

Statement of compliance with the principles of good corporate governance

For the year ended 31 December 2023

Introduction

Pursuant to the requirements of Capital Markets Rules 5.94 et seq of the Malta Financial Services Authority (the “MFSA”), the Board of Directors (the “Board” or “Directors”) of FIMBank p.l.c. hereby details the extent to which the Code of Principles of Good Corporate Governance (the “Principles”), published as Appendix 5.1 to Chapter 5 of the Capital Markets Rules, have been adopted together with the effective measures taken to ensure compliance with such Principles.

In relation to the requirement to state how the Bank has applied the main principles emanating from the Code of Principles of Good Corporate Governance, the Bank has done so by complying with and taking cognisance of the associated provisions (that is, the supporting principles and Code provisions), unless otherwise stated within this Statement of compliance with the principles of good corporate governance.

Part 1: Compliance with the principles

The Board firmly believes that strong corporate governance permits the Bank and the Group to benefit from greater transparency in its activities, as well as in its relations with the market, thereby enhancing integrity and confidence. Although the Principles are not mandatory, the MFSA has recommended that listed companies endeavour to adopt such Principles. The Board has considered this to be in the best interest of the Shareholders because they commit the Directors, Management and employees of the Bank to internationally recognised standards of corporate governance.

Ultimate responsibility for good corporate governance remains with the Directors who have therefore resolved to adopt the Principles and endorse them accordingly, except for those instances where particular circumstances exist that warrant non-adherence thereto, or at least postponement for the time being.

The Board is committed to improve further its corporate governance standards which is an ongoing process.

Principle 1: Roles and responsibilities of the board

The Bank is headed by an effective board which leads and controls the company. The Board of Directors’ terms of reference are included in the relevant charter and can be summarised as follows:

The Board is responsible for the overall long-term direction of the Group, for setting its strategy and policies and ensuring that they are pursued through good management practices. The Board carries out its responsibilities by:

- a. exercising prudent and effective controls and ensuring that such controls are appropriately reviewed for effectiveness and monitored for compliance on a regular basis;
- b. determining the strategic aims and the organisational structure;
- c. regularly reviewing Management performance and ensuring that the Group has the appropriate mix of financial and human resources to run its business;
- d. being conversant with relevant statutory and regulatory requirements;
- e. ensuring that all Directors regularly attend meetings of the Board, agree on business objectives, financial plans and general parameters within which the Board, the Board Committees and Management are to function;
- f. ensuring that systems and controls are in place to mitigate significant business risks and that exposures are identified and properly managed;
- g. setting appropriate business standards, codes of corporate governance and ethical behaviour for all Directors and employees, as well as monitoring their performance;
- h. appointing the Group Chief Executive Officer (“GCEO”) who is entrusted with day-to-day management of the Group and its operations, together with members of Management; and
- i. appointing Senior Management through the Nomination and Remuneration Committee.

Over the years, the Board has created a framework through which it effectively performs its functions and discharges its liabilities. The Board has also established terms of reference and charters for the various Board Committees and the conduct of their meetings.

The Members of the Board of Directors of the Bank bring to their office a mix of backgrounds and capabilities, ranging from business to financial services. This ensures a good blend of expertise and experience. Moreover, the suitability of any individual to become a Director of the Bank is, in the first place assessed by the Nomination and Remuneration Committee. As part of its work, this Committee is tasked with performing an annual evaluation of the Board's overall performance in addition to an evaluation on the performance of each individual Member. This includes an evaluation of the knowledge and experience of each Member while also assessing their authorities and leadership skills. As a result, this Committee screens individuals for the position of Director against the Bank's requirements at the time. Subsequently, the proposal for an individual to become a Director is assessed by the MFSA which reviews, inter alia, the individual's competence to serve as Director against established 'fit and proper' criteria. In this connection, the individual is required to provide all information, including detailed personal and career information, as the competent authorities may deem necessary. Upon appointment, new Directors receive general information about the Bank, its business and affairs, and queries in this regard are in the first instance handled by the Company Secretary and/or the GCEO.

Principle 2: Roles and responsibilities of the chairman and of the chief executive officer

The roles of the Chairman and of the GCEO are completely separate from one another to ensure clear division of responsibilities at the head of the Bank.

The Chairman is a non-executive officer who is selected from amongst the Directors. The Chairman is responsible for leading the Board and setting its agenda, ensuring that the Directors receive precise, timely and objective information so that they can properly execute their duties, encouraging their active engagement in meetings and issues brought before the Board and ensuring effective communication with Shareholders. The Chairman also facilitates the effective contribution of non-executive directors in particular and ensures constructive relations between executive and non-executive directors. As the non-executive directors are not involved in the day-to-day running of the business, they can bring fresh perspectives and contribute more objectively in supporting as well as constructively challenging and monitoring the Management team.

