

Israel Electric Corporation

Corporate Sustainability Report ESG

2022



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This ESG report of the Electric Company for 2022 is published in the midst of one the most difficult periods that the State of Israel and society in Israel have known - Against the background of the Swords of Iron War that declared in response to the murderous surprise attack launched by Hamas terrorist organization on October 7, 2023.

The Electric Company bows its head in deep sadness and mourns the company's employees, pensioners and their relatives - who were murdered and killed in the terrorist attack and in the war. We share the grief of the families who lost their loved ones - May them rest in peace.

We wish those injured a full recovery, embrace the families of the kidnapped hostages and wish for their return soon healthy and whole.

The company's employees and its managers strengthen the hands of the IDF, the security forces and the citizens of Israel.



ENVIRONMENT

Over **NIS 10.1 billion** invested as of the end of 2022¹ in projects aimed at reducing air emissions and transitioning from coal to natural gas (of total planned investments of NIS 11.5 billion), of which **more than NIS 6.8 billion** invested since 2013 in projects designed to reduce emissions from the Orot Rabin and Rutenberg coal-fired power plants.

In 2022, **approx. NIS 435 million** was invested in environmental aspect of the generation segment.

In addition, a total of **approx. NIS 32 million** was invested in the transmission and conveyance segments and in special projects.

A 1.6% decrease in the use of coal (TJ) in 2022 compared with 2021.

A 6.3% increase in the use of natural gas (TJ) in 2022 compared with 2021.

25.6 million tons carbon dioxide equivalent (CO₂e) emitted in Scope 1 and 2.

Emissions intensity of 616 CO₂ equivalent per produced kWh.

10.1% of actual total electricity consumed in Israel in 2022 **was sourced from renewable energies.**

1089 MWp in generation capacity by renewable energies (independent producers) connected to the distribution grid by the IEC.

2% decrease in air emissions intensity of nitrogen oxides (NOx) in 2022 compared to 2021.

10% decrease in total solid waste² (excluding by-products) in 2022 compared to 2021.

13.4% decrease in solid waste transferred to landfills **and 13% decrease** in solid waste transferred for recycling in 2022 compared to 2021.

17% increase² in hazardous waste **23% increase** of hazardous waste transferred to recycling, **7% reduction** of hazardous waste transferred to landfill - in 2022 compared to 2021.

¹ For further details, see the Financial Report of the IEC for 2022, Part A, p. 23, Section 7.7.4, "Main projects in the generation segment."

² For waste data, see the 2022 Environmental Report, at <https://tinyurl.com/y2n35bes>, pp. 93-98

SOCIAL

10,715 employees.

20% of senior manager are women³

25% of mid-level managers are women.

37% of first line managers are women.

47 training hours⁴ on average for all Company employees.

14%⁵ of the employment are from underemployed populations.

0.33 rate⁶ of workplace accidents (compared with 0.42 in 2021).

15,313 active suppliers in 2022 (equipment and services, photovoltaic producers, private producers, fuels).

Approx. 90% of all payments to suppliers were made to Israeli suppliers.

More than 90% of the new suppliers sign a letter on the Company's code of ethics.

NIS 24.6 billion - amount of payments to suppliers.

In 2022, approx. 3,400 employees volunteered for approx. 7,000 hours.

NIS 3.5 million - total amount of investment in community educational programs.

GOVERNANCE

43% - women on the Board of Directors.

14% of the directors are from underrepresented populations.

7 Board members.

Approx. 300 employees who are defined as key personnel in terms of exposure to bribery and corruption risks, underwent a tutorial to prevent corruption, embezzlement and fraud.

400 department managers were sent push messages regarding anti-bribery and corruption.

³ Senior department manager and above.

⁴ The average was calculated for a total of 10,715 employees. Professional training: 43.4 hours of training on average for all IEC employees. Training sessions at the Leadership School: 3.6 hours of training on average per employee for 2022

⁵ 14% of the employees are from underemployed populations - this statistic was calculated based on the following data: 1,518 employees from underemployed populations (people with disabilities, Ultra-Orthodox, people of Ethiopian descent, members of the Arab sector) out of 10,585 employees unionized under collective agreements.

⁶ The accident rate refers to workplace accidents with casualties that occurred while performing the work. The rate is based on a multiplication of the number of accidents by 100 thousand hours, divided by the number of actual work hours of all employees.

Corporate Sustainability Report ESG

Introduction



About This Report

This is the eleventh Corporate Social Responsibility Report of IEC, which has been reporting its ESG performance since 2012. The report reviews the Company's activity in 2022, was written in accordance with the GRI Standards, and includes references to the United Nation's Sustainable Development Goals (SDGs).

Unless stated otherwise, the report reflects the Company's performance, excluding its subsidiaries, in all of its sites and areas of activity. The report provides information as to Company's processes, data and progress in connection with ESG aspects, and sets targets for future years.

The purpose of the report is to present readers with the most relevant information about the Company's effect on stakeholders and the management of these effects. The Company undertakes to continue reporting its ESG performance once a year, and to maintain a transparent dialogue with its stakeholders through those reports.

The environmental data published in the report are taken from IEC's 2022 Environmental Report.

The report was written with the guidance of BDO Consulting's Corporate Responsibility and Sustainability Unit.



The report underwent external assurance by Good Vision - Corporate Responsibility Consultants Ltd. using two methodologies: the reporting principles as per the GRI standards and principles of AccountAbility's AA1000 AS v3 assurance standard, under the Type 1 Moderate option.

For more information on the external assurance findings, see page 184.





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Identifying material topics for reporting

In 2020 the Company conducted a comprehensive assessment of 22 material topics arising from its areas of activity. At the end of this procedure, the 13 material topics of greatest relevance to the Company's activity were defined following approval of the Company's management and the Board of Directors (for more information, see Page 16 of the Corporate Sustainability Report 2020⁷).

Prior to the Corporate Sustainability Report 2022, the material topics were updated based on the benchmarks of international rating agencies involved in conducting ESG analysis for investors, among similar companies around the world and among the leading GRI standards. In addition, the topics were organized in accordance with the directives of the new GRI Standards 2021 that came into force commencing from January 2023.

The material topics analysis was conducted in accordance with the double materiality principle which entails examination of ESG risks with a financial impact on the Company, as well as the effect of the Company's activity outwards on both environmental and social aspects.

The changes in the list of material topics in the 2022 report compared with the 2021 report:

- Biodiversity was added as a material topic
- Cyber and information security was added as a material topic
- Preparing for climate change was added as a material topic that was combined with topics included in the previous report (air emissions of pollutants, supporting the transition to renewable energies, emergency preparedness)
- High quality service for customers was added as a material topic that was combined with a topic included in the previous report (accessibility and reliability of the power supply)

⁷ Link to IEC's 2021 Corporate Sustainability Report: https://www.iec.co.il/content/sustainability/files-pages/sustainabilityfiles?fireglass_rsn=true#fireglass_params&tabid=a01789029690e7c3&start_with_session_counter=4&application_server_address=iecfg-cloud-6-me-west1.prod.fire.glass

Table 1: Material Topics

Material topic in the report	GRI disclosure	Impact
Preparation for climate change	GRI 305: Emissions GRI 302: Energy Sector Supplement ⁸ : Emergency Management Plan Company supplement: Climate Change Management	Within and outside the organization
Proper corporate governance and corruption prevention	GRI 205: Anti-corruption	Within the organization
Occupational health and safety	GRI 403: Occupational Health & Safety	Within the organization
Treatment of effluents, prevention of soil and water contamination	GRI 306: Effluents and Waste GRI 307: Environmental Compliance	In and outside the organization
Community outreach	GRI 413: Local Communities	In and outside the organization
Terms of employment	GRI 401: Employment GRI 402: Labor-Management Relations GRI 404: Training & Education	Within the organization
Quality of customer service	Sector supplement: Availability and Reliability GRI 418: Customer Privacy	In and outside the organization
Reducing water use and effective water management	GRI 303: Water	In and outside the organization
Biodiversity	GRI 304: Biodiversity	Outside the organization
Responsible supply-chain management	GRI 204: Procurement Practices	In and outside the organization
Diversity and equal opportunity	GRI 405: Diversity and Equal Opportunity GRI 406: Non-discrimination	Within the organization
Cyber and information security	Company supplement: Cyber & Information Security	In and outside the organization

Dialogue with Stakeholders

Our stakeholders are essential to the proper operation of IEC, and they impact and are impacted by its operations; therefore, we consider continuous dialogue with them of utmost importance. In order to deal with the existing challenges and to be open to opportunities to create “shared value” - business value alongside social/environmental value, we create open and transparent communication and promote inter-sectoral collaborations as a means of enhancing trust, strengthening relationships, understanding the needs and adapting our activity.

In 2022, IEC held dialogue with the different stakeholders, as is evident at length throughout the report. Below are select examples:

Select channels of dialogue with stakeholders in 2022

Customers, local authorities and the general public

(For more information, see Chapter 2 - Customers)

Service channels:

- **Physical customer facing services** - both at the Company’s customer service centers and the “customer-resident” service counters established in 2021 at several local authorities or municipalities’ buildings in Israel. In 2022, the service was expanded and currently operates in 6 additional local authorities: Ashkelon, Ariel, Migdal HaEmek, Givatayim, Nof HaGalil and Yeruham.
- **103 call centers** - A fully-manned human answering service is provided in Hebrew and Arabic, while a response in Russian and English is provided on the basis of available representatives.
- **Hybrid stations - integrated service station - a physical branch with remote representatives** - 6 integrated service stations operate across the country: 2021 - Nahariya and Rahat, in 2022 stations were opened in Beersheba and Tel Aviv. And in 2023- in Haifa and Nazareth. The company’s CEO Meir Spiegler, who took office in November 2022, decided during 2023 To reopen for the benefit of the customers, physical positions that were closed in recent years, instead of establishing additional hybrid positions. These positions are fully staffed by service workers.
- **Digital service channels** - Facebook, LinkedIn, Twitter, Instagram, online chat, WhatsApp and text messaging service (during operating hours of the centers), chatbot that allows performing automatic online transactions with the guidance of a virtual representative, and as part of the hybrid pilot of the Nahariya service center in which digital guidance and training for online transactions are available. In addition, the Company’s website offers customers a self-service option through which customers can resolve their issues or get answers for their queries 24/7 in Hebrew and Arabic. In 2022 the website was upgraded and it now includes a response based on WhatsApp also for individuals with hearing difficulties and sight impairment.
- **Visitors centers** - the Company operates two visitor centers, which are open as a service to the general public - at the Orot Rabin site and the Heftziba site in Hadera.

Satisfaction surveys and attitude surveys:

Satisfaction surveys of the service are conducted routinely; following are the 2022 findings:

- 89% satisfaction with the service on the 103-call center (compared to 90% in 2021).
- 90% satisfaction with the service at the customer service centers (compared to 87% in 2021.)
- 73% satisfaction among prepaid meter customers; prepaid meters are typically installed for indebted customers from underprivileged populations (compared to 54% in 2021).

- Brandman attitude surveys are held once a year, usually targeting the entire population and are also conducted separately for each of the segments - households and business customers. The results of the research survey, which was conducted in late 2022, indicate continued erosion in the Company's image among the majority of the surveyed sectors, alongside a certain degree of stability in the score awarded for general trust in the Company.

Local authorities:

- Routine work meetings with senior and professional officials in local authorities in order to ensure regular and reliable power supply to customers at all times and in all weathers, both in normal times and in times of emergency.
- Meeting welfare officials and representatives of local authorities, as part of the Company's activity to help struggling customers exhaust their rights.

Employees

(For more information, see Chapter 3 - Human Capital)

- **Assessment and feedback meetings** - are held once a year with all employees (the previous feedback took place in 2021).
- **"Intra-organizational climate" survey** - employees' satisfaction and engagement.
- **Digital communication channels** - digital dialogue within the units and divisions, WhatsApp groups for regular updates, etc.

Suppliers

(For more information, see Chapter 5 - Supply Chain)

- **Service center for suppliers** - that serves as a one-stop shop covering all payment-related queries and other financial issues.
- **Dedicated suppliers website** - the Company upgrade it to expand the range of online actions and receive information.
- **Supplier conferences** - the next conference is scheduled to be held in 2023.

Regulators and government ministries

- As a government-owned company, the IEC has ongoing work relations with the regulators overseeing its activity, including meetings and lectures to exchange knowledge and insights with representatives of government and local agencies, as well as scheduling strategic visits at the Company's sites. In this manner, joint projects aimed at addressing environmental, regulatory and social issues are promoted.

Social, environmental and industrial organizations

- **Dialogue with social organizations** - the Company holds ongoing discourse with representatives of organizations and authorities to make information accessible and exercise rights vis-a-vis the Company.
- **Dialogue with environmental organizations** - in the past, dialogue was held mainly in structured roundtables. However, due to the relationship that developed with these organizations, in 2022 two meetings with numerous participants took place - the first dealt mainly with development of the electrical grid and the second addressed the grid and smart metering.

- **Dialogue with industry** - participation in, and initiation of, various conferences and professional seminars. In 2022, the acting Company CEO attended the 9th Infrastructure and Industry Convention as a lecturer; IEC senior officers participated both as lecturers and in the sessions of the annual Electricity & Energy 2022 Convention of the Society of Electrical, Electronics, and Energy engineers in Israel; along with participation in the 19th Energy and Business Conference in 2022.

Community

- **Dialogue with stakeholders on environmental issues** - with the communities around the Rutenberg and Orot Rabin power plants (see Chapter 1 - The Environment on page 61-62).
- **Extensive and long-standing information and educational activities** - held through a range of channels, including face-to-face meetings and online channels. Community outreach activities are conducted as part of long-standing partnerships with social non-profit organizations and inter-sectoral coalitions (business sector, public sector and the voluntary sector). Information activities also take place as part of the multisectoral forum for equal employment of women. (See Chapter 4 - Community Outreach in IEC)

Academia

- **Lectures** - the Company holds lectures at various academic institutions on a range of topics from its core operations.
- **Collaboration with academic institutions** - as part of the Human Resources Division's strategy to develop the Company's human capital, as well as RD collaboration with the Company's Innovation Unit.

Investors and analysts

- Maintaining a direct, ongoing and transparent dialogue with lenders, investors, analysts and other parties in the domestic and international capital markets; this activity is led by the Company's investor relations unit.
- Responding to entities carrying out ESG analyses for investors' - in order to increase transparency and enhance the ongoing relationship and discourse with investors and rating agencies.

About the Company

The IEC is a key provider of an essential service in the economy; its mission is to provide power to millions of customers. By supplying power it contributes to the quality of every resident's life, sets the economy's wheels in motion, and is essential to the activity of each and every organization and household in the country, both in normal times and in times of emergency.

The Israel Electric Corporation Ltd. was founded in 1923; it has been the only company in Israel that operates along the entire electricity chain - generating, transmitting, distributing and supplying most of the electricity consumed in the State of Israel for the past 99 years. The Company works to ensure reliable, available and high-quality power supply while adhering to high service standards and following economic, commercial and environmental principles.

In June 2018, a government decision was made regarding the promotion of reform in the electricity sector along with a structural change in the IEC, the main points and implementation of which are detailed in this report.

