Analysis	n/a	FN-CB-410b.4	2023 ESG Report: Financed emissions page 40
	Total amount of monetary losses as a result of legal proceedings associated with fraud, insider trading, antitrust, anticompetitive behaviour, market manipulation, malpractice, or other related financial industry laws or regulations	Quantitative	Presentation currency	FN-CB-510a.1	2023 ESG Report: page 101
	Description of whistleblower policies and procedures	Discussion and Analysis	n/a	FN-CB-510a.2	2023 ESG Report: Reporting mechanisms and channels page 100
Systemic Risk Management	Global Systemically Important Bank (GSIB) score, by category	Quantitative	Basis points (bps)	FN-CB-550a.1	Irrelevant
	Description of approach to integrate results of mandatory and voluntary stress tests into capital adequacy planning, longterm corporate strategy, and other business activities	Discussion and Analysis	n/a	FN-CB-550a.2	2023 ESG Report: Promoting climate resilience – analysis of scenarios page 32
ACTIVITY METRIC					
	(1) Number and (2) value of checking and savings accounts by segment: (a) personal and (b) small business	Quantitative	Number, Presentation currency	FN-CB-000.A	2023 Annual Financial Statements, Note 28A pages 226-231
	(1) Number and (2) value of loans by segment: (a) personal, (b) small business, and (c) corporate	Quantitative	Number, Presentation currency	FN-CB-000.B	

TCFD Index

TCFD recommendations

Clause no	Requested information	Location in the report
Governance		
G(a)	The board of directors' supervision of climate topics	25
G(b)	Senior management's management of climate topics	25-26
Strategy		
S(a)	Climate-related risks and opportunities in the short, medium and long term	26,30-31
S(b)	Impact of climate-related risks and opportunities	26-30
S(c)	The company's robustness when contending with the climate crisis	32
Risk management		
R(a)	Process of identifying and assessing climate risks	32-33
R(b)	Process of managing climate risks	34-35
R(c)	Integration of climate risks into overall risk management	35-36
Goals and indicators		
M(a)	Indicators for examining risks and opportunities	36
M(b)	Scopes of emissions and related risks	37
M(c)	Targets and performance	38-41

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ESG

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מאי 2024

הצהרת הבטחת איכות:

קבוצת הבינלאומי – דוח ESG לשנת 2023

הקדמה

Shiboleet ESG פרקטיקת יעוץ שהינה חברת הבת של פירמת עו"ד שבלת ושות', ביצעה תהליך הבטחת איכות לדו"ח ה-ESG של קבוצת הבינלאומי לשנת 2023. תהליך זה נערך באפריל 2024 בהתאם לבקשת קבוצת הבינלאומי ובתמורה לתשלום עבור הזמן שהושקע. מעבר לכך, יצוין כי לא החברה ולא צוות היועצים שלה (ד"ר ליעד אורתר ואופיר נעוס גל) שביצעו את העבודה, מצויים בקשר עסקי ייעוצי עם קבוצת הבינלאומי ותהליך הבטחת האיכות היה בלתי תלוי ועצמאי. במהלך תהליך זה נבדקה טיטת הדוח, הוערו הערות ונוסחה הצהרת הבטחת האיכות זו.

גישת העבודה

במסגרת תהליך הבטחת האיכות של הדוח נבחן האם הוא מצוי בהלימה עם שלושה עקרונות מרכזיים:

1. כוללניות Inclusivity – 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 בהתאם להנחיות הדיווח שאומצו.

הממצאים

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

הערות לדוח

- פרסום דוח ESG האחד עשר הוא אכן דרך נוספת חשובה, ואנו מברכים את קבוצת הבינלאומי על מסירותה והמשך ההשקעות בקיימות. דוח ה-ESG לשנת 2023 מציג עמידה ברמת דיווח ה-ESG גבוהה ביותר בעסקים

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בכלל ובמגזר הבנקאי בפרט. אנו מוצאים לציון מיוחד את הרחבת מדידת מכלול 3 במדריך הפחמני לקטגורית 'השקעות', שהיא בדרכ כלל החלק המשמעותי ביותר בהיקף מכלול 3 עבור המגזר הפיננסי.

- אנו מוצאים לציון מיוחד את יוזמות הבנקים בקבוצה לקידום ידע פיננסי בקרב לקוחות והציבור וכן את הגדלת כמות הלקוחות להם מסייעים לקבל החלטות פיננסיות מושכלות יותר.
- בהקשר הסביבתי, ראוי לציון הפעילות להפחתת השימוש בחומרי גלם, ובפרט על הירידה המשמעותית בצריכת הנייר.

ברכות לעושים במלאכה,

**אופיר נעוס גל**

יועצת ESG, שבלת ESG

**ד"ר ליעד אורתור**

מנהל, שבלת ESG