Whilst recognising that most shareholder contact is with the Chief Executive Officer and finance Director, the Chairman maintains sufficient contact with major shareholders to understand their issues and concerns.

The GCEO is the most Senior Executive of the Group and is appointed by the Board of Directors. He is responsible for leading the Management in the execution of the Bank's strategy and running the day-to-day activities of the Group.

Principle 3: Board composition and appointment of directors

The Bank ensures that the Board is not so large as to be unwieldy. In this respect, the Board is of sufficient size that the balance of skills and experience is appropriate for the requirements of the business and that changes to the Board's composition can be managed without undue disruption. The Board is composed of executive and non-executive Directors, including independent non-executives. The Bank's Articles of Association (the "Articles") contain detailed provisions (in Clauses 93 to 114) as to the manner of appointment and retirement of the Directors. Directors hold office from the close of the Annual General Meeting at which they are appointed until the day of the consecutive Annual General Meeting, at which they become eligible for re-election. The Articles also provide that the Chairman and Vice Chairman are to be appointed by the Directors from amongst their number and shall hold office for a period of one year, unless otherwise decided by a simple majority of the Board. Any Member may nominate an individual in the manner prescribed by the Articles, provided that such nomination is seconded by a Member or Members who in aggregate hold at least twenty thousand shares between them.

As at the date of this Statement, the Directors and their respective first date of appointment to the Board, including identification as required by Code Provision 3.2 for those Directors deemed independent as per the Capital Markets Rules, are as follows:

Year when first appointed

John C. Grech (Chairman)	2004	
Rogers David LeBaron	2006	Retired on 4 May 2023
Majed Essa Ahmed Al-Ajeel	2013	Retired on 4 May 2023
Masaud M.J. Hayat (Vice Chairman)	2013	
Mohamed Fekih Ahmed	2013	Retired on 4 May 2023
Rabih Soukarieh	2013	
Edmond Brincat (Independent Director)	2017	
Hussain Abdul Aziz Lalani	2017	
Abdel Karim A.S. Kabariti	2020	Retired on 4 May 2023
Claire Imam Thompson (Independent Director)	2020	Resigned on 10 November 2023
Erich Schumacher	2022	
Sunny Bhatia *	2023	Appointed on 4 May 2023
Mohammed Louhab **	2023	Appointed on 4 May 2023

* * Sunny Bhatia was appointed by the Shareholders on 4 May 2023 and regulatory approval was obtained on 23 August 2023.

** * Mohammed Louhab was appointed by the Shareholders on 4 May 2023 and regulatory approval was obtained on 30 November 2023.

Other than for their involvement in Board Committees as described below, all Directors hold office in a non-executive capacity with the exception of Mohammed Louhab who is an Executive Director and the GCEO of the Bank.

The Board considered and resolved that all Directors meet the requisites for them to be deemed independent in view of the fact that all Directors signed a written declaration of independence prior to the publication on this Annual Report. This decision was based on the representations given by the individual Directors, including those with a shareholding in the Bank or associated with entities having a shareholding in the Bank or who have served on the Board for more than twelve consecutive years, which does not in any way impair these Directors' ability to consider appropriately the issues which are brought before the Board. In terms of Principle 3.4, each Director has confirmed in writing to the Board that he/she undertook:

- to maintain in all circumstances his/her independence of analysis, decision and action;
- not to seek or accept any unreasonable advantages that could be considered as compromising his/her independence; and
- to clearly express his/her opposition in the event that he/she finds that a decision of the Board may harm the Bank.

Another written declaration of independence shall be signed by all the Directors in March 2024. In addition to the declaration provided, the Board considers such Directors to bring a sufficiently balanced character and frame of mind to their duties and judgment that they are consequently deemed to be independent. The Bank monitors that each Director limits the number of any directorships held in other companies. The Bank considers that the Directors have sufficient time to perform their duties and responsibilities in terms of law. The management body of the Group is deemed to be the Board of Directors, which is appointed in accordance with the Bank's Articles of Association.

As at 31 December 2023, the Board of Directors consisted of:

Number of directorships held
(including FIMBank p.l.c. and its subsidiaries)

John C. Grech (Chairman)	4
Masaud M. J. Hayat (Vice Chairman)	1
Edmond Brincat	8
Hussain Abdul Aziz Lalani	1
Rabih Soukarieh	1
Erich Schumacher	1
Sunny Bhatia	1
Mohammed Louhab	2

Directorships having an executive or non-executive role held within the same group have been counted as a single directorship.

Principles 4 and 5: Duties and proceedings of directors

The Board ensures that its level of power is known by all Directors and the Senior Management of the Bank. The Board also ensures that any delegation of responsibilities and functions are clear and unequivocal. Independently of any powers and functions that the Directors may from time to time validly delegate to Management, it remains a fundamental responsibility of Directors to monitor effectively the implementation of strategy and policy by Management.