IEC is a public government company (as defined in the "Government Companies Law"); approximately 99.85% of its share capital is held by the State of Israel and its remaining issued and paid-up share capital is held by 120 individuals (as of the Report publication date). The Company is regulated by a number of regulators, including: the Israel Competition Authority, the Israel Securities Authority, the Ministry of Energy, the Ministry of Finance, the Ministry of Interior, the Ministry of Environmental Protection, the Market Concentration Committee, the Tel Aviv Stock Exchange, the Government Companies Authority and the Israeli Electricity Authority, which stipulates, among other things, electricity tariffs and the manner by which they are updated, in accordance with the provisions of the Electricity Sector Law.

The Company provides services to a wide range of customers - the household sector; the public-commercial sector - including merchants, shopping centers, various businesses, local authorities, public institutions and government ministries; the industrial sector - industrial plants and independent power producers; water pumping - the electricity consumption required to supply drinking and irrigation water across the country and for any other purpose; agriculture; Jerusalem District Electricity Company (JEC), the Palestinian Authority and infrastructure services.

Termination of office and appointments

On August 1, 2021, Mr. Yiftah Ron-Tal's tenure as the Company's Chairman of the Board of Directors ended. On April 6, 2022, the Company's Board of Directors decided to elect the director Dov Baharav as chairman of its Board of Directors, subject to the approval of the Minister of Energy and Minister of Finance. On April 26, 2022, prior to granting of approval by the said ministers, Dov Baharav tendered his resignation as a director in the Company. As of writing this report, a new chairperson of the Board of Directors has not yet been appointed.

On May 9, 2022, the tenure of then CEO of the Company, Ofer Bloch, ended. On April 14, 2022, the Company's Board of Directors unanimously resolved to adopt the recommendation of the Ethics Committee to appoint Meir Spiegler as CEO of the Company. On November 1, 2022, Mr. Spiegler commenced his tenure at the Company after his appointment was approved by the Minister of Energy and the Minister of Finance.

On September 1, 2022, the tenure of Mr. Avi Doitchman, Senior VP Finances, Economics and Risk Management of the Company, came to an end. Commencing from that date, Mr. Gilad Hassid has served as Acting VP Finances of the Company, pursuant to a Company Board of Directors resolution from August 18, 2022. Commencing from April 4, 2023, Mr. Gilad Hassid has served as Acting VP Finances, Economics and Risk Management of the Company.

On October 1, 2022, the tenure of Adv. Yael Nevo, VP, Legal Counsel of the Company, came to an end. Commencing from that date. On March 15, 2023, the Government Companies Authority approved the appointment of Adv. Gershon Berkowitz as VP, Legal Counsel of the Company, and the appointment came into effect.

On January 27, 2022, the Company Board of Directors decided to adopt the recommendation of the Audit Committee's Search Committee and to appoint CPA Racheli Ben-Moshe as Chief Internal Auditor of the Company, with the status of VP. On April 1, 2022, CPA Racheli Ben-Moshe began to serve in her position as the Company's Chief Internal Auditor and Ombudsman.

2022 in numbers:

The Company's assets totaled **NIS 99 billion** compared to NIS 90.6 billion in 2021.

No. of employees was **10,715**.

The Company has approximately **3.01 million customers** - an increase of approx. **53 thousand in the number of customers** compared to the end of 2021.

Vision and values

The IEC leads, and seeks to continue to lead, the Israeli energy market as an efficient and fair business corporation, which is the backbone of the economy, using advanced technologies, accelerated development in an evolving, competitive market, while protecting the environment and producing cleaner energy*.



משתנים באומץ

עסקאות, חדשנות, יעילות

Changing courageously

Business-oriented. Innovation. Efficiency

Our ability and determination to innovate and change as an organization will ensure our resilience and continuity. We work to execute our tasks effectively, efficiently and with a business approach in mind. This is aimed at achieving adequate profits and increasing the Company's business competitiveness.



מחויבים לצורכי לקוחותינו

שירות איכותי וזמין

Committed to customers' needs

High-quality accessible service

We are dedicated to developing the electricity sector and are committed to do all in our power to ensure power supply to all of the Company's customers - with an emphasis on availability, reliability, efficiency, and quality. This is done in accordance with the Company's goals, the provisions of the law and regulations while striving to protect the environment. Understanding the needs of our diverse customer base and addressing those needs and in a swift and professional manner are at the core of our activity.



מנהלים באחריות ואמינות

ישרה, דוגמה אישית

Leading responsibly

Integrity. Role modeling

We show leadership and bear personal and executive responsibility for our decisions, activity and its consequences. We conduct ourselves with integrity and in line with our statements, and serve as role models to those around us.

We act in accordance with professional, fair and non-discriminatory standards, and strive to maintain mutual trust in all our relationships within the Company and with external and internal stakeholders.



אכפת לנו מאנשים

הוגנות, ערבות הדדית

We care about people

Fairness. Mutual responsibility

We treat all Company employees and customers with respect, fairness, dignity and care. We are attentive to our employees' needs and difficulties, show solidarity and work to support and assist them as much as possible. We demonstrate and encourage openness, tolerance and the expression of diverse views. The staff are a key assets of the Company.



מחויבים למקצוענות ומצוינות

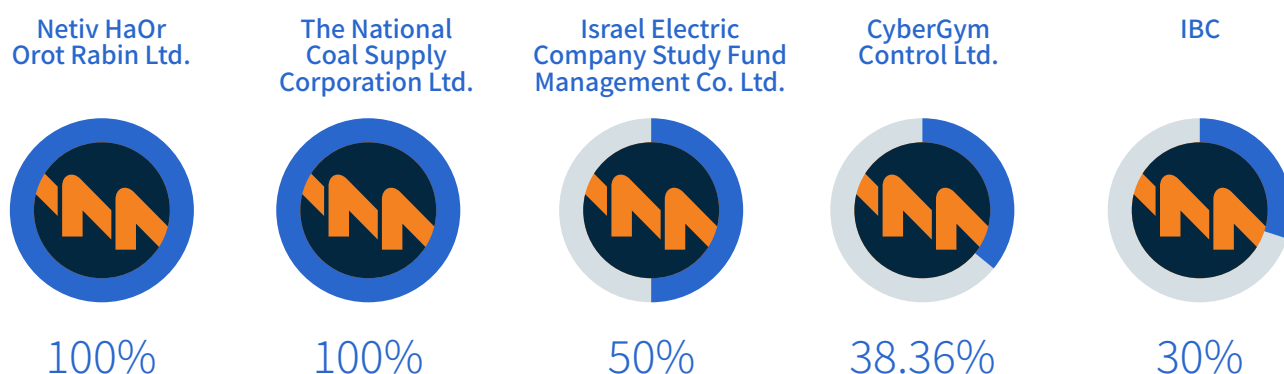
יוזמה, להט עשייה, בטיחות

Committed to professionalism and excellence

Initiative. Passion for doing. Safety

At the IEC we strive to be the best at what we do, and regard taking the initiative and being passionate about what we do to be essential components in the effort to achieve our goals. We act to the best of our professional and business judgment, encourage excellence and constantly endeavor to improve our performance. We draw lessons from failures as well as successes and aspire to find solutions to problems that arise.

* For more information, see the Code of Ethics and Core Values document published on the IEC website - <https://www.iec.co.il/about/Documents/KodE.pdf>

Figure 1: Structure of holdings

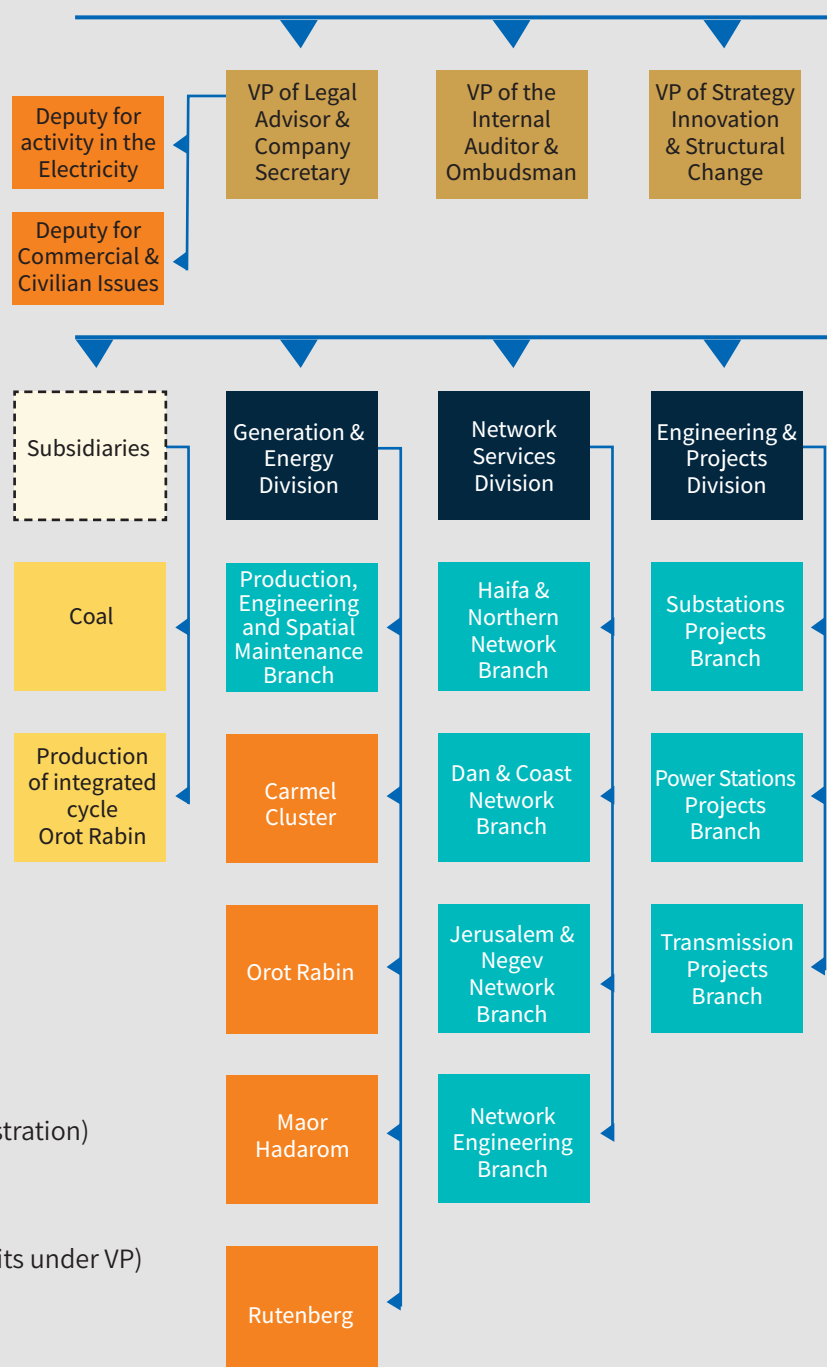
IBC - The Company is setting up optic fiber infrastructure and provides advanced infrastructure services to the leading internet companies in Israel.

CyberGym Control Ltd. (hereinafter: “CyberGym”) - following the exercise of options that the Company held for the receipt of CyberGym shares, commencing from June 26, 2022, the Company owns 500,000 ordinary shares, which constitute 38.36% of CyberGym’s issued share capital. In addition, the IEC appointed 2 directors as members of CyberGym’s board of directors, who pursuant to the CyberGym regulations, constitute 50% of the CyberGym Board of Directors members. In view of this, CyberGym is a non-governmental subsidiary of the Company, and the Company is considered to be a controlling shareholder in CyberGym, as these terms are defined in the Securities Law.

The subsidiary Netiv HaOr - Orot Rabin Ltd was established in March 2020 as part of the restructuring of IEC. The objectives of the subsidiary are the construction, operation and maintenance of two H-class combined cycle gas turbines (CCGTs) that will be operated by natural gas at the Orot Rabin site in Hadera.



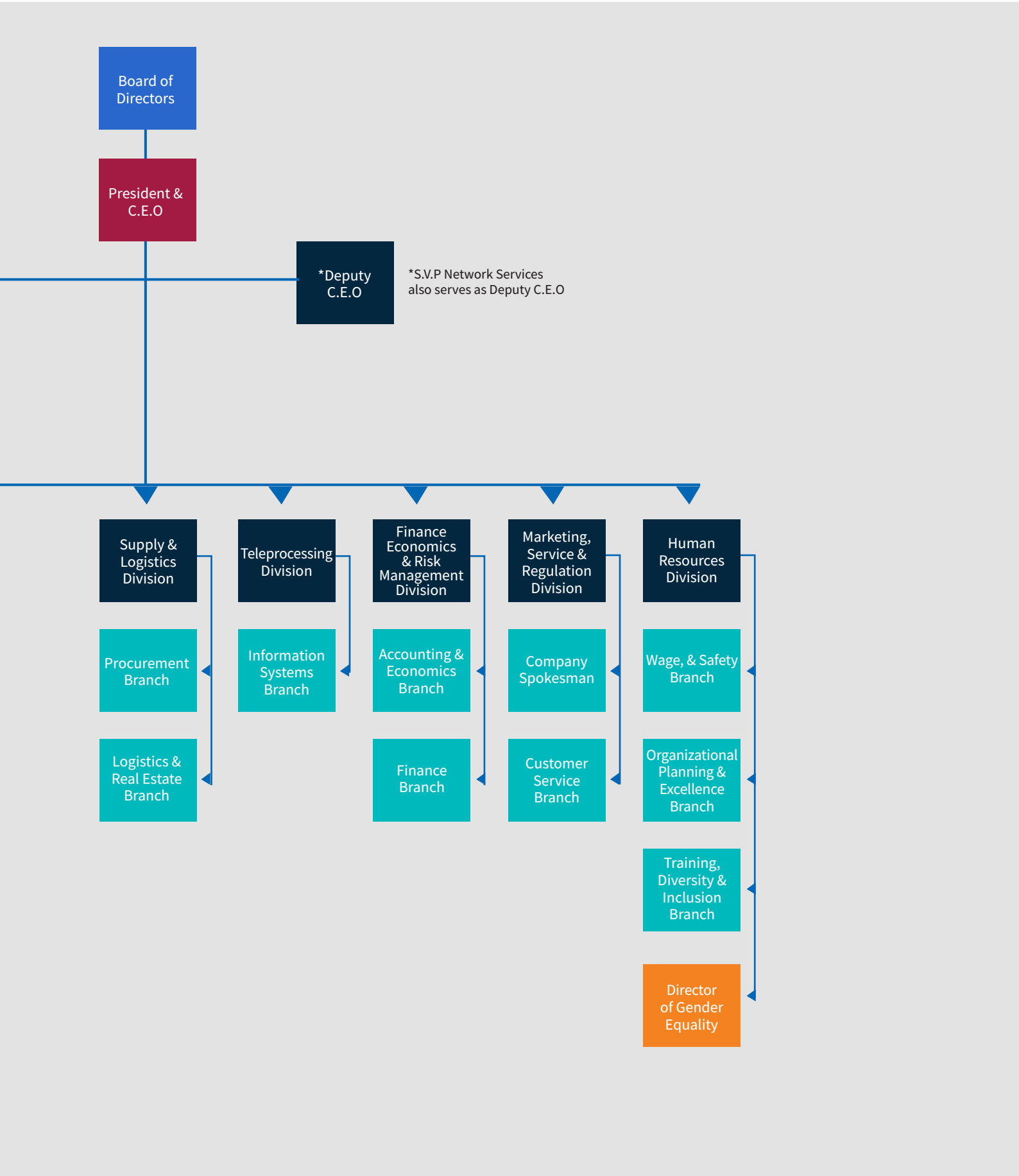
Israel Electric Corporation Organizational Structure



Organizational Structure 31.12.2022

Diagram Legend

- Board of Directors
- President & CEO
- Vice President (General Administration)
- Senior Vice President
- Branch
- Directorate (Power Plants or units under VP)
- Subsidiaries



The Company's activity

The Company's operations consist of five main areas of activity comprising the electricity chain, from power generation to supply of power to customers - the generation segment, transmission and transformation segment, distribution segment and supply segment. This is following completion, in November 2021, as part of the electricity sector reform and the restructuring,⁹ of the transfer of the entire electricity system management operations to the government company Noga - Israel Independent System Operator Ltd.¹⁰ (hereinafter - "Noga Ltd."). Therefore, IEC ceased to serve as the electricity system operator. In preparation for this, in December 2019 IEC started operating a transmission supervision function separate from the system management, which presently fully manages, operates and controls the transmission and transformation system. At the end of 2023, a computerized system - Transmission Management System - TMS will be put into use and will enhance the operational and control capacity of the transmission systems for which the Company is responsible.