The Board of the Bank carries out its duties through a structure that starts with the strategy and policy formulated at meetings and subsequently delegated to committees and Management for implementation and execution at various levels, both functional and operational.

In the first instance, the proceedings of Directors are regulated by the Bank's Articles of Association. Meetings of the Board for any calendar year are normally set at the last meeting of the preceding year, so that advance preparation and daily planning for the meetings can be made. Meetings are held at least quarterly and are formally notified by the Company Secretary at least seven days before the meeting with the issuance of the agenda for the forthcoming meeting. Occasionally, meetings are also called at short notice or on an ad hoc basis, in which case the Directors may decide to waive the statutory period of notice. The agenda is accompanied by such papers and documents as are necessary to inform Directors of issues relating to their roles and responsibilities, and in particular of the decisions they are expected to take. During the year, all Directors were duly notified of every meeting and given the statutory notice period. With notices of meetings, the Directors are also served with Alternate Director Appointment Forms which, in case of non-attendance, they are invited to complete and send to the Company Secretary prior to the meeting.

The Board held six meetings in 2023. All Members of the Board were present for all six meetings except for Abdel Karim A.S. Kabariti, who was excused in May, Sunny Bhatia was excused in June and Edmond Brincat was excused in July. Sunny Bhatia attended three meetings, one meeting as an invitee and two meetings as an approved Member of the Board. Mohammed Louhab attended five meetings, four meetings as an invitee and one meeting as an approved Member of the Board. Meetings include presentations by Management, whilst other information and documentation is made available for perusal by the Directors at their request. Members of Senior Management attend Board Meetings by invitation depending on the agenda content and relevance.

The Board also might request that the Meetings be attended by other employees or by professional advisors, as and when necessary. In all other circumstances, the Directors are expected to play a full and constructive role in the Group's affairs. As soon as possible after a Meeting, draft minutes are circulated amongst the Members for their information. Minutes are then read and approved at the following Meeting. Directors are provided with Board documents and can also be provided with all past minutes of Board and Committee Meetings upon request.

Board Meetings also serve as an opportunity to report on the progress and decisions of the Committees, covered under Principle 8. All Board Committees are either a mix of Directors and Management (Board Review and Implementation Committee) or include the participation of Management (Board Audit Committee, Nomination and Remuneration Committee, Corporate Governance Committee, Board Credit Committee and Board Risk Committee). Committees report to the Board on their activities through their respective Chairman at each Board Meeting. Management reporting is also done directly to the Board at each Meeting, either by means of an update presentation from the GCEO or usually through the Board Review and Implementation Committee. In any case, each Board Meeting receives an update on the performance of the Bank and the Group, on known risk cases, litigation and potential problems, about key strategic developments, including the progress of investees such as subsidiaries and joint ventures and key financial indicators that enable performance to be measured against internal budgets, industry peers and prior financial periods.

All Directors have access to the advice and services of the company secretary, who is responsible to the Board for ensuring that board procedures are complied with.

Principle 6: Information and professional development

Upon first appointment, all Directors are offered an introduction to the Bank and Group which includes a tailored induction and familiarisation by the GCEO and the Company Secretary. This usually covers legal and statutory responsibilities as well as a good overview of the Group's business and activities. Access to the services of the Company Secretary and resources of the Bank, including where necessary, independent professional advice at the Bank's expense, are also available.

Training sessions have been held in 2023 in order for Directors to have the necessary knowledge on their duties and responsibilities.

Moreover, the Board ensures that the GCEO maintains systems and procedures for the development and training of Management and employees generally, in order to retain the best quality employees, optimise on Management and employee morale and to continue developing the succession plan for Senior Management. The GCEO is responsible for the recruitment and appointment of Senior Management following the approval of the Nomination and Remuneration Committee.

Principle 7: Evaluation of the board's performance

Members of the Board of Directors are subject to comprehensive 'fit and proper' tests by the MFSA before they are formally cleared for appointment to the Board. The Board undertakes an annual evaluation of its own performance and that of its Committees. The evaluation forms are then evaluated by the Nomination and Remuneration Committee ("NRC") as the Committee entrusted to perform this function. The NRC then reports directly to the Board Chairman who is required to act on the results of the performance evaluation process. The outcome would be to ascertain the strengths and to address the weaknesses of the Board and its Committees and to report this to the Board itself and, where appropriate, to report at the Annual General Meeting. This exercise began in 2013 and has been repeated annually ever since.

In addition to the self-evaluation of the Board and its Committees, the Bank also conducts a suitability assessment using the Skills Matrix Template to Assess the Collective Suitability of the Members of the Management Body. The latest assessment as completed in April 2023 did not indicate that any changes were required. The only change in the membership composition was due to a direct replacement of a Director who resigned. Details regarding the changes to Committee composition have been disclosed under Principle 8: Changes to committee memberships during 2023.