Generation Segment

All activity involving power generation at the Company's 15 power generation sites. At each site there are between one to several power generation units (a total of 50 units). In 2022, the sale of the East Hagit power plant was completed and the wording was approved for signing an agreement for the transfer of Area D at the Rutenberg plant to the Israel Lands Authority. As of the approval date of the financial statements, the agreement had yet to be signed.

In 2022 and 2021, the Company generated 51% of the power generated in Israel, compared to 61% in 2020 and 66% in 2019.

15
Power
Generation
Sites

50
Power
Generation
Units

Transmission and Transformer Segment

The activity includes power transmission: From the power generation sites using high voltage lines and ultra-high voltage lines (including connection transformers that change the energy from ultra-high voltage to high voltage) to the switching stations¹¹ and substations.¹²

Energy is transferred from the substations to a high voltage grid through output transformers.

805.7 km of 400 kilovolt (kv) lines
4,850.5 km Above-ground 161 kV lines
41.5 km 115 kV lines
173 km Underground 161 kV line
11 switching stations
149 (private) substations

⁹ A process that was launched on December 1 2020, when the Planning and Technological Development Division and part of the Statistics and Market Research Department activities were transferred Noga.

¹⁰ Noga Ltd.'s former name: IISO - Israel Independent System Operator Ltd.

¹¹ "Switching station" - a station that receives 400 kV or is connected to a power plant with an output exceeding 400 megawatts and 161 kV.

¹² "Substation" - according to Section 2 of the Electricity Sector Law, a transformation station interconnecting the different types of power grids, which contains transformers that increase or decrease voltage.

Distribution Segment

The Company's activity includes transmission of power from substations to consumers through high and low voltage lines, including the metering the consumed energy at the customers' facilities (the electricity meters).

Total of **30,113 km** of high voltage grid lines;

Approx. **53,920** distribution transformers with a total output of 27,425 MVA;

Approx. **40,955 km** of low-voltage grid lines including cables connecting homes.

Supply Segment

The activity includes the Company's collection and service function, which is responsible for preparing and issuing bills, as well as consumer services, including a customer call center, customer facing services and customer file coordinators.

As part of the reform steps, 37 electricity generation licenses were issued by the regulator to suppliers who do not have production means.

The IEC's power generation facilities

IEC is committed to generating and supplying available, high-quality and continuous power from the various generation sources at its disposal:

Table 2: The IEC's power generation facilities

The production process	Installed capability (MW)	No. of production units
Steam (dual-fuel) (coal and fuel oil)	4,840	10
Steam (dual-fuel) (natural gas and fuel oil)	1,340	6
Industrial gas turbines	914	9
Jet gas turbines	504	16
Natural gas combined cycle (natural and diesel gas)	3,357	9
Total	10,955	50

The Company operates the generation units according to provisions provided by Noga - Independent System Operator Ltd., which is responsible for the planning and development of the electricity system, subject to regulation that is governed, inter alia, by criteria pertaining to the interrelations between the IEC and its customers, set forth by the regulator - the Israeli Electricity Authority and its resolutions, the Minister of Energy's resolutions and regulation by the Ministry of Environmental Protection. These instructions are based, among other factors, on environmental restrictions, fuel costs per produced kWh, and operational and systemic constraints.

Progress in implementing the electricity reform

In 2018, the Israeli government passed an historical resolution approving the reform in the Israeli electricity sector. The reform includes, among other things, extensive structural and organizational changes in the IEC, in order to increase efficiency and competition in the electricity sector and enhance the Company's financial resilience. As a result, in 2019, the sale of the Alon Tavor site was completed, in 2020 the sale of the Ramat Hovav site was completed and the subsidiary Netiv HaOr was established; Netiv HaOr is constructing two combined cycle gas turbines (CCGTs) at the Orot Rabin power plant. Furthermore, as stated above¹³, the Company also established a transmission supervision function in parallel to gradually transferring the activity of the System Management Unit to Noga Ltd., which was completed in November 2021.

In June 2022, the IEC transferred its ownership to the purchaser of the East Hagit power plant after a sales agreement was signed with the purchase in December 2021.

¹³ Company's operations sub-chapter.

The IEC - forward-looking

As a forward-looking company, IEC recognizes that humanity is facing an energy revolution due to the global efforts to prevent global warming and climate change. Therefore, in-depth change is required, which is already taking place in the global and Israeli energy sector. IEC is leading significant measures throughout its value chain, which will assist in changing the existing paradigm, including:

- > **Phasing out coal**
- > **Accelerated development of the grid to integrate renewable energies and decentralized power generation by private producers**
- > **Promoting storage solutions**
- > **Integrating smart command and control systems to optimize management of the grid**
- > **Advancement of the project for integrating and connecting charging stations for both private and public transport electric vehicles**
- > **Assessing the use of hydrogen for production**

These measures fit in with the Company's long-term renewing strategy that was completed at the end of 2020, for 2021-2040. The strategy relies on the Company's vision and core values, as well as on the development, nurturing and retention of the Company's human capital across all managerial ranks, as a means to support the Company in achieving growth in the long-term and in tackling the many challenges it faces due to the ever-changing conditions. Another significant component of the strategy is the innovation aspect which the Company views as a critical means of reaching its strategic goals; innovation functions as a means of expanding the business thinking framework and the existing courses of action with the understanding that the courage to make changes is a precondition to moving forward. Another principle is protecting the environment in the Company's activities and generating cleaner energy. Therefore, the Company is joining the energy revolution that is leading to a low-carbon economy, all from its commitment to the fight against climate change.

The Company's sustainability strategy

The IEC will operate bearing in mind its environmental and social responsibilities, its business interests, the principles of sustainability and forward-looking considerations.

In 2014, management and the Board of Directors approved the Company's first policy, strategy and sustainability targets paper. The revised version of the paper was published in 2016; it focuses on the aspiration to achieve sustainable growth by 2020, including defined targets and required courses of actions. The area and principles of sustainability were implemented in the organization through detailed work plans, including setting monitoring, performance and control metrics.

A new ESG strategy was formulated in 2021, but in light of the extensive changes within the senior management it is due to be examined by the management members and to be updated again at the end of 2023, including an update of organization-wide sustainability goals, while reflecting the Company's vision, its core values and its business strategy.

Innovation at IEC

The innovation unit was set up at the beginning of 2020 under the Strategy, Innovation and Structural Change Division. Despite the fact that innovation has been an integral part of the Company's activity since its establishment 100 years ago, under the innovation unit this issue became - for the first time - an orderly discipline with clear methodologies, targets and performance metrics. The Unit works as one body in conjunction with "innovation leaders" in the various divisions, who have been specially trained for this in a dedicated course and act as agents of change in their own divisions, in order to integrate innovative practices in all areas of activity.

Together with the innovation leaders, the unit is leading the Company to the "world of tomorrow" by integrating new growth engines and linking challenges to solutions. This is through the development of collaborations and harnessing creative, flexible and agile organizational capabilities in order to build, lead and accelerate innovation projects.

The Unit's overarching objective is to support the advancement and implementation of the IEC's business goals using innovation tools such as: new, groundbreaking technologies, improvement of existing processes and services and the examination of new business models. This was done while positioning the Company as having an organizational culture of entrepreneurship and innovation, which predicts and implements - within a short period of time - technological changes relating to its various areas of activity while establishing itself as a knowledge-led organization and implementing supportive digitization across the entire organization, similarly to comparable companies around the world.

The unit's targets:

- Adapting the Company to the changes in the field of energy and in the domestic market in view of the reform.
- Improving the Company's ability to compete and achieve comparative advantages.
- Improving the efficiency of the Company's processes and operations.
- Creating new value for customers and employees.
- Creating business models and new revenue streams.

Innovation is presently managed at IEC on three parallel levels

| Open innovation | R&D and collaborations with the academia | and corporate innovation:

Open innovation

Open innovation is expressed by collaborations with startups in technological pilots, whereby IEC provides the plan outline, the expertise and the platform (meaning the grid and special infrastructures for the electricity and energy market for assessment of new technologies), while the startup provides its technology.

The unit also collaborates with regulators, the Chief Scientist at the Ministry of Energy and the Innovation Authority. For this purpose, the Company established a power up program under which a call for proposals was published for entities seeking support for innovative concepts, technologies and products in the development phase. In addition, the Innovation Unit conducts due diligence processes to assess investments in companies; in 2022, the Company invested two million dollars in Prisma Photonics, a company that monitors long infrastructures (electrical lines, gas pipelines, etc.) by optic fibers using sensors along their entire length (see details further in the chapter, under “Pilots to integrate a smart grid”).

R&D and academia

In 2022, a joint venture was launched with one of the Company’s R&D suppliers with a view to developing a robot system to carry out live voltage works that is designed to enable a reduction in safety risks of the Grid Department’s workers, and also to facilitate improved working times. The intellectual property and commercialization of the products of this activity will be owned exclusively by IEC. In addition to this project, there are additional ongoing R&D projects that began in 2022:

- Grid maintenance - for the purpose of improving power supply reliability and employee safety.
- Customer service - improved call center availability and addressing the scope of debts in the Company.
- 3D printing - projects in which operational parts were printed using 3D printing technology in order to save costs and reduce generation facility maintenance times.

In 2022, the Company continued to act as a partner in the National Institute for Sustainable Energy at Bar-Ilan University. This both encourages and aids the promotion of research and developments to help the State of Israel meet the energy objectives it has set. Furthermore, the process of judging the research studies submitted as part of the Call for Proposals for the academic world was completed.

Corporate innovation

The Innovation Unit promoted and led a wide range of measures to develop and integrate a culture of innovation in the Company, from social platforms, through workshops and courses to a corporate innovation incubator; its second class - which included 10 employees in 5 teams - ended in 2022, and the products that were designed in it are expected to be commercialized in the coming years. The innovation activities reached a peak during the annual Innovation Week. As a result of these collaborations, 93 pilots were launched thus far during the three years since the unit was set up, and research and development was launched in the Company.

In 2022, the Innovation Unit led 38 different pilots in the Company and as part of different collaborations in various areas of activity. The pilots included projects in various areas, such as integrating decentralized generation sources in the grid; sensors to monitor electrical, environmental and physical parameters in electrical grids; smart electric transport; energy storage; smart grid; process automation and improvement of the safety level; integration of AI applications in the power plants; the use of hydrogen in power generation, etc.

Furthermore, the Unit is working to promote additional issues: improvement of energy efficiency (replacement of lighting to LED lights, replacement of A/C systems), green walls at the IEC Head Office building in Haifa and at the substations, systems to keep birds away and prevent them from being electrocuted and causing power supply malfunctions, flooding alert and protection systems, mainly in elevators.

Developing a smart grid

While the classic electricity system is based on unidirectional flow of energy (from the power generation centers to the end customer), the Israeli electricity sector is transitioning to a “decentralized power generation” era where many independent power producers connect to the grid and transfer into the grid the energy they generate using different technologies. Such transition constitutes one of the most significant challenges facing the electricity sector in Israel. In order to manage the power grid in its new format, the electricity sector needs a “smart” grid that will allow the integration of independent power producers alongside the options of reducing, diverting and managing demand by, among other things, giving financial incentives and providing information. A smart grid will increase energy efficiency and reduce greenhouse gas emissions; at the same time it will allow efficient management and control of power generation at the national level, management of loads in power distribution lines and will ensure the quality and reliability of power supply.

Pilots to integrate a smart grid

Pilot with Megger Grid Analytics (Metrycom) and EGM - as part of the pilot with EGM, in the initial stage in 2021, the electrical grids in the transmission and distribution segments were monitored using the sensors installed on the transmission and distribution lines in southern Israel. At the time of writing this report, there are plans for expanding the pilot in which several dozen sensor units are scheduled to be installed on the distribution lines in northern Israel.

The new systems to be installed as part of the expansion of the pilot are improved systems in comparison with those installed in southern Israel.

It should be noted that in addition to the pilot on the high voltage distribution lines, there is an additional pilot on 161 kV transmission circuits regarding monitoring of the transmission lines dynamic line rating (DLR) capability in conjunction with Noga (the government company responsible for the electricity system management), during which the sensors’ ability to monitor flow data and environmental parameters (such as power-line temperature, environmental temperature, wind speed, etc.) will be examined with a view to enabling maximum usage of the transmission lines’ line rating.

Following the initial pilot that was conducted in parallel with Metricom, in which several dozen sensors were installed, expansion of the pilot is planned, involving the installation of hundreds of sensors at various locations on the high voltage distribution grids. As part of the pilot expansion, use will be made of a new software variant with advanced features (analysis of causes of malfunctions, malfunction statistics, receiving alerts, producing reports, etc.).

The sensors transmit real-time electrical, physical and environmental data, contributing to optimal management of the grid, improved operational performance and readiness to receive decentralized power generation sources - inter alia, photovoltaic power generation systems, storage in the grid and storage beyond the meter, electric car charging station, etc.

Pilot with Prisma Photonics - as part of the pilot, an optic fiber was used, which was installed along the entire length of the transmission grid and uses a sensor that can monitor the electrical and environmental effects to the grid. The use of an optic sensor can contribute to improving the grid reliability, accurate identification of the malfunction location, etc. During 2022, the IEC has been moving ahead with the pilot expansion, in which some 1500 km of the transmission grid is to be monitored. Monitoring of the lines will include the identification of vandalism, partial discharge (PD), the approach of external elements to the transmission grid (birds/foilage/cranes), the location of lightning damage and short circuits, as well as monitoring the transmission grid's dynamic line rating.