The last evaluations from Directors were requested in the last quarter of 2023 and were presented to the NRC in March 2024.

Principle 8: Board committees

The Bank's Articles of Association establish that the Directors may delegate certain powers, authorities and discretions to any person and/or Committee appointed by them. The composition of such Committees, as well as the participation of Directors in them, is decided upon by the Board.

Accordingly, the Board has established the following Committees:

- Board Review and Implementation Committee
- Board Audit Committee
- Board Risk Committee
- Assets Liabilities Committee
- Board Credit Committee
- Nomination and Remuneration Committee (further information can be found in the Remuneration Report on page 24)
- Corporate Governance Committee
- Board Environmental, Social and Governance Committee

Board review and implementation committee

The Board Review and Implementation Committee ("BRIC") acts as the delegated authority by the Board in overseeing the activities and management of the Group. The Board Review and Implementation Committee terms of reference are included in the Board Review and Implementation Committee Charter.

The Members of the Board Review and Implementation Committee as at 31 December 2023 are the following:

John C. Grech (Chairman)
 Hussain Abdul Aziz Lalani (Vice Chairman)
 Adrian A. Gostuski (Non-Voting Member)

The Board Review and Implementation Committee met on seven occasions during 2023.

Board audit committee

The Board Audit Committee ("BAC") assists the Board of Directors in fulfilling its supervisory and monitoring responsibilities, according to detailed terms of reference included in the Board Audit Committee Charter and which reflect the requirements of the Capital Markets Rules, as well as current best practices and recommendations of good corporate governance. The terms of reference of the Board Audit Committee, as detailed in the Board Audit Committee Charter include:

- the monitoring of the financial reporting process, including the audit of the annual and consolidated accounts;
- the monitoring of the effectiveness of the Group's internal control, internal audit, compliance and risk management systems;
- the maintenance of communication on such matters between the Board, Management, External Auditors, and the Internal Audit and Compliance functions;
- the monitoring and reviewing of the External Auditor's independence, and in particular, the provision of additional services to the Bank;
- the monitoring and reviewing of proposed transactions by the Group with related parties; and
- the performance of the Group's Internal Audit and Compliance functions.

It is the responsibility of the Board Audit Committee to recommend the appointment of the Statutory Auditor in line with the Capital Markets Rules 5.127.6 and in accordance with Article 16 of the Statutory Audit Regulation. The Board Audit Committee also considers the nature of related party transactions, vets and approves them. Both the Board Audit Committee's and the Head of Internal Audit's terms of reference clearly stipulate their independence from other Board Committees and Management, and such independence is also acknowledged by external regulatory verification. The Head of Internal Audit has direct access to the Board Audit Committee Chairman at all times and attends all meetings. The Group Chief Compliance Officer also has direct access to the Board Audit Committee Chairman and attends all meetings. In addition, the composition of the Members of the Board Audit Committee includes one individual who is also a Member of the Board Risk Committee.

The Members of the Board Audit Committee as at 31 December 2023 are the following:

Edmond Brincat (Chairman – Independent Director)
 Hussain Abdul Aziz Lalani (Vice Chairman)

In line with Capital Markets Rule 5.117.4, the Chairman of the Board Audit Committee is appointed by the Board of Directors. With reference to Capital Markets Rule 5.117.3, which states that "at least one member of the audit committee shall be competent in accounting and/or auditing", the Bank notes that all Members of the Board Audit Committee are designated as competent in auditing and/or accounting as per the qualifications listed hereunder.

Edmond Brincat joined the GO Group in 1999, part of the team entrusted to set up and launch Go Mobile, Malta's second mobile operator and in 2006 he was appointed as the Group's Chief Financial Officer, a position he held until 31 January 2018. In February 2018, Edmond Brincat joined SmartCity (Malta), a subsidiary of Dubai Holding LLC, and currently acts as the company's Chief Executive Officer. Edmond Brincat obtained a Bachelor of Arts degree in accounts from the University of Malta in 1991 and is a Certified Public Accountant and a Fellow of the Malta Institute of Accountants.

Hussain Abdul Aziz Lalani is the Chief Executive Officer of United Gulf Bank ("UGB"), Bahrain and has worked extensively with the Board of Directors on advisory transactions in his previous capacity as UGB's Chief Financial Officer. Hussain Abdul Aziz Lalani is a Chartered Accountant and a Certified Information Systems Auditor and holds a Bachelor of Commerce degree from the University of Karachi, Pakistan.

The Bank considers that the Committee Members as a whole have the relevant competence as required by the Capital Markets Rule 5.118, having evaluated the balance of knowledge, skills, diversity and experience of the members of the Committee, thereby ensuring that they have the requisite experience, personal abilities and integrity and that they adhere to sound professional practices.