Smart metering project

The installation of "smart meters" is essential for the success of this process; smart meters will allow continuous measurement, collection of information and two-way transfer of information about power consumption and generation; based on those data it will be possible to set dynamic tariffs. The deployment of "smart meters" is expected to have positive benefits for the entire electricity sector: competition in the supply segment; promotion of Ministry of Energy goals; reduction of overall power consumption, assistance in increasing energy efficiency, contribution to cutting the costs of meter reading and fuels, reduction of power loss in the transmission and distribution system, reduction of emissions of polluting gases and reduction in levels of power reserves. Furthermore, these systems will support the monitoring, management and control processes and will give customers a digital and smart indication about their power consumption.

One of the IEC's flagship programs is the **deployment of smart metering** project and their connection to state-of-the-art computer systems enabling innovative, advanced and competitive information management of the electricity sector, which the Company promotes as part of the Ministry of Energy's policy for achieving the objectives of the reform in the electricity sector and creating the infrastructure for developing a modern electricity sector and a more competitive market. The smart meter is an essential tool for the transition to a smart electrical grid which will enable efficient, real-time management of the information on the grid.

In February 2020, the Company's Board of Directors approved the outline of the smart meter project for an interim period (replacing approx. 600 thousand meters from 2021 to 2024). As of the end of 2022, approximately 260 thousand remote meter points (household and commercial) have been installed in Israel, which constitute 8% of all meters provided by IEC; of these meters, approximately 120 thousand remote meter points were installed in 2022 (new and replaced ones). The Company plans to reach approximately one million remote meter points installed by the end of 2024 (new installments and proactive replacements).

Pursuant to the Israeli Electricity Authority's decisions in October¹⁴ 2021 regarding "principles for the deployment of smart meters among low-voltage customers" and in February 2022 regarding¹⁵ principles and rates for the installation of smart meters - since November 2021, whenever a new installation or a power consumption capacity are needed, the Israel Electric Corporation exclusively installs smart meters, thus enabling customers to order the replacement of their existing meter with a smart meter, when they choose to do so.

¹⁴ Resolution No. 61611- regarding Principles for deployment of smart meters among low-voltage customers.

¹⁵ Resolution No. 6.426 - rules for the installation of smart meters

Table 3: Advantages of the smart meter for customers:

Smart meter	Basic meter
Remote reading, reliable information on a permanent basis	Physical meter reading once every two months
Customer's direct access to data from the meter	IEC access alone
The option of selecting power consumption in accordance with the variable rate as a result of the consumption data	Uniform electricity tariff
Rapid identification of regional malfunctions	Identification of malfunctions via calls to the call center
Open to competition - transition to suppliers	IEC exclusivity
Precise electricity bill (based on actual consumption)	Assessments/misses are possible
Flexibility for the customer - straightforward selection of a payment date	Fixed payment date

Measures and Objectives

Measures and objectives for 2022 - Planning vs. Implementation	Status
Initiated replacement with smart meters in five sectors	Done
Sporadic replacement with smart meters at the customer's request	Done
The installation of smart meters in every new connection and expanded connections	Done
Publication of a new international tender to purchase a system and equipment for meters together with the selection of a winning supplier	Done

Future measures and objectives for 2023

Pursuant to the Israeli Electricity Authority's decision from October 2021, the deployment of 450 smart meters by the end of 2023, with an option for the deployment of an additional 150 thousand meters subject to the provisions of the Authority.

Continued efforts with the Israeli Electricity Authority to approve expedition of the smart meter deployment commencing from mid-2024 until December 31, 2028.

Preparations for the expedited implementation of the smart meter project - for a more rapid deployment of smart meters and promoting a tender for additional deployment contractors and maintenance of the communications. Replacement of existing meters with smart meters at the customer's request.

ADMS - distribution management system

The ADMS system is an advanced high and low voltage distribution management system. The system is a strategic flagship project of IEC as part of compliance with the reform resolutions and the restructuring of the distribution grid operating model, according to the revolution in the electricity sector and for integration of the smart grid.

As part of the restructuring, IEC resolved to replace its existing distribution management system (DMS) with an advanced distribution management system - ADMS. The ADMS system is an advanced system for national-level distribution management and control, which will allow central control and provide an adequate solution to new needs that typify a modern distribution grid, such as decentralized generation facilities, storage facilities, electric cars, and future needs based on IEC's roadmap for a smart grid. The system is based on a geographic information system (GIS) and supports implementation of the country's goals for renewable energy, reduced emissions and switching from polluting cars to electric cars. The ADMS system was also preplanned to provide a solution against cyber threats, which have now become frequent. The new system includes two unified supervision centers - primary and secondary, that are far from each other and provide it with the high survivability both in IT terms (IT equipment malfunctions) and in physical terms (earthquakes, fire, floods, security incidents, etc.) as part of the Company's emergency preparations.

In 2022, the system integration project was in the advanced development stages towards completion, and multiple actions were conducted such as data cleansing, taking on employees and training distribution supervisors, completion of the construction works at the main site, and completion of detailed planning together with receipt of a building permit at the secondary site.

Measures and Objectives

Measures and objectives for 2022 - Planning vs. Implementation	Status
Completion of the initial system acceptance tests	Done

Future measures and objectives for 2023 /4

During 2023: installation of the system in Israel, connection of the system to the field and the tangential systems (integration) start of SAT (System and Acceptance Testing), training and qualification of distribution supervisors, commencement of the construction of the secondary site at Gan Sorek, completion of the hiring of workers and their training.

During 2024: completion of SAT, availability and stability testing, transfer of operational responsibility from the 6 existing supervision centers to the new supervision center.

TMS - transmission management system

Integration of a transmission management system (TMS) is one of IEC's strategic supervision projects. The TMS system is an innovative computer system purchased by IEC, which upon completion of its integration in 2024 will upgrade the operating and control capabilities of the transmission systems for which the Company is responsible.

According to the government resolution regarding the Electricity Sector Reform, in December 2019 IEC started operating a new transmission supervision function separately from the system management, which was established by the Company according to the restructuring and as part of its preparations to transfer the Planning and Technological Development Unit and System Management Unit to the new government company - Noga.

The roles of the Transmission Supervision Unit are to manage, operate and control the transmission and transformation system - all while safeguarding the staff, protecting the equipment, receiving high voltage and ultra-high voltage customers and independent power producers, and promoting technology by integrating additional computer and operating systems.

The Transmission Supervision Unit has been operating on the EMS system of the System Management Unit at Noga since December 2019. Since late August 2020, the Transmission Supervision Unit operates as an independent entity and serves as a single point of contact (SPOC) between all operational entities at IEC, private customers connected to the transmission grid and the management system at Noga Ltd.

By virtue of its function, the Transmission Supervision Unit plans, among other things, the annual downtime program, receives all transmission grid maintenance and development requests, approves and transfers them for final approval by the system management. Once they are approved, the unit executes the work and addresses interruptions in the transmission grid.

In July 2019, an agreement was signed with a supplier for the purchase of an automated TMS. This is in order to enable IEC to stop using Noga's system and manage the transmission and transformation system independently using more advanced technology.

The TMS system will receive information the field from approximately 300 substations and high and ultra-high voltage circuits, display them to the supervisor at the transmission control room, transfer them to the ADMS, assist the transmission supervisor by receiving data from the meteorological system, interruption recorders, control recorders, information on phasor measurement equipment, and will display the data in a control system and on a topographic map.

Measures and Objectives

Measures and objectives for 2022 - Planning vs. Implementation	Status
FAT tests at the supplier's sites abroad	Done

Future measures and objectives for 2023

Completion of the construction of the supervision rooms in early 2023.

Move of the Transmission Supervision Unit to the new building in Gan Sorek together with installation of the main TMS system in 2023 and the backup system in Haifa, and their phasing into service during the second quarter of 2024.

The IEC and the Sustainable Development Goals (SDGs)

The UN's Sustainable Development Goals (SDGs) include 17 goals and 169 sub-goals to be achieved by 2030. Goals relate, among other things, to the issues of reducing inequality, investment in education, infrastructure, economic growth, tackling global warming and more. In September 2015, the State of Israel and all other 192 UN members states adopted the resolution to take part in the achievement of the goals. As a national utility company, the Company's current activities contribute to the fulfillment of some of the SDGs through the Company's core activities, and through pro-active steps in various areas and interfaces with stakeholders (see below for selected relevant examples). The Company's extensive endeavors to fulfill the global goals at the local level are elaborated on throughout the report.. In addition, the Community Outreach Chapter contains more information regarding the impact of the IEC's community activities on the SDGs.

The selected goals reflect the areas that are most relevant to the Company's activity and strategy, alongside the areas where the Company has the highest potential impact:





SDG 4: Quality Education

The Company conducts extensive educational activities in line with its core business. Those activities focus mainly on educating people about prudent and safe use of electricity, and about increasing energy efficiency, more information of which is available in Chapter 4: Community Outreach at the Israel Electric Corporation.

- A range of educational programs across the country; the programs are available for people from all walks of life, with an emphasis on the social and geographical peripheries that have a high-rate of low socioeconomic groups.
- Nearly two million students took part in the Company's flagship program Netiv HaOr during the past two decades; those students learned about electricity through experiential learning.
- Two technological schools operate in collaboration with education networks in order to train the next generation of electrical engineers in Israel. Through those schools, the Company promotes an equitable approach to technical and professional education and to the acquiring of capabilities and skills required for successful integration in the employment market.
- Educational and information activities in connection with the importance of biodiversity as part of Sheltering Birds of Prey in Israel project. For further information, see the environmental protection chapter on pages 59-60.



SDG 7: Clean and Affordable Energy

The primary objective of the Company is to ensure that customers have a reliable and available power supply that meets their requirements and the requirements of the Israeli economy.

Although the Company is prevented from generating power from renewable energies (due to the regulations in place), it takes a range of steps to promote clean and green energy. For further information, see the Environment chapter on pages 50,-51, 64

- Connecting renewable energy power generation facilities of private producers to the grid. In 2022, the IEC connected private production facilities using renewable energies with an installed production capacity of 1,089 MWh in distribution and 134 MW in transmission.
- Reducing its operations in the coal-fired power generation segment and phasing-out coal-fired power generation facilities by 2026
- Converting the Rutenberg 1-4 and Orot Rabin 5-6 coal-fired units to gas-fired generation and constructing gas-fired CCGT units at the Orot Rabin power plant.
- Extensive activities for the benefit of struggling customers, including under the struggling customer assistance fund and in collaboration with the welfare authorities, local authorities and social organizations. Alongside those activities, the Company takes action to raise awareness on an ongoing basis - through a range of channels - for exhaustion of rights and informed use of electricity, with the aim of "not leaving anyone behind". For further information, see the Customer chapter on pages 78-79.



SDG 9: Industry, Innovation, and Infrastructure

In 2020, the IEC has set up a dedicated unit whose role is to promote innovative ventures and create intra-organizational innovation mechanisms and a supportive organizational culture. For further information, see Innovation at IEC on page 26-27.

- The two combined cycle, gas-powered power plants being built in the Orot Rabin power plant are built using generation H-class combined cycle turbines. This technology, which is among the most advanced currently available globally, is characterized by very high levels of energy efficiency, which contributes towards the generation of power in a more environmentally friendly manner and at a lower cost.
- By the end of 2022, approximately 260 thousand remote metering points were installed in Israel. The Company is preparing to deploy 450 smart meters by the end of 2023, according to the outline published by the Israeli Electricity Authority in October 2021, with an option for 150 thousand more meters subject to the provisions of the Authority, and by the end of 2024, deployment of approximately one million smart meters is planned.



SDG 13: Climate Action

The Company recognizes its responsibility to protect the environment and reduce its impacts thereon; the Company strives to reduce air pollution and its carbon footprint; for more information, see the Environment chapter on page 39.

- Furthermore, the Company takes steps to increase the public's awareness for global warming and its potential consequences. For that purpose, the Company adopts a range of solutions and measures, including:
- Reducing Company's operations in the coal-fired power generation segment; converting the coal-fired power plants to gas-fired generation by 2025 and no later than 2026; and accelerated development to integrate renewable energies in the grid.
- Power generation using natural gas at combined cycle power plants, which increases energy efficiency in the process of power generation and reduces emissions of polluting gases, along with the implementation of projects for reducing emissions at the coal-fired power plants until completion of the transition to natural gas - by the end of 2022, over NIS 10.1 billion was invested in projects aimed at reducing air emissions and transitioning from coal to natural gas, of which more than NIS 6.8 billion has been invested in projects designed to reduce emissions from the Orot Rabin and Rutenberg coal-fired power plants.
- Furthering the establishment of storage facilities at substations pursuant to the decision of the Israeli Electricity Authority. At the end of the year, the Israeli Electricity Authority's decision was published that the IEC's storage quota would constitute 15% of the overall industry storage capacity. The storage facilities will help support the stabilization and moderation of the impact of the renewable energy plants on the ability to maintain stable power supply and the sustainability and reliability of the electricity supply, and will allow balancing supply and demand in time.



SDG 15: Life on Land

The Company's facilities are infrastructure facilities located in or in proximity to open and natural (undisturbed) areas, which sometimes affects biodiversity. Such impact stems from the actual location in the open field and from the accompanying environmental impacts caused by ongoing operations. In view of the above, the Company conducts extensive activities and implements a range of innovative and creative measures with the aim of protecting and restoring aerial, aquatic and terrestrial ecosystems. The Company also conducts information activities in order to raise awareness for the importance of protecting biodiversity, and to involve employees, consumers and the general public in efforts to protect the fauna and flora. For further information, see the Environment chapter on page 58-60.

- Protecting marine biodiversity - tracking and monitoring biodiversity in the hot water outlets where water are returned from power generation plants to the sea. In addition, dying the cooling systems' water with dyes that prevent (due to their composition) very small organisms from colonizing the systems, without compromising the quality of sea water.
- Mapping all of the Company's sites, based on protected areas and areas with high biodiversity value not declared as protected.
- Protecting terrestrial biodiversity - steps to reduce the use of areas with high levels of biodiversity, ecological rehabilitation of work sites, and assessing alternative sites for building new facilities and power lines.
- The Sheltering Birds project - the Company collaborates with leading environmental organizations in Israel to prevent birds from being electrocuted, running into power lines, and to protect, track and monitor the population of birds of prey in Israel.



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Corporate Sustainability Report ESG

The Environment



The Environment

For additional information regarding the Israel Electric Corporation's environmental activity, see the Environmental Report for 2022 at <https://tinyurl.com/y2n35bes>

The IEC considers itself responsible for and committed to adopting measures to preserve the environment and reduce environmental hazards throughout the electricity supply chain. The Company operates in accordance with its strategic policy and environmental vision. The Company maintains an open-ended process of setting goals and objectives relating to environmental protection, and operates in accordance with the requirements of environmental laws and regulations, and global trends, side-by-side with its technological capacities and the unique conditions in the surrounding the Company's facilities.

The IEC's environmental vision¹⁶ - The Israel Electric Corporation will act responsibly towards society and the environment, from a sustainable, long-term, forward-looking perspective. The IEC will minimize the environmental impacts of its activity and demonstrate leadership in preventing hazards and reducing environmental impacts.



¹⁶ Environmental protection by the Israel Electric Corporation (iec.co.il) - <https://www.iec.co.il/content/environment/lobby-pages/environmentlobby> The vision of the renewed Israel Electric Corporation – <https://www.iec.co.il/content/about/contentpages/vision>

2022 in numbers - Noteworthy data on the environment

Over **NIS 10.1 billion** invested as of the end of 2022¹⁷ in projects aimed at reducing air emissions and transitioning from coal to natural gas

(Of total planned investments of NIS 11.5 billion), of which more than NIS 6.8 billion invested since 2013 in projects designed to reduce emissions from the Orot Rabin and Rutenberg coal-fired power plants. in order to comply with optimal environmental standards, in accordance with the regulation.¹⁸

In 2022, approx. **NIS 435 million** was invested in environmental aspect of the generation segment.

In addition, a total of approx. **32 million** was invested in the transmission and conveyance segments and in special projects.

A 1.6% decrease in the use of coal (TJ)

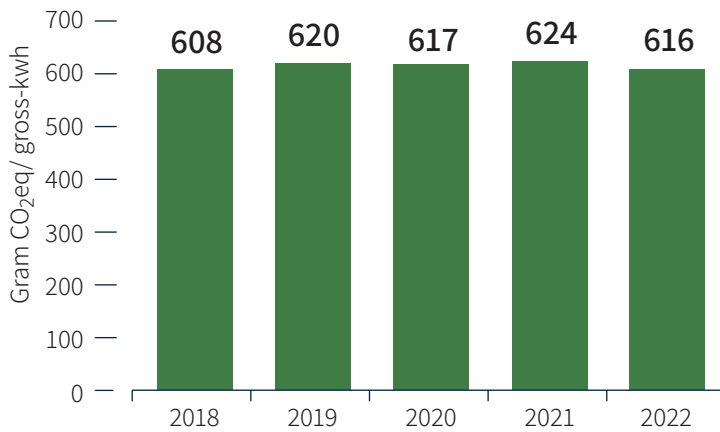
in 2022 compared with 2021.

A 6.3% increase in the use of natural gas (TJ)

in 2022 compared with 2021.

¹⁷ For further details, see the Financial Report of the IEC for 2022, Part A, p. 23, Section 7.7.4, "Main projects in the production sector."

¹⁸ According to government resolutions applicable to the IEC, the Company is barred from producing electricity using renewable energies itself - therefore, the environmental investments in the generation segment are focused on cutting back emissions from coal-fired power plants, reducing the use of carbon and transitioning to natural gas.

Figure 3: Emission intensity equivalent to carbon dioxide - by grams per kWh generated

Emissions of 543 grams of carbon dioxide per supplied kWh: electricity supplied to the Company's customers in 2022 (emissions intensity in supply, as part of Scope 3), compared to emissions of 559 grams of carbon dioxide for each supplied kWh in 2021.

Carbon-dioxide emissions intensity in the supply segment is lower than electricity emissions intensity in the generation segment. This is since the power supplied is also comprised of power generated from renewable energies and natural gas by independent power producers; this power is purchased by the Israel Electric Corporation and supplied to its customers.

Figure 4: The Carbon footprint - Scope 1 and 2 (million metric tons CO₂ eq)

Greenhouse gas emissions - Scope 1
Greenhouse gas emissions - Scope 2

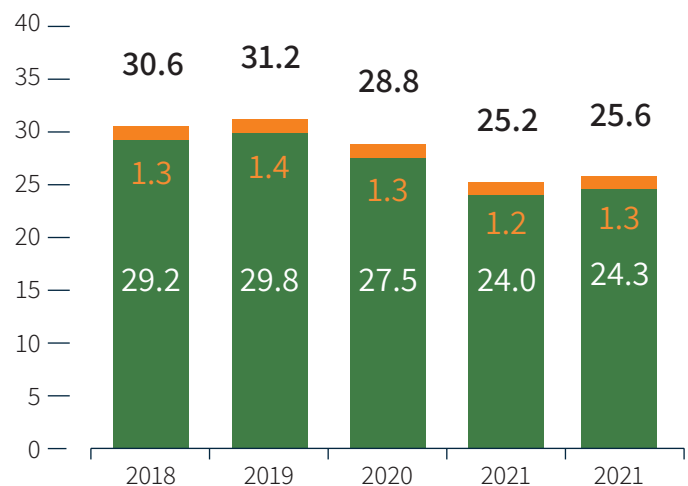
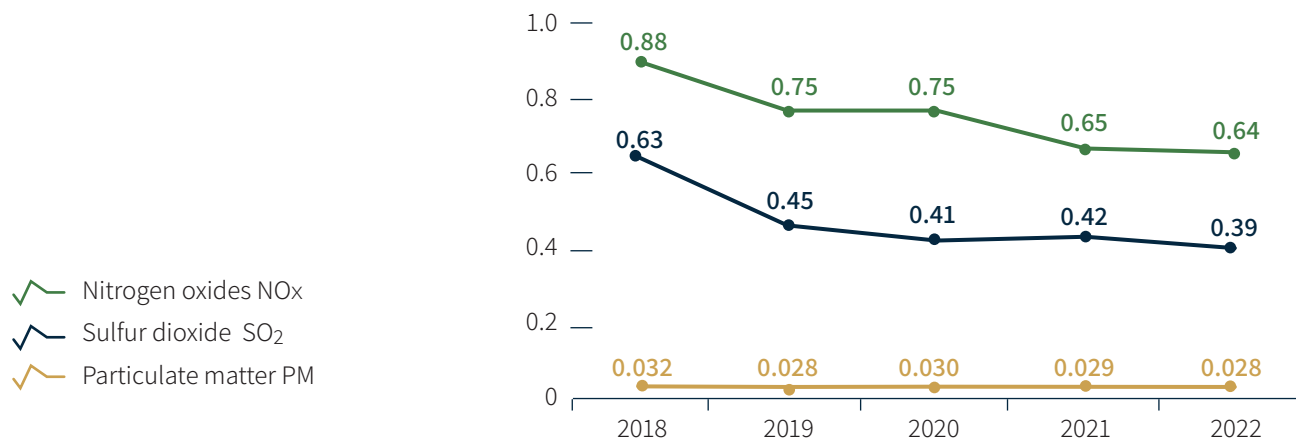


Figure 5: Intensity of air pollutant emissions by grams per kWh generated

2% decrease in air emissions intensity of nitrogen oxides (NOx) in 2022 compared with 2021, as a result of investments in the reduction of air emissions, combined with a change in the composition of fuels and reduced use of coal.

This process promotes compliance with the strategic goal of reducing nitrogen-oxide emissions, in grams per produced kWh, by 65% by 2030, in comparison to 2015. As of 2022, there was a 52% reduction compared with 2015.

According to the Israeli Electricity Authority's data, **10.1% of the total power** consumed in practice in the entire Israeli electricity sector in 2022 is generated using renewable energies.

1,089 MWp - installed capacity of production facilities of private producers in renewable energies - that was connected to the distribution network by the Israel Electricity Corporation in 2022, advance compliance with the government target of 30% renewable energies by 2030.

The Israel Electric Corporation's Environmental Protection Policy

The IEC has a management committee for the environment, headed by the VP for engineering projects, the duties of which are, inter alia, to revise the Company's environmental policy from time to time.

The Company maintains an open-ended process of setting goals and objectives relating to environmental protection, and operates in accordance with the requirements of environmental regulations and laws, and global trends, side-by-side with its technological capacities and the unique conditions in the surrounding the Company's facilities.

The Company operates in accordance with the principles of its environmental protection policy, which were first approved by the Company in 1997 and are revised, as needed, from time to time. The policy encompasses a series of principles, including the following:

- A. Integrating environmental considerations across all areas of activity, including in decision-making processes.
- B. Planning and operating the facilities while ensuring continuous reduction of environmental impact, taking into account the principles of sustainable development, while adopting the best proven and most cost-effective technologies.
- C. Adopting leading proven environment standards.
- D. Intelligent use of natural resources and raw materials: land, air, water and fuels.
- E. Reducing and recycling waste and by-products.
- F. Combining landscape, spatial and environmental considerations in the design of new facilities and maintenance of existing facilities
- G. Conducting an open and transparent dialogue with the public regarding plans that have environmental implications
- H. Reducing emissions of greenhouse gases, in the spirit of the international conventions to which the State of Israel is a party, by increasing the efficiency of power plants, expanding the use of environment-friendly fuels and energy sources, and encouraging electricity savings.
- I. These activities contribute to reducing the demand for electricity and thus to reducing the consumption of fuels used for generating electricity, and as a result - to reducing pollutant emissions, including of greenhouse gases.
- J. Assimilating of environmental values in the organizational culture, increased awareness and environmental commitment of the Company's employees and integrating environmental issues in the Company's community activities.

Full details of the IEC's environmental policy can be found in the Israel Electric Corporation Environmental Report for 2022.

Environmental management and control

Environmental protection is an integral element of the operation, maintenance, planning, and development of IEC facilities; the activity of the Company is subject to extensive regulation in this area.

Management of environmental protection at the Company is based - among other things - on an official system that operates by supervising and defining duties, and includes, among other things, hiring the required and relevant personnel, allocating required budgets and writing appropriate procedures. The Company has functions that are certified or in the certification process for integrated management systems.

Compliance with environmental regulation

The Company's operations are exposed to various environmental risks, including pollutant emissions of fuel combustion products, storage and use of hazardous substances and fuels, soil and water pollution, industrial effluents, asbestos, coal ash, noise, non-ionizing radiation, etc. Therefore, the Company's operations are subject to extensive regulation concerning the environment.

In recent years the requirements of environmental legislation (or in stages of legislation) applicable to the Company's operations are becoming much stringent, as have supervision and enforcement of these environmental requirements; failure to comply with the legislative provisions and the terms and conditions of permits and licenses granted to the Company under them, may expose the Company and its managers to criminal and administrative risks, including the imposition of fines and sanctions, as well as to incurring costs for clean-up and restoration. In the Company's opinion, as at the date of this Report, it substantially complies with the essential legal provisions with respect to the environment. The Company holds the environmental licenses required for its activities and where they are missing, it works to obtain them.

The Company studies the consequences of environmental laws; acts to prevent or minimize the environmental risks that may occur during its operations; prepares for the economic, legal and operational consequences arising from environmental laws; and allocates funds in its budgets for complying with the provisions of the applicable environmental laws and those that may apply to it.

In 2022, a number of environmental incidents occurred at the IEC, which were reported to the Ministry of Environmental Protection in accordance with the requirements of the permits and licenses issued to the Company. Nevertheless, during that year, there were no material environmental incidents in the Company requiring description in the financial statements.¹⁹

¹⁹ Environmental events in accordance with the disclosures required in the financial statements. These events include addressing significant financial consequences, including penalties, or events that involve a significant exposure for officers.

Preparing for climate change and reducing environmental impacts

The Israel Electric Corporation's targets to reduce greenhouse gas emissions

As a result of the strategic measures described below, carbon-dioxide emissions and the carbon footprint of the Company were approximately 8% lower [by grams per kWh generated] in 2022 than in 2015, and emissions intensity in 2022 was 616 grams of CO₂ equivalent per produced kWh, compared with 669 grams of CO₂ equivalent per produced kWh in 2015. The carbon emission intensity data show the greenhouse gas emissions per unit of output. The table below presents the specific emissions in grams of carbon dioxide per kWh generated and grams of carbon dioxide equivalent (CO₂e) per kWh generated.

Table 4: Comparison between actual environmental performance in air emission and the goals set

Pollutant emitted due to firing fuel for generating electricity	Emissions reduction target [in g/kWh], 2030 vs. 2015	Actual reduction in emissions [gr/KWh] for 2022 compared to 2015
Carbon Dioxide (CO ₂)	-30%	-8%
Carbon footprint CO ₂ eq	-30%	-8%

Measures to reduce GHG emissions

The Company's environmental policy principles include reducing emissions of greenhouse gases, in the spirit of the international conventions to which the State of Israel is a party, by increasing the efficiency of power plants, expanding the use of environment-friendly fuels and energy sources, and encouraging electricity savings. The IEC is committed to the goals and national effort of reducing greenhouse gases in Israel, although it is prohibited from generating electricity using renewable energies, due to the regulatory restrictions to which it is subject.

The Company focuses its efforts on reducing GHG emissions in the generation segment, as well as on other measures in the transmission and transformation segment and the supply segments.

- In the generation segment, the Company focuses its efforts on reduction of the use of coal and transition to natural gas, and on establishing combined-cycle production units with exceptionally high efficiency.
- In the transmission and transformation segment, the IEC is working to integrate renewable energies into the grid and develop the transmission and transformation system to support these processes.
- In the supply segment, the Company is acting to provide value-added services contributing to the reduction of GHG emissions.
- In accordance with the reform, once the number of customers of the Company falls below 75% of the total customers in the low-voltage supply segment, the IEC will be permitted to provide value-added services to its customers, including services that promote GHG emissions reduction, such as Smart Homes and energy efficiency, for low-voltage consumers only (this matter will be specified in the supply license to be granted to the Company after expiration of the general license it currently holds).

Snapshot of 2022:

Coal-fired power production was **reduced by 43%** compared to production in 2015.

The use of coal was **reduced by 1.6% (TJ)** compared to 2021.

The use of natural gas was **up by 6.3% (TJ)** compared to 2021.

Energy consumption at the Company

The raw materials the Company uses to generate electricity are different types of fuels: natural gas, coal, fuel oil, and diesel fuel. Most of the Israel Electric Corporation's fuel consumption is used to generate electricity. The Company also has a fleet of cars that use gasoline and diesel fuel.

In recent years, there has been a significant decrease in the volume of coal used, and a significant increase in the volume of natural gas used. This has contributed to a significant reduction in pollutant and greenhouse gas emissions.

Due to the preparation toward the discontinuation of coal and transition to using natural gas as the primary fuel source, projects using recycled input materials to generate electricity were put on hold.

Carbon footprint of the IEC²⁰

In 2016, Israel signed the Paris Agreement, according to which, the government policy on reducing greenhouse gas emissions was set. To implement the policy, several national targets were set, including from renewable energies, which was revised in 2020 and stands at 30% out of the total production in the Israeli economy by 2030.

Government Resolution No. 171 of July 2021 regarding the transition to low-carbon economy²¹, sets absolute national targets (for the entire State of Israel) regarding the reduction of GHG emissions:

- Reduction of annual GHG emissions in 2030 by at least 27% of the annual quantity measured in 2015.
- Reduction of annual GHG emissions in 2050 by at least 85% of the annual quantity measured in 2015.

²⁰ Since 2000, the IEC continuously reports GHG emissions caused by burning fuels for generating power, as part of its environmental reports. The reported emissions constitute 99.5% of the total direct GHG emissions resulting from the IEC's operations. Since 2010, the IEC has taken an active part in the Ministry of Environmental Protection's "Voluntary Mechanism" project for registering and reporting GHG emissions.