All Members of the Board Audit Committee have signed a written declaration of independence. In effect, the Board of Directors of the Bank consider these Members to be independent. Furthermore, the Committee Members as a whole, have the competence relevant to the sector in which the Bank is operating.

The Board Audit Committee normally requests members of Management to attend its Meetings for selective items of the respective agenda.

The Board Audit Committee held thirteen meetings during 2023 and all Members were present for all thirteen meetings. The Group Head of Internal Audit was also invited to attend and attended all thirteen meetings. The External Auditors were invited to seven Board Audit Committee Meetings and were only present for the agenda items which considered and discussed the 2023 Statutory External Audit (February 2023), 2022 Annual Report and Management Letter (March 2023), Parent Statutory Reporting Audit Update (May 2023), Interim Report for the period ended 30 June 2023 (July 2023 and two meetings in August 2023) and Statutory Audit for Financial Year ending 31 December 2023 (December 2023).

Board risk committee

The Board Risk Committee ("BRC") is responsible for overseeing the Group's risk management strategy, systems and policies, and for recommending appropriate risk appetite parameters for approval by the Board of Directors. The Board Risk Committee is also responsible for the oversight of operational, market, reputational and legal risk matters.

The Board Risk Committee Members as at 31 December 2023 are the following:

Hussain Abdul Aziz Lalani (Chairman)
Erich Schumacher (Member)

During 2023, the Board Risk Committee met on nine occasions.

Assets liabilities committee

The Assets Liabilities Committee ("ALCO") is a decision-making body responsible for allocating the Group's assets and liabilities to meet the Group's risk and profitability objectives.

The ALCO is composed of representatives of Senior Management, vested with the power to make decisions. As at 31st December 2023, the voting members of the ALCO were the following:

Mohammed Louhab (Chairman)
Zbigniew Makula (Vice-Chairman)
Adrian A. Gostuski (Member)
Simon Lay (Member)
Ronald Haverkorn (Member)
Juraj Beno (Member)
Modesto Luengo (Member)

Jason Zammit (Head of Corporate Finance Malta, Marketing & Administration), Chris Trapani (Head of Cash Management & Central Customer Services), Tiziri Hamidouche (Deputy Head of Treasury), Corinne Lanfranco (Head of Financial Institutions & Deposits), Simon Vickery (Head of Non-Credit Risk Management) and Clinton Bonnici (ALCO Secretary) are non-voting, permanent invitees of the ALCO.

During 2023, the Assets Liabilities Committee met on six occasions.

Board credit committee

The Board Credit Committee (“BCC”) is a Committee appointed by the Board of Directors of FIMBank. The Board Credit Committee is directly responsible and accountable to the Board. The Board may delegate any of its authorities and powers in relation to the BCC to the Board Risk Committee. The Board Credit Committee main powers and duties are to:

- review credit applications and approve credit limits and specific transactions, up to the legal lending limit of the Bank and within the guidelines specified in the Group’s Credit Policy Procedures; and
- review and consider for approval country limit applications, within the guidelines specified in the Group’s Credit Policy Procedures.

The Board Credit Committee Members as at 31 December 2023 are the following:

John C. Grech (Chairman)
 Rabih Soukarieh (Vice Chairman)
 Mohammed Louhab (Member)

Adrian A. Gostuski (former GCEO) and Modesto Luengo (GCRO) are non-voting, permanent invitees of the BCC.

During 2023, the Board Credit Committee met on three occasions.

Nomination and remuneration committee

The Nomination and Remuneration Committee (“NRC”) is currently composed of three members, one of whom is an independent director. The NRC is governed by the NRC’s Charter as may be amended by the Board of Directors (“Board”) in line with the relevant laws and regulations. The Charter establishes the authority and responsibilities conferred by the Board to the NRC in line with Appendix 5.1 (8) (A) & (B) of the Code of Principles of Good Corporate Governance. The responsibilities of the NRC include having oversight, informing, updating and deciding and/or making recommendations to the Board on all matters regarding nomination and remuneration. These include:

- presenting recommendations to the Board regarding nomination to the Board’s membership in accordance with approved policies, standards, and nomination regulations for the Board’s membership;
- performing an annual review of the needs required with regard to suitable skills for Board membership and performing an annual review of the Board of Directors’ structure and presenting recommendations on the changes which can be performed in accordance with the Bank’s strategy;
- performing an annual evaluation of the Board’s overall performance and the performance of each Member and the Board Committees;
- conducting as and when required, including on an annual basis, suitability assessments of prospective/appointed Directors, officers holding a Senior Management position and key function holders;
- preparing/reviewing the Group Remuneration Policy and the Remuneration Policy Supplement in line with applicable regulations and legislation and the principles of good corporate governance;
- overseeing the implementation and compliance with the Group Remuneration Policy and Supplement;
- assessing the mechanisms adopted to ensure that the remuneration process properly takes into account all types of risks, liquidity and capital levels and that it promotes sound and effective risk management and is in line with the business strategy, objectives, corporate culture and values, risk culture and long-term interest of the institution;
- monitoring the level and structure of Directors’ Remuneration by reviewing and updating when necessary, the individual remuneration to be attributed to Directors, ensuring that they are consistent with the Remuneration Policy Supplement as approved by the Annual General Meeting;
- devising appropriate and annually reviewing remuneration packages which are: fair; equitable, gender neutral and in line with industry benchmarks and the long-term interests of the Bank as needed to attract, retain and motivate Directors, the GCEO and Executives that hold the knowledge, skills and abilities to lead the FIMBank Group;
- approving on an annual basis, the Group’s individual distribution of salary increases, promotions and bonuses, as may be recommended by the GCEO;
- preparing a Remuneration Report for inclusion in the Annual Report; and
- reviewing and assessing at least annually the adequacy of the NRC Charter and confirming that all the responsibilities set out in the Charter have been duly executed.

Details regarding the Remuneration Policy and remuneration related matters have been disclosed under the Remuneration Policy and Remuneration Report.

The Nomination and Remuneration Committee Members as at 31 December 2023 are the following:

Masaud M.J. Hayat (Chairman)
Edmond Brincat (Vice Chairman)
Sunny Bhatia

John C. Grech (FIMBank Chairman) and Mohammed Louhab (GCEO) and Adrian Gostuski, former GCEO are non-voting, permanent invitees of the NRC.

During 2023, the Nomination and Remuneration Committee met on 5 occasions.

Attendance for the meetings was regular except for two instances, one involving an exiting Director in May at the time when the AGM was reappointing a new Board and the other instance was at the June meeting when a newly appointed Director was still pending regulatory approval.

Corporate governance committee

The purpose of the Corporate Governance Committee ("CGC") is to review the Bank's internal delegations, policies and procedures to ensure compliance with legislative and regulatory requirements and alignment to industry's best practice.

The Corporate Governance Committee Members as at 31 December 2023 are the following:

John C. Grech (Chairman)
Sunny Bhatia (Member)

During 2023, the Corporate Governance Committee met on five occasions.

Board Environmental, Social and Governance Committee

The Board Environmental, Social and Governance Committee ("BESG") is responsible for assisting the Board in setting the Bank's Environmental Social and Governance ("ESG") policies, strategy and following-up on its execution and periodic review to ensure its effectiveness as well as to enhance the effectiveness of the Board's supervision over any matters relating to ESGC. The Board Environmental, Social and Governance Committee terms of reference are included in the Board Environmental, Social and Governance Committee Charter.

The Members of the Board Environmental, Social and Governance Committee as at 31 December 2023 are the following:

Edmond Brincat (Chairman)
Hussain Abdul Aziz Lalani (Member)
Mohammed Louhab (Member)

The Board Environmental, Social and Governance Committee met on one occasion during 2023.

Changes to committee membership during 2023

During 2023, Rogers David LeBaron retired resulting in him no longer being a member of the Nomination & Remuneration Committee and the Corporate Governance Committee.

Claire Imam Thompson resigned resulting in her no longer being a member of the Board Audit Committee, the Corporate Governance Committee, and the Board Risk Committee.

Majed Essa Al-Ajeel retired resulting in him no longer being a member of the Nomination & Remuneration Committee and the Corporate Governance Committee.

Abdel Karim Kabariti retired resulting in him no longer being a member of the Nomination & Remuneration Committee and the Corporate Governance Committee.

Mohamed Fekih Ahmed resigned resulting in him no longer being a member of the Board Credit Committee.

Sunny Bhatia was thereafter appointed member of the Nomination & Remuneration Committee and the Corporate Governance Committee.

Mohammed Louhab was thereafter appointed member of the Board Credit Committee.

Principles 9 and 10: Commitment to institutional shareholders, an informed market and transparency in dealings by directors, management and staff

The Chairman arranges for all Directors including the Chairmen of all the Committees to be available to answer questions at the Annual General Meeting. All eligible Shareholders are served with a notice to attend the Annual General Meeting, which is held normally during the first half of the year. The notice contains all the resolutions proposed for approval by the Annual General Meeting and, as necessary, notes accompanying such resolutions. Pursuant to the Companies Act, notices are delivered to Shareholders at least fourteen clear days before the date of the Annual General Meeting. Advance notification of the resolutions proposed for approval is also given by way of a Company Announcement as soon as these are decided and approved, normally at the same Board Meeting that approves the Annual Financial Statements. The Board also considers the Annual Report to be an effective document which, in addition to the statutory disclosures, contains detailed information about the Group's performance. Moreover, the Board ensures that the Annual General Meeting serves as a medium at which information is communicated to Shareholders in a transparent and accountable manner. Additionally, the Bank holds meetings from time to time with financial intermediaries and financial market practitioners to disseminate information about the Group's progress, activities and financial performance. These meetings are usually organised to follow the publication of the half yearly and annual financial results as well as in connection with other Group developments and events. Procedures are in place to resolve conflicts between minority shareholders and controlling shareholders.