²¹ Israeli Government Resolution No. 171 of July 25, 2021: https://www.gov.il/he/departments/policies/dec171_2021?fireglass_rsn=true#fireglass_params&tabid=aaf8bbdda2014549&start_with_session_counter=4&application_server_address=iecfcloud-2-me-west1.prod.fire.glass.

Furthermore, sectoral targets were set for the electricity sector in the State of Israel (including independent power producers) for reducing GHG emissions:

- Reduction of GHG emissions originating from electricity generation in 2030 by 30% compared to the emissions measured in 2015.
- Reduction of GHG emissions originating from electricity generation in 2050 by 85% compared to the emissions measured in 2015.

The Israel Electric Corporation is joining the national effort to reach these targets, focusing its effort on these areas:

- Increasing the use of natural gas.
- Reducing the use of coal.
- Construction of combined cycle generation units that utilize residual heat.
- Conversion of coal-fired units to the use of natural gas as a primary fuel.

GHG emissions in the generation segment

Following the reduced production using coal, the transition to natural gas in recent years and the sale of 3 power plants to independent producers in 2019 (Alon Tavor), in 2020 (Ramat Hovav), and in 2022 (Hagit), and the lower market share of the IEC in electricity production in Israel, a downward trend is apparent in GHG emissions - which decreased by approximately 29% in 2022 compared with 2015, with a slight increase of 1%²² [tons/year] in 2022, compared with 2021. This increase in GHG emissions in 2022 is due to a combination of an increase in demand for power in this year - which contributed to a 3% increase in the quantities of power generated compared with 2021 - and at the same time the policy pertaining to the operation of the power plants, which is dictated to the Israel Electric Corporation by the System Operator Company Noga, to which the Company reports. However, the rate of increase in emissions was lower than the rate of increase in quantities generated (a 1% increase in emissions compared with a 3% increase in power generated by the Company, as stated above), thanks to the increase in generation using natural gas, and the reduction in generation using coal in 2022.

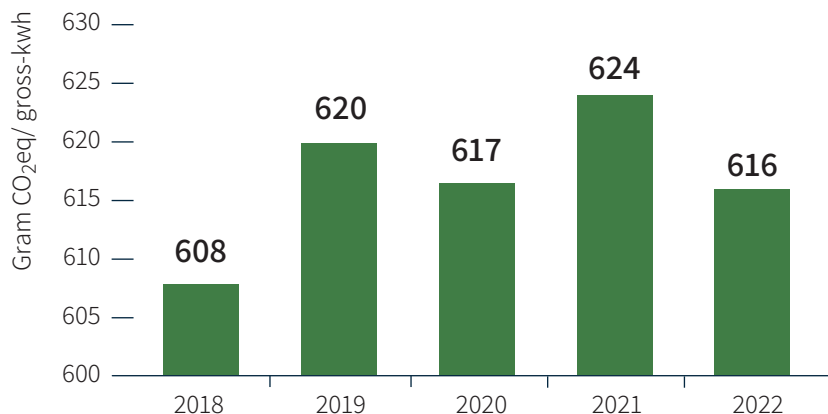
GHG emissions intensity in the generation segment

The reduction in the intensity of greenhouse gas emissions (grams per kWh generated) by the Company was achieved through gradual transition to the use of natural gas since 2004, together with the decrease in the use of coal.

In 2022, there was a further decrease of 1.3% in the intensity of carbon dioxide emissions per kWh produced compared to 2021.

However, in 2019-2021, the emissions intensity of IEC power plants fueled by natural gas also increased slightly. This resulted from the sale of CCGTs with high efficiency and low emissions intensity, as part of the implementation of the reform and due to the power-plant operating policy dictated by the system Operator Company Noga, to which the IEC is subordinate, as aforesaid.

²² Slight increase of 1% in Scope 1 greenhouse gas emissions. Table 9: IEC Carbon Footprint (Scope 1 + 2 in units of one million tons are equivalent to one million metric tons CO₂ eq)

Figure 6: CO₂ equivalent emissions intensity in the production segment per produced kWh, 2018-2022**Intensity of GHG emissions in the supply segment to the IEC's customers²³**

The electricity supplied by the IEC to its customers comprises electricity produced by the Company itself, generated primarily from natural gas and coal (and a negligible percentage of electricity generated from diesel fuel and fuel oil), and excess electricity purchased from independent power producers of renewable energy and of natural gas.

Scope 3 indirect GHG emissions (from electricity generated by independent producers) of the Company's electricity supply segment (without weighting in Scope 1 or 2 emissions) stood at approximately 3.33 million tons of carbon-dioxide equivalent in 2022, compared with approximately 5.55 million tons in 2021. The decrease in Scope 3 indirect GHG emissions in the course of supplying electricity resulted from the decrease in the volume of electricity purchased from independent power producers generated using natural gas, at the same time as a significant increase in the volumes of electricity purchased from independent power producers using renewable energies.

In total, in 2022 there was a 6% decrease in the overall quantity of power supplied only to customers of the Israel Electric Corporation compared with 2021.

Emissions intensity in the supply segment decreased, reaching 543 grams per kWh supplied in 2022, compared with 559 grams per kWh supplied in 2021. This resulted from a substantial increase in electricity sourced from renewable energies supplied to customers of the Company.

²³ The data does not include electricity that is supplied directly by independent power producers to their customers in the electricity sector.

Table 5: Distribution of sources of electricity supplied by the IEC in 2022

Self-production by the IEC*	
Self-production using natural gas	41%
Self-production using coal	30%
Electricity purchased from private producers	
Purchasing from producers of electricity through natural gas and renewable energies	29%

* Negligible volumes of production using diesel fuel and fuel oil.

The data in the graph reflect the distribution of the sources of electricity supplied to customers through the IEC. In total, 48,681 million kilowatt-hours (kWh) were supplied to customers by the Company in 2022. 71% of the electricity supplied was produced by the IEC (versus 64% in 2021), while the remaining 29% of the electricity supplied by the Company in 2022 was produced by private producers and purchased from them by the IEC (versus 36% in 2021).

Table 6: IEC Carbon Footprint (Scope 1 + 2 in units of one million tons are equivalent to one million metric tons CO₂ eq)

Year	Scope 1	Scope 2 ²⁴	Total (Scopes 1 + 2)
2015	34.0	1.5	35.5
2016	31.2	1.4	32.6
2017	30.2	1.4	31.6
2018	29.2	1.3	30.5
2019	29.8	1.4	31.2
2020	27.5	1.3	28.8
2021	24.0	1.2	25.2
2022	24.3	1.3	25.6
Rate of change in 2022 compared with 2015 ²⁵	-29%	-15%	-29%
Rate of change in 2022 compared with 2021	+1%	+2%	+1%

Scope 1 Direct emissions of IEC greenhouse gases, mainly in the generation segment as a result of firing fuels for generating power.

Scope 2 Indirect emissions of greenhouse gases as a result of the power for internal use by the IEC.

²⁴ The scope calculation is based on own consumption of electricity by the equipment used to generate electricity, and estimated own consumption of electricity of administrative and other sites.

²⁵ In accordance with the reports of the IEC to the voluntary local reporting mechanism of the Ministry of Environmental Protection.

In 2022, there was a slight increase of approx. 3% in the quantities of power generated by the Israel Electric Corporation, and at the same time there was a slight decrease of approx. 1% in the specific emission [grams per kWh generated] of GHG compared with 2021.

In 2022 compared with 2015: Due to a significant decrease of approx. 22% in the quantities of power generated by the Israel Electric Corporation, and at the same time a decrease in quantities of power generated using coal and an increase in quantities of powers generated using natural gas, there was a decrease of approx. 8% in the specific emission [grams per kWh generated] of GHG. This occurred concurrently with a significant decrease of approx. 29% in absolute emissions [ton] of GHG.

Integration of renewable energies in the electrical grid and reduction of emissions in the network segment and the supply segment

According to the Israeli Electricity Authority's data, 10.1% of the total power consumed in practice in the entire Israeli electricity sector in 2022 is generated using renewable energies.

In 2022, the IEC connected private production facilities using renewable energies with an installed production capacity of 1,089 MWh in distribution and 134 MW in transmission.

Promotion of the construction of 10 storage facilities at substations, at a budget of approximately NIS 175 million. Adapting the transmission and delivery grid for the introduction of electric vehicles.

Development of a smart grid to support the intake of renewable energies, while developing adapted means of analytics and monitoring.

The IEC is a strategic partner in progress towards the national goal of increasing electricity production using renewable energies to 30% of total production by 2030, through the connection of renewable-energy production facilities of private producers to the electricity grid. The Company is prohibited from producing electricity using renewable energies, due to the regulatory restrictions to which it is subject;²⁶ however, it buys surplus electricity produced by private renewable-energy-based producers and supplies it to customers.

In 2022, the IEC connected private production facilities using renewable energies with an installed production capacity of 1,089 MWh in distribution and 134 MW in transmission.

The total installed capacity of the renewable energy means of electricity generation was 4,795 MWp in late 2022 (including facilities in the Palestinian Territories), an annual consumption capacity equal to approximately 11.8% of the average annual consumption.

Actual consumption of means of electricity generation using renewable energy totaled approximately 7,148 thousand megawatt-hours in 2022, or approximately 10.1% of the total actual energy consumed in the electricity sector (the IEC and independent producers).

The Company is preparing to upgrade the grid to allow the intake of renewable energies on a large scale. A substantial investment of resources in the transmission and transformation segment and in the distribution segment is necessary in order to meet the targets for the integration of renewable energies into the power grid.

²⁶ From the 2022 financial report, Part A, Section 7.7.2. p. 22:

"Pursuant to the outline of structural change, the Company or the Netiv HaOr Company, will not construct, replace, operate, plan, strengthen or engage in development of power plants in Israel, whether by itself or as a contractor for a third party, nor will it engage in electricity generation, including in the framework of micro-generation or renewable energies in Israel. In addition, the Company will not act to receive new generation licenses or to construct new electricity generation power plants and replacement of existing power plants and will not act to obtain permits for the operation of power plants for other parties in Israel."

as the transition from centralized to decentralized production, in addition to increased production capacity, requires the expansion and renewal of these systems.

The IEC is conducting comprehensive analyzes regarding the implications of integrating the renewable energies production facilities into the electricity system in all the segments, including the implications for the development plan required in preparation for meeting government goals. Furthermore, in accordance with the guidelines of the Israeli Electricity Authority, the Company published a large number of feasibility studies regarding various initiatives in the sector, and also updated the master plans accordingly.

The Company is formulating a long-term development plan for the power grid for 2030, and leading the following processes:

- Development in the transmission and transformation segment - by upgrading the transmission lines and the transformation capabilities.
- Development in the distribution segment - development of the distribution grid such that it supports the expansion of the incorporation of independent producers, an increase in the number of decentralized generation facilities to the grid and other projects, as described in the Environmental Report for 2022.

Energy storage

A higher volume of production based on renewable energies increases the need to integrate storage facilities, as the dynamic entry to and exit from the grid of renewable energies produced by decentralized producers poses challenges for the IEC in maintaining frequency stability in the system (which is essential for the reliability of supply). In addition, storage facilities will ensure a balance of supply and demand in real time, making it possible to cope with surplus production of electricity (beyond demand) in photovoltaic facilities during daylight hours by storing the surplus electricity generated, and supplying this electricity from the storage facilities during evening hours, when demand for electricity rises.

The Energy Storage Administration was created in 2019; the appointment was updated in 2020 to form a professional team acting in accordance with the guidelines of a steering committee headed by the Deputy CEO, VP of Network Services. The administration performs comprehensive activities to compile information regarding global trends in storage, technologies, and regulation; formulate business models for the promotion of plans to integrate electrical energy storage; create collaborations with academia; and conduct feasibility tests, including simulations and system analyses.

On January 25, 2023 the Israeli Electricity Authority published a resolution that provides details as to the principles according to which the Company will be allowed to build storage facilities through 2030, and the volume of such storage; this pertains only to facilities to be built within substations and subject to receipt of a storage license. The resolution stipulates that the Company's market share will not exceed 15% of the total volume of storage promoted by the private sector in the previous year; the resolution also stipulates that as a general rule - the deployment of the storage facilities shall be made in accordance with a plan that will be approved by Noga and under its guidance, supervision and controls. The volume of storage allocated to the Company shall be calculated by the authority every first quarter of each calendar year starting in 2024 and until 2030, and will remain unchanged until the end of each calendar year. However, the authority has set a preliminary quota for the building of storage facilities, with a capacity of 150 MW (AC)²⁷, such that the Company will not be allocated further storage volume until the aggregated storage volume that is promoted by the private sector shall exceed 1,000 MW (AC). In addition, it was stipulated that both the Company and the system

27 AC - Alternating Current

operator shall issue an annual report that includes data for the purposes of monitoring of and control over the implementation of the principles of the resolution.

During the past year, extensive steps were taken on a number of levels, including the promotion of the tender for the purchase of 5 storage facilities for the substations in the southern region; mapping and identifying potential power plants for the building of further fixed storage facilities; extensive activities involving Noga and the Israeli Electricity Authority; joint work with Enerenex in order to generate a report regarding the optimal location for building storage facilities; assessing and promoting a pilot regarding mobile storage power plants using flywheels and Zinc Bromide, inertia to the grid, green hydrogen; activity with the innovation unit; academic collaboration; conferences, seminars, and more. The extensive activities conducted during 2022 were focused on a range of topics, and on the sustainable technologies used in storage facilities across the world. This is done in order to study, promote and implement the best technologies in the field of storage, while incorporating pilot facilities using various technologies that will constitute an essential basis and a solid component for the survivability and stability of the grid.

Energy storage objectives for 2023:

1. During 2023, we will complete the construction of 5 storage facilities with a capacity of 10 MW in the southern region, and at the same time - promote the additional 10 optional facilities.
2. Further finalization of our position regarding the Israeli Electricity Authority and Noga, in connection with increasing the capacity of energy storage facilities in Israel and in the Israel Electric Corporation.
3. Purchase of 3 mobile storage facilities for addressing many instances of failure to supply remote settlements, the supply of energy to which is challenging.
4. Promoting pilot facilities utilizing a number of new technologies.
5. Expanding the professional knowledge, and incorporating additional innovative storage solutions in the academia.
6. Promoting the construction of storage facilities for the live lab experiment in the Ramot neighborhood in Be'er Sheva.

Additional measures to reduce emissions in supply: promotion of the Smart Metering project – Introduction chapter, page 29.

Transportation and distance traveled

The Company strives to continuously improve transportation and the employees' commute. Among other things, this is done to minimize air pollutant and greenhouse gas emissions; mitigate road congestion; changing employees' driving culture; encourage employees to use resources reasonably, sparingly, and environmentally; and foster a supportive and empathetic work environment for environmental, economic, and energetic efficiency.

As part of the above, various activities were conducted, including encouraging employees to get to work using means other than their private vehicles, using virtual conference calls systems, training on economical driving, and more.

The Company encourages its employees to use electric, hybrid, micro-hybrid and plug-in vehicles, and includes them in the list of vehicles offered to employees for leasing.

In 2021-2022 there was a 10% increase in the number of vehicles of this type.

Target for 2023

In 2022, a target was defined for 2023 - reduction of 4.5% in gasoline consumption for transport (average consumption per vehicle for administrative vehicles) compared to the base year 2019.

Improving energy efficiency in Company facilities

As part of the IEC's measures to improve energy efficiency, with the aim of maximizing cooperation as well as removing barriers, raising awareness of the importance of this issue among employees and managers, and allowing uniform reporting to Company management, an administrative unit was established in 2014, where a Company-wide team promotes energy efficiency projects. The team brings together all of the functions engaged with this issue within the Company. Some of the energy efficiency processes it has led at the Company's sites in recent years include the following:

- Improving energy efficiency in existing production units;
- Replacing old air conditioners with modern air conditioners with a high energy rating;
- Replacing light fixtures with modern and energy-efficient fixtures;

The unit operates based on a five-year plan for 2020-2024, at an estimated implementation cost of approximately NIS 23.6 million; the plan is expected to lead to a decrease of approximately 4.65% in electricity consumption, in comparison to the baseline year of 2013. Cumulative cost savings of approximately NIS 26 million are expected. In 2022, NIS 4.75 million was invested in energy efficiency projects at the IEC, generating overall energy savings of more than 4.7 million kWh per year. The annual monetary savings are expected to reach NIS 5.2 million. The energy efficiency rate (the aggregate saving) compared with the base year 2013: 4.43%, of which 0.26% in 2022.

Within its five-year plan, the Company approved a budget of NIS 4.36 million for energy efficiency in 2023.

Renewable energies at the IEC plants

As part of the efforts to realize the potential of energy efficiency at the IEC, the Company sought to construct photovoltaic facilities for the absorption of solar energy on the rooftops at the Company's sites for self-consumption only and in full compliance with the requirements of the reform. The project was suspended due to regulatory restrictions applicable to the IEC. As an alternative, in August 2021 a team was established to map and examine facilities of the Company with infrastructures suitable for the construction of photovoltaic facilities that can be leased to third parties for the construction and operation of the facilities.

Main energy efficiency projects carried out in 2022:

- Removal of nozzles from induced draft fans in the Rutenberg 1 generation unit, and continued installation and activation of FTR systems at the large coal-fired units.
- Ongoing extensive activity to replace and upgrade old air-conditioning systems and lighting systems and fixtures at the facilities of the Company.
- Replacing air compressors in the Eshkol site units 1+2.
- Upgrading induced draft fans in the coal-fired power plants that will be converted to gas-fired power plants.

Establishment of an upper-level steering committee to prepare for extreme weather conditions

Alongside the targets set and measures taken to reduce emissions of greenhouse gases, as described above, the Company is working to contend with climate change. Periods of extreme weather (unusually severe winters or hot summers) may affect the extent of demand for electricity, as well as the reliability and continuity of supply for customers. The Company is continually preparing, based on an ordered methodology, to cope with such extreme conditions; preparations for summer are conducted in accordance with Company procedures, in terms of the availability of production units as well as an available inventory of fuels. The Company also prepares for peak periods in the summer and winter seasons through maintenance and renovation of production units at a level that ensures their reliability.

In addition, at the end of 2021, the Company's CEO appointed a steering committee charged with preparedness for extreme weather. The committee is headed by the CEO, and each sub-committee is headed by the relevant VP.

At the same time, the CEO named preparedness for extreme weather as a main topic of the work plans for 2022. The committee defined the weather phenomena that might put the Company's infrastructures in danger, and prepared a preliminary list of activities that each committee (division) will wish to execute. The activities were divided into ones that may be executed in the short-term (up to 5 years) and long-term activities (over 5 years). Concurrently, the Company requested from the Power Authority (Noga) and the Ministry of Energy to provide it with references scenarios for preparedness for each of the weather phenomena.

Until it receives those national scenarios, and in order for the Company to be able to make preparations, it contacted a research center, in order for the latter to prepare scenarios for those phenomena. The study was received at the end of 2022, and the Company has concurrently started receiving national reference scenarios from the Power Authority and the Ministry of Energy.

Now, upon receipt of the scenarios, the Company's divisions - as part of their activity in the steering committee - will prepare work plans for their preparations for the weather phenomena.

In 2022, the committee convened 3 times, with full attendance.

The Company conducts drills, creates work plans toward handling such events to increase its preparedness, purchases suitable equipment, and maintains a dialogue with the Ministry of Energy, the Israel Electricity Authority and other infrastructure entities, to coordinate activities and enhance our ability to provide operational continuity in the electricity sector, if these stress events take place.

For more information regarding extreme weather risks, see Chapter 8: Appropriate Business Conduct, on [page ?](#).



Main air pollutants emissions

Various types of gases are emitted into the atmosphere during the electricity production process (in addition to carbon dioxide (CO₂), described above in the subsection, “Carbon footprint of the IEC”), as a result of the combustion of fuel materials.

The main gases are sulfur dioxide (SO₂), nitrogen oxides (NO_x), and particulate matter (PM).

Therefore, the Israel Electric Corporation recognizes the importance of adhering to ongoing reduction of environmental impacts, taking into account sustainable development principles and adopting the best technologies, environmentally and financially.

The continuous trend of air emissions reduction is due to a number of major factors:

- Increasing the use of natural gas.
- Completion of the emission reduction project at the Orot Rabin site.
- Completion of the emissions reduction project at the Rutenberg site.
- Operation of extremely high efficiency CCGT production units.
- Decrease in the use of coal as per the Minister of Energy directives and according to the provisions of emission permits.
- Use of ultra low sulfur liquid fuel for backup only.

The IEC established and operates an air quality monitoring system, through which 25 air quality and meteorological monitoring power plants operated in 2022 across various regions of Israel. Findings of the air quality measurements indicate that sulfur dioxide concentrations (a pollutant typical of coal, fuel oil or diesel fuel fired power plants) are declining, and are significantly lower than the environmental air pollutant values pursuant to the Clean Air Regulations.

In addition, according to the emissions permit requirements for the Company's production sites, the IEC operates systems for continuous monitoring of pollutant emissions from the stacks of the production units, which transmit data online, in real time, to the Ministry of Environmental Protection. The Company also operates a manual sampling system in accordance with the stack sampling procedure and work plan approved by the Ministry of Environmental Protection.

The various measures taken by the IEC have led to a continuous downward trend in the annual volume of air pollutant emissions, as well as in emissions intensity (specific emissions measured in units of grams per kWh generated).

Reducing negative environmental impacts – water, effluents, and waste

Water and effluents

The IEC adopts measures for the smart use of water consumption at its sites. In 2022, the process of promoting the wise use of water at the Company's power plants and administrative sites continued. This objective is achieved, among other things, by improving, monitoring processes and increasing the recycling of effluents. The Israel Electric Corporation extensively uses brackish water sources, both internally and externally sourced, as stated in the data tables below in the report. The fresh water supplied to the IEC's power plants through a national water supply system includes a mixed ratio of aquifer water (wells), water from Sea of Galilee (the national carrier), desalinated seawater, desalinated brackish water and surface water from various sources.

In 2022, there was a slight reduction in the consumption of potable water, mostly due to the decline in production volumes at the Rutenberg site, which are equipped with flue gas desulfurization (FGD) eliminators to remove SO₂ from combustion gases, and lack of use of potable water in the cooling towers of the Gezer production units.

In addition, in 2022, there was an increase in the brackish water consumption because of the increased activation of cooling towers using externally sourced sanitation wastewater at the Gezer site generation units and due to increased use of boron enriched water originating from the desalination facility in the Orot Rabin production units, which are equipped with FGD eliminators to remove SO₂ from combustion gases.

Solid waste²⁸

The IEC treats waste generated as a result of its day-to-day operations by adopting the Total Waste Management approach. Under this approach, various actions along the entire waste formation chain (prevention, reduction, collection and treatment), in order to reduce the level of environmental impact of the waste. Among others, actions are taken to reduce consumption and prevent the formation of waste, reduce the volume of waste disposed for landfill by separating various types of waste at source and transferring them for reuse and recycling, subject to the development of the recycling market in Israel.

Furthermore, activities are carried out to reduce office waste, including a transition to innovative printing centers in order to save resources, purchase recycled paper and reuse of wooden drums and other types of waste in the different sites.

10% decrease in total solid waste (excluding by-products) in 2022 compared to 2021.

13.4% decrease in solid waste transferred to landfills and **13% decrease** in solid waste transferred for recycling in 2022 compared to 2021.

Reduction of office waste

As part of the Israel Electric Corporation's policy for 2020, it set a target for reduction of the use of disposable tableware by transitioning to multi-use tableware or tableware made of environmentally friendly materials. The target set reflects a reduction of 50% by 2023, compared to the base year 2020. The procurement data of disposable tableware in 2019-2021 stand at approx. 9 million units per year, which include, among other things, plates, cutlery, cups for hot and cold drinks, and more. Since the procurement of disposable cups constitutes approx. 80% of the procurement of disposable tableware in the Israel Electric Corporation, the first stage of the project will focus on this item; the project is implemented in all of the Company's sites across Israel.

In order to implement the project, the Company purchased 5,400 cups made of melamine to be used in the different dining rooms and approx. 8,400 cups made of glass for the meeting rooms. Furthermore, the process was supported by a Company-wide advertising campaign to raise awareness for reducing the use of disposable cups and encourage the use of multi-use cups. The project was hugely successful and led to a very significant reduction in the average number of cups purchased per year from 7.3 million to 381 thousands in 2022 (from February onwards). The next stages are the purchase of dishwashers and the discontinuance of the purchase of disposable cups for kitchenettes, supply of glass cups and a further campaign.

²⁸ Additional details and solid waste data are provided in the IEC's Environmental Report for 2022, on the following link: <https://tinyurl.com/y2n35bes>.

Hazardous Materials and Hazardous Waste

17% increase in hazardous waste **23% increase** of hazardous waste transferred to recycling, **7% reduction** of hazardous waste transferred to landfill - in 2022 compared to 2021.

The Company holds, uses and stores hazardous materials at some of its sites.

At sites where hazardous materials are held in quantities exceeding the threshold according to requirements, a toxic substances license regulates the activity of the site in accordance with the law.

The Company is working, on an ongoing basis, to mitigate the potential risk from using hazardous materials in the electricity generation process, including hazardous material source reduction in the production processes; replacing materials with lower-risk materials; finding environmentally friendly substitutes; training employees, etc. As part of its obligation under any law, the IEC disposes of hazardous waste at authorized sites.

Promoting a circular economy and waste treatment management

As part of the IEC's efforts to preserve the environment and reduce its environmental impacts, efforts are being made to optimize and maximize the utilization of the raw materials and energy sources used for its operations. The Company promotes circular economy initiatives, including promoting uses of byproducts: gypsum, ash, and coal. The coal-fired power production process is characterized by the formation of two by-products: Coal dust and FGD gypsum. Coal dust is a by-product of coal at the Orot Rabin and Rutenberg power plants, while gypsum is a byproduct of the reaction in the desulfurization at the coal-fired power plants using limestone as a raw material added to sulfur dioxide in the FGD plants installed at the coal-fired power plants.

Coal ash

As from 1998, the entire quantity of coal dust generated by the activity of the IEC is delivered for industrial and agricultural use, primarily in the production of cement and concrete, similar to the common practice in most of the developed countries. Since 2021 use of coal dust outside the construction sector has been terminated.

The estimated indirect reduction in CO₂ emissions due to the use of coal dust for the production of cement and concrete in 2022 is approx. 173 thousand tons.

Coal dust use is based on permits issued by the authorities, including the Ministry of Environmental Protection. The IEC monitors the coal dust environmental impact once every six months, and the results consistently comply with the criteria defined for the coal dust already in use.

In 2022, 560,200 tons of coal dust was produced, which were transferred for reuse.

Gypsum

Gas emissions from production units 1-4 at Rutenberg and production units 5, 6 at Orot Rabin pass through flue gas desulfurization (FGD) facilities, at the end of which, gypsum is created, which is very similar to natural gypsum; thus, environmental hazards arising from extraction of natural gypsum are prevented. In 2022, the Israel Electric Corporation produced 120,560 tons of gypsum that was supplied in full for cement production (gypsum is an essential component of ground cement, to delay the concrete hardening) and for the production of gypsum products.

Additional details regarding the coal dust and the gypsum are provided in the IEC's Environmental Report for 2022, on the following link: https://www.iec.co.il/content/environment/filepages/environmentalreports?fireglass_rsn=true#fireglass_params&tabid=a561e4ec44fe20b1&start_with_session_counter=4&application_server_address=iecfgcloud-3-me-west1.prod.fire.glass

Conserving nature and biodiversity

IEC impacts on biodiversity

The impact of the IEC on biodiversity arises from the location of its facilities in or near undisturbed open natural spaces.

The main impacts can be divided into marine aspects and terrestrial aspects.

The main impacts on marine biodiversity arise from the use of seawater by coastal power plants to cool the steam that drives the turbines in the power production process. The pumping of seawater to the cooling systems, heating it and returning it to the sea, has an impact on the biodiversity in the pipes and in the condensers of the cooling systems, as well as around the hot water outlet pipes from the power plants to the sea. Therefore, the Company is strict in monitoring and tracking biodiversity in the area around the outlets.

Environmental impacts on terrestrial biodiversity arise from the production facilities of the Company, as well as from its transmission, distribution, and transformation system. The IEC owns thousands of kilometers of power lines, of varying voltage, spread across the country. Among the many facilities of the Company are facilities and lines located in or near natural areas and nature reserves, which affect terrestrial biodiversity. Accordingly, as part of the environmental impact surveys and environmental documents issued with regard to projects - including environmental guidance for planning, construction and operation of the Company's facilities - the impact of the projects on nature is also examined.

In recent years, parallel to the global development and awareness of the importance of preserving biodiversity, the issues reviewed in this area have been expanded.

In order to minimize the effects of the Company's activity on marine and terrestrial biodiversity, the Company takes a number of steps in collaboration with several environmental protection entities, conducts ecological surveys, implements guidance accordingly, and more.

Biodiversity objectives - mapping according to ecologically sensitive areas

Within its strategic goals, the IEC has set a target of mapping²⁹ all of the Company's sites, based on protected areas (nature reserves, etc.) and areas with high biodiversity value not declared as protected, by 2023, and accordingly - providing relevant environmental planning rules.

A mapping of the company's facilities located near the nature reserves detailed below was conducted - according to the National Outline Plan for National Parks and Nature Reserves (up to 500 meters from the facility.

- Nahal Tut nature reserve
- Shita Malbina nature reserve
- Ein Te'o and Nahal Kadesh nature reserves
- Nazareth Iris nature reserve
- Meiron Mountain nature reserve
- Har Sne nature reserve
- Holot Hamifratz nature reserve.

²⁹ So far the Company conducted national mapping of the sensitive areas based on the parameters that are relevant to its activity (nature reserves, natural habitats, ecological corridors, forests, sensitivity for electrocution of birds, sensitivity for birds flying into power lines). The mapping was integrated into the Company's GIS systems together with environmental guidance, in order to provide the relevant users with planning tools that will allow them to mitigate those effects on biodiversity.