The Board complies with the provisions of the Bank's Memorandum and Articles of Association, as well as all legislation, rules and regulations that require it to maintain a fair and informed market in the Bank's equity securities. It discharges its obligations by having in place, formal procedures for dealing with potentially price-sensitive information and ensuring the proper conduct of its officers and employees in that regard. Regular contact with Shareholders and the general market is maintained through Company Announcements, which are issued in conformity with the obligations arising from the Capital Markets Rules. During 2023 the Bank issued sixteen announcements.

The Board also complies with the provisions of the Bank's Articles of Association insofar as minority rights are concerned. In accordance with article 65 of the Bank's Articles of Association, minority Shareholders may convene an Extraordinary General Meeting, in the same manner, as nearly as possible, as that in which meetings may be convened by the Directors.

The Bank also maintains a presence on the web through www.fimbank.com which, includes an informative and comprehensive Investor Relations section that contains, amongst other things, all Company Announcements, Annual General Meeting information and regulated information.

The FIMBank Financial Instruments Internal Code of Dealing which has been drawn up in accordance with the requirements of the Capital Markets Rules contains dealings restriction guidelines and reporting procedures to be observed by Directors, Management and employees when dealing, or prospecting to deal, in the Bank's equity securities. Directors and employees are also notified by the Company Secretary of their obligations to observe the restricted 'time-windows' accompanying the publication of half yearly and annual financial results during which no dealings in the Bank's equity securities are allowed.

Control by any Shareholder, whether direct or indirect, and any potential abuse thereof, is regulated by the Banking Act and Rules issued thereunder. The Act and such Rules provide mechanisms for, and obligations on, persons intending to acquire control, as well as on all Directors and Management, to notify and report to the supervisory authorities in such eventuality. There are additional obligations on Directors in terms of the Capital Markets Rules and there is good communication in place between the Management, the Company Secretariat and the Board to ensure that any issues are flagged and acted upon appropriately.

Principle 11: Conflicts of interest

Directors' primary responsibility is to act in the interest of the Bank and its shareholders as a whole irrespective of who appointed them to the Board. While the overall tone for instilling a strong culture about the proper management of conflicts of interest is set at the top, situations of potential conflicts of interest with Board Members are in the first instance specifically regulated by Clauses 119 and 120 of the Bank's Articles of Association. In terms of the Articles of Association, in the event of a conflict-of-interest situation, real or potential, arising in connection with any matter, the interest has to be declared. In particular, the Director concerned refrains from taking part in proceedings relating to the matter and his vote is excluded from the count of the decision. The minutes of Board Meetings, as well as those of Board Committees, invariably shall include a suitable record of such declaration and of the action taken by the individual Director concerned. In the event that such steps do not eliminate the grounds for conflict then the Director should consider resigning. Similar arrangements apply to Management in the course of the conduct of their duties at Board Committees. Besides, where Directors and Management have related party involvements, these are reported and it is an integral part of the Board Audit Committee's terms of reference to provide oversight on related party transactions.

The number of shares held in the Bank by Directors directly in their name as at 31 December 2023 is as follows:

John C. Grech (Chairman) *	1,760,000
Edmond Brincat	Nil
Erich Schumacher *	Nil
Hussain Abdul Aziz Lalani *	Nil
Masaud M.J. Hayat (Vice Chairman) *	Nil
Mohammed Louhab *	Nil
Rabih Soukarieh *	Nil
Sunny Bhatia *	Nil

* * * Aside from these direct interests in the shareholding of the Bank, these Directors are considered to be associated with companies that hold a beneficial interest in the Bank's shareholding. No Shareholder is entitled to any automatic right to nominate or appoint a Director on the Board.

Details of outstanding loans, guarantees or similar facilities made available to related parties or beneficial interests thereof, including Directors, are disclosed in the Notes to the Financial Statements.

Principle 12: Corporate social responsibility

We recognise that our social, environmental, and ethical conduct significantly impacts our reputation and the communities where we operate. Therefore, we take our Corporate Social Responsibilities ("CSR") seriously and consider them fundamental to FIMBank's corporate culture.

We are committed to advancing our policies and systems across the Group, ensuring that we comprehensively address and monitor all CSR aspects relevant to our business. The Bank's CSR strategy, centred around our core values, reflects our commitment to our clients, shareholders, employees, and the Maltese community, which has been home to FIMBank's head office since its inception in 1994.