In addition, the IEC conducted a mapping of the facilities located near declared national parks indicated below according to National Outline Plan 8 (up to 500 meters):

- Harei Yehuda national park.
- Ma'ayan Harod national park.
- Carmel national park.
- Kfar Nahum national park.

Actions taken by the IEC following the findings of the ecological surveys:

- Environmental and ecological reports for planning, building and operating new Company sites/facilities (transmission lines, distribution and private substations) are drawn up on an as needed basis - when it is required to do so as part of the outline plans process (falls under the responsibility of Noga, which is authorized to conduct the surveys), as a condition for obtaining permits, and where the areas in question are ecologically and environmentally sensitive.
- The aspects being assessed in the process of writing ecological reports for the different projects are quite extensive, and the findings are used to issue detailed guidance regarding the planning, building and operation stages.
- Examples for activities conducted on the ground in view of the findings of the ecological surveys:
 - High voltage - building certain underground poles and protecting birds against electrocution from and flying into poles located near water reservoirs.
 - Dismantling of existing power line segments in areas with bird and landscape sensitivity.
 - Addressing the issue of invasive species during the course of the work and when work is completed and teams leave the area.

Spreading Wings project

The Spreading Wings project, launched in 1996 as a collaboration between the IEC, the Nature and Parks Authority, and the Society for the Protection of Nature in Israel, is aimed at protecting the population of birds of prey in Israel, as part of the Company's corporate sustainability policy. The project initially focused only on the vulture population; however, in view of its success, it was expanded to include the treatment and rescue of other species of birds of prey, such as eagles.

Apart from protecting high-voltage polls against electrocution, the project deals with broader aspects of conservation and protection of birds of prey in Israel. The preservation interface takes proactive measures to expand breeding stocks: monitor at-risk species of birds of prey and fight poisoning by supplying high-quality food for vultures and maintaining feeding stations; purchasing GPS transmitters and monitoring telemetry data; importing eagles from other countries; and conducting activities to educate the public and raise awareness.

During the period from 1996 through 2021 approx. 2,500 poles were shielded. During 2022, after obtaining the tariff recognition and passing a decision to accelerate the pace of shielding a total of 710 poles were shielded. It is expected that the shielding of further 1,200 poles will be completed during 2023 and in each of the four consecutive years. Electrocution of eagles (since 1996 to date) - in the 1990s tens of electrocution events were reported each year. Currently, electrocution of eagles is fairly rare and occurs on average once every three years. Electrocution of Bonelli's eagles - the telemetric monitoring started in 2017, and therefore data collection started in this year. In 2017, 8 electrocution events took place. 2018 - 6 electrocution events. 2019 - 5 electrocution events. 2020 - 8 electrocution events. 2021 - a record year of 16 electrocution events (but this was also the year in which the number of monitored birds was the highest, and therefore monitoring capabilities improved).

Following the above, as part of a joint move led in 2021 by the Israel Electric Corporation, the Nature and Parks Authority and the Society for the Protection of Nature in Israel, the regulator - the Israeli Electricity Authority - provided a tariff recognition to the project, and it was decided to increase the annual shielding pace from 100 poles per year to 1,200 poles per year in areas where there is sensitivity to electrocution of Bonelli's eagles. It is important to note that electrocution events have adverse operational and economic effects on the electrical grid in Israel. Electrocution might cause prolonged or transient disruptions, fires, short circuits, damage to the electrical equipment placed on the pole, tear of lines and more; in 2022 (the year in which the project was expanded), there was a significant decline in electrocutions, and only 6 Bonelli's eagles were electrocuted. This is, in part due to the acceleration of the shielding processes in the areas that are most sensitive to electrocution of Bonelli's eagles.

In recent years, there has been an increase in efforts to track endangered species of birds of prey, and as a result, the tracking capabilities of avian telemetry (flight) data have greatly improved. The data helps to actively preserve the birds of prey populations, contributes to knowledge and research on the subject and enables preparation of more accurate work plans for safeguarding pylons.

In 2021-2022, a national geographical model was built presenting sensitive areas for electrocution of birds; the model will be integrated with the Company's geographical IT systems in 2023, so that it can be used as a tool for deriving the implications of planned overhead/underground power lines.

Furthermore, during 2022, the Company started taking steps to mitigate the phenomenon whereby birds fly into power lines. This was done by launching a unique and first-of-its kind pilot, whose objective is to assess the effectiveness of the steps taken to reduce the number of incidents in which birds fly into power lines, and to estimate the financial damage caused by those incidents.



Dialogue with Stakeholders on Environmental Protection

For many years, the Israel Electric Corporation has engaged in a fruitful relationship and dialogue with stakeholders, including environmental organizations in Israel, and it considers maintaining this relationship of the utmost importance. The cooperation between stakeholders in general and the environmental organizations in particular and the IEC is carried out through a number of channels; among other things, the Company conducts roundtable discussions and special meetings with environmental organizations on various issues. At the same time, the IEC works to raise employees' awareness of the environment and sustainability, and initiates activities for its employees on various levels.

Roundtable discussions with environmental organizations

The Company started the tradition of roundtable discussions with the environmental organizations a few years ago. In this context, over the years, discussions are held on environmental issues related to the IEC's operations. The Company considers these sessions very important, and members of its most senior ranks partake in them. The CEO usually leads the sessions, with the Company's senior management's participation, and the Company's senior professionals lead sessions on specific issues. The meetings are a key tool in the cooperation between the organizations, to strengthen the connection and dialogue and the areas of agreement and the interrelationships between the parties.

Thus, for example, as part of the process of constructing the combined-cycle gas turbines (CCGTs) at Orot Rabin, debates were held with stakeholders, including the Ministry of Environmental Protection, heads of all local authorities in the area, the planning institutions, and stakeholders in the towns around the site. In this framework, a roundtable discussion was held that was open to the public.

In 2022, two meetings with numerous participants took place - the first dealt mainly with development of the electrical grid and the second addressed the grid and smart metering. The meetings were attended by a broad panel of environmental organizations.

Dialogue with the environment

The Dialogue with the Environment activity initiated by IEC is a strategic tool in creating shared value - social and/or environmental value for stakeholders together with business value. This while reflecting the Company's core values and commitments to act with corporate responsibility. The dialogue and the collaborations fostered within it are characterized by continuous attention to the needs the community brings up, and they are carried out with empathy, while maintaining a regular dialogue, with a view to and social responsibility, thus enabling work toward our goals while gaining support and overcoming resistance.

How does it work in practice?

The dialogue focuses on showcasing the Israel Electric Corporation's work and activity, especially the environmental aspect thereof, and in particular, surrounding the Rutenberg Power Plant in Ashkelon and the Orot Rabin Power Plant in Hadera. The dialogue focuses on the stakeholders in the area of the power plant, including: local authorities, environmental organizations, educational and academic institutions in a range of topics pertaining to the Company's core activities; the dialogue is conducted through lectures, tours, planning and promoting end-of-course projects of students in order to address the challenges and needs in the fields of cyber, management of the electricity system, energy storage, environmental protection, and more.

The Green Energy Experience Operation, a Unique Development to Further Dialogue:

Within the Dialogue with the Environment, activity, the Company developed a unique and dedicated educational operation on “green energy”, which is an experience-based lesson plan that includes videos and riddles for year 4-6 pupils. The purpose of the lesson plan is to present and disclose the activity of the Israel Electric Corporation, and the steps it takes to protect the environment as part of its power generation processes. This activity is delivered through community leaders (volunteering Company employees) that received special training for this purpose, and in the future, it is expected to become available to all Company employees who might wish to deliver similar activities in different schools. Currently, there are 28 community leaders from the power plants, service centers, and performance centers near the power plants, who deliver the dialogue and local discourse activity in schools, including elementary schools and middle schools in the Ashkelon and Hadera regions.

In 2022, 10 educational activities were held using the Green Energy Experience lesson plan, led by community leaders at schools in the regions of the Orot Rabin and Rutenberg power plants.

Academic Lectures:

As part of its collaboration with academia, Company managers delivered 10 enrichment lectures to students on various core issues the Israel Electric Corporation engages in, during the 2022 academic year. The lectures were given to students at Sami Shamoon College and Sapir College.

Stakeholder tours and visits:

Within this activity, 6 tours of power plants were held in 2022 for stakeholders from the vicinity of the power plants, such as officers of the local authorities near the power plants (Jisr az-Zarqa, Kibbutz Zikim, and the Hof Ashkelon Regional Council), groups from academic institutions (students and staff from Sami Shamoon College), groups of students, a group of senior academic staff, decision-makers, members of the public from the surroundings of the power plants, and more.

The tours include an overview of the electricity sector and the Company’s interfaces with outside entities, an overview of the power plant and a tour of the turbine hall, the coal jetty, the coal concentration site, an observation from the boiler balcony, and more.

Meetings and Roundtables with Authority Heads and Officers:

As part of fostering dialogue, 3 meetings were held with heads of municipalities and officers in municipalities and localities in the vicinity of the power plants. The aim was to share information about the Company’s activity with transparency and while establishing trust, raising suggestions and ideas to reinforce the cooperation between the Israel Electric Corporation and the local authorities, and promoting good neighborly relations.

Measures with a significant environmental impact

Production Segment

Electricity sector reform

- Sale of power plants to the private market: The Israel Electric Corporation is in the process of selling about half of its gas-fired power plants, with the understanding that the Company will focus on the transmission grid and distribution segment. To date, the Alon Tavor, Ramat Hovav and Hagit power plants were sold. The sale of Eshkol is currently underway.
- Transferring the management of the power system to Noga, the new independent government company - Noga - Israel Independent System Operator Ltd., which is responsible for the operation regime of power plants in the electricity sector.

Measures to reduce emissions

- Reduction of coal-fired power generation and transition to gas-fired generation, which is cleaner, see below
- Collection of the coal dust, which is a by-product of coal burning; collection is carried out using electrostatic precipitators.
- Operation of sulfur and nitrogen oxide eliminators to reduce emissions at the Company's Rutenberg (in Ashkelon) and Orot Rabin (in Hadera) coal-fired power plant sites.
- Government resolution to reduce the use of coal and increase the use of natural gas by
- converting the coal-fired units to gas-fired units by 2026.
- As part of the effort to reduce the use of coal in the power generation process, in accordance with the Ministry of Energy's policy it was decided that the Company will build in the Orot Rabin power plant in Hadera two innovative combined cycle gas-fired generation units (CCGT), that will replace units 1 to 4, which are coal-fired, and which are expected to become part of a retention framework to ensure coal-fired power generation capabilities as backup at times of emergency. This activity is coordinated by a wholly-owned subsidiary of the Israel Electric Corporation - Path of Light.

Promoting circular economy

- The coal dust is transferred in its entirety to be used in the construction sector.
- Gypsum generated from the activation of the eliminators (the process of reducing sulfur oxides emission as a result of burning of coal), is supplied in its entirety for use in the cement production industry and in the production of gypsum products.

Performance in 2022

- Sale of 560 thousand tons of coal ash for reuse.
- Reducing actual emissions from fuel combustion for electricity production - in 2022 compared with 2015 [in grams per kWh generated]. Reduction of the emissions is a result of the reduction of coal-fired power generation and transition to gas-fired generation, which is cleaner.
- 8% reduction of emissions of carbon dioxide and of the carbon footprint in 2022, compared to 2015.
- 52% reduction of emissions of nitrogen oxides in 2022 compared to 2015.
- 71% reduction of emissions of sulfur dioxide in 2022 compared to 2015.

Objectives

- Strategic goals for 2030 compared to 2015 for reducing air pollutant emissions from fuel combustion for electricity production [in grams per kWh generated]
 - 30% reduction of emissions of carbon dioxide and of the carbon footprint in 2030, compared to 2015.
 - 65% reduction of emissions of nitrogen oxides in 2030 compared to 2015.
 - 85% reduction of emissions of sulfur dioxide in 2030 compared to 2015.
 - 40% reduction of emissions of particles in 2030 compared to 2015.
- Sale of the Eshkol power plant located in Ashdod.

Production Segment - (continued)

Performance in 2022 - continued

- 40% reduction of emissions of particles in 2022 compared to 2015.
- The sale of the site of the gas-fired Hagit East power plant was completed in 2022.
- Sale of 120,560 tons of gypsum for reuse.
- Reduction of emissions of nitrogen oxides and sulfur oxides, as described above.
- Coal-fired power production was reduced by 43% compared to production in 2015.
- Construction continued on the 2 combined-cycle units of the Orot Rabin site.
- The transfer of management of the electricity sector system to Noga has been completed.

Objectives - continued

- Subject to the results of the pilot project for the conversion of Rutenberg Unit 1 to natural gas, and the approval of the relevant parties, the large coal-fired units will transition to the use of natural gas as their primary fuel, retaining the ability to use coal only for emergencies and during natural-gas shortages. Once this project is complete, based on the scope to be approved (planned for 2026), the State of Israel will benefit from further reduction of emissions and alignment with its obligations under the Paris and Glasgow Agreements, while maintaining a reliable and readily available power supply.
- Gradual activation of 2 units in expected in 2023 and 2024; accordingly - transition of coal-fired units to conservation status.

Transmission and transformer segment

Electricity sector reform

- Retaining the Israel Electric Corporation's activity in the transmission and distribution segments: The transmission and distribution grid, which is a natural monopoly, shall be retained by the Israel Electric Corporation, and resources amounting to billions of shekels are invested therein aiming at accelerated development and significant expansion of the grid. This is done while complying with measurable targets and under regulatory supervision to ensure the stability and quality of the supply of power to the public, in order to accelerate the promotion, construction and connection to the grid of renewable energy facilities.

Measures to reduce emissions

- Integration of photovoltaic (PV) installations of private producers in the electricity sector.
- Advancing the smart grid.
- Intensive development of the electricity grid, to enable integration of independent producers and renewable energies into the grid.
- Promoting energy storage

Performance in 2022

- In 2022, the IEC connected private production facilities using renewable energies with an installed production capacity of 1,089 MWh in distribution and 134 MW in transmission.
- In 2022, NIS 1,514 million was invested in development of the transmission and transformation segment, in construction, development, and upgrade of transmission lines, substations, switching stations, and TMS control system, to adapt the transmission and transformation system for extensive intake from independent producers, including renewable-energy-based producers, and integration into ultra-high voltage.

Objectives

- Further intensive development
- Development of the transmission system according to the Company's development plan in 2023-2027:
- Building 400 kV lines 738 km of circuit (ultra-high voltage) - conditional on obtaining statutory approvals
- Building 161 kV overhead lines 930 km of circuit
- Building 155 km of underground cables
- Development in the transformation system -
- In 2023 - an addition of 1,950 Megavolt-ampere is expected (the Atidim switching station and the solar Dimona switching station)

Transmission and transformer segment (continued)

Performance in 2022 - continued

- Promotion of the tender for the purchase of 5 storage facilities for the substations in the southern region, mapping and identifying potential stations for the building of further fixed storage facilities, extensive activities involving Noga and the Israeli Electricity Authority, joint work with Enerenex in order to generate a report regarding the optimal location for building storage facilities, assessing and promoting a pilot regarding mobile storage stations.

Objectives - continued

- In 2025 - an