Our CSR program aims to maximize and protect shareholder value while fostering socially responsible and ethically robust relationships with clients and partners. It also seeks to promote policies that maintain a work environment where our employees can excel professionally and achieve a healthy work-life balance. Additionally, the CSR program focuses on serving the communities in which we operate, especially in their social and environmental well-being.

Our commitment to CSR ensures that we operate under the highest standards of good governance and ethics. We strive to provide a constantly evolving range of services that meet the changing needs and expectations of our clients and business partners. Our CSR activities are designed to attract and retain employees who are not only technically skilled but also uphold strong ethical values. We expect our CSR initiatives to provide meaningful support to the local community, enhancing the social and environmental impacts of our business practices.

We achieve our CSR objectives through sound corporate governance, compliance practices, and increased transparency in reporting these activities. Maintaining ethical policies and providing training ensures that all employees uphold the highest standards of integrity and trust. This is supported by programs that manage the long-term development of our employees, fostering an environment for growth and excellence. Our CSR efforts focus on corporate philanthropy that enhances quality of life. The success of our CSR also depends on proper risk management and implementing data security and privacy programs to safeguard all stakeholders.

Further details about the CSR initiatives undertaken by the Group in 2023 are provided in the GCEO's Message in the Annual Report.

Part 2: Non-compliance with the principles

Principle 2.3: Chairman and chief executive

The existing Chairman of the Board of Directors is not an independent member in terms of the Capital Markets Rules. This notwithstanding, the Bank considers the non-compliance with this Principle not to be of concern in view of the fact that John C. Grech has signed a written declaration whereby he has declared that he undertakes to maintain in all circumstances his independence of analysis, decision and action, not to seek or accept any unreasonable advantages that could be considered as compromising his independence and to clearly express his opposition in the event that he finds that a decision of the Board may harm the Bank.

Principle 4: Succession policy for directors

Capital Markets Rule 4.2.7 calls on the Directors to develop a succession policy for the future composition of the Board, and ‘particularly the executive component thereof, for which the Chairman should hold key responsibility’. The NRC, during its August meeting, discussed Directors’ succession planning on the basis of an internet-based global market research which among others took into consideration factors like gender, and experience in financial services, IT and ESG including experience at international level. During the August meeting of 2023, the NRC discussed the annual employment market assessment related to Board succession planning as presented.

Principle 8: Nomination and remuneration committee

The manner in which the Directors are nominated for appointment follows the procedure set out in the Articles of Association, i.e. any nomination must be seconded by a Member or Members who in the aggregate holds at least 20,000 shares. This process is also rendered public with an announcement in the Maltese press, usually in the first quarter of the financial year and in good time before the Annual General Meeting, which allows at least ten business days for any nomination to be made to the Company Secretary.

The current Chairman of the Nomination and Remuneration Committee is not an independent member in terms of the Capital Markets Rules, as set out in terms of Principle 8.A.1 of the Code of Principles of Good Corporate Governance. This notwithstanding, the Bank considers the non-compliance with this Principle not to be of concern in view of the fact that the Chairman of the NRC has signed a written declaration whereby he has declared that he undertakes to maintain in all circumstances his independence of analysis, decision and action. Furthermore, the Vice Chairman of the NRC is deemed to be an Independent Director in terms of the Capital Market Rules.

Internal control

The Board is ultimately responsible for the identification and evaluation of key risks applicable to the different areas of the business of the Group, and for ensuring that proper systems of internal control are in place. The Board has delegated Management with the task of creating an effective control environment to the highest possible standards. The Internal Audit function performs periodic audits to specifically test compliance with policies, standards and procedures and the effectiveness of the internal control environment within the Group. To ensure the effectiveness of the internal systems of control the Head of Internal Audit reviews and tests such systems independently from Management, adopting a risk-based approach. The Internal Auditor reports to the Board Audit Committee, however, the Chairman of the Board of Directors is copied with all Internal Audit Reports issued.

The Board has identified key features within the Group’s environment of internal controls to ensure compliance with the Principles. The Management is responsible for the identification and evaluation of key risks applicable to the respective areas of business. The Board receives regular reports from Management giving detailed and comprehensive analysis of financial and operational performance, including variance analysis between budgeted and actual figures, activities and prospects.

Capital markets rule 5.97.5 and rule 5.97.8

Capital Markets Rule 5.97.5 and Rule 5.97.8 are not applicable. Whilst Capital Markets Rule 5.97.5 is not applicable, this information is found in the Directors’ Report.

It is also hereby declared that the contents of the Directors’ Report and of this Statement of Compliance with the Principles of Good Corporate Governance cover the requirements of the provisions of Capital Markets Rule 5.97.

Approved by the Board of Directors and signed on its behalf by John C. Grech (Chairman) and Masaud M.J. Hayat (Vice Chairman) on 24 April 2024 as per Director’s Declaration on ESEF Annual Financial Report submitted in conjunction with the Annual Report and Financial Statements 2023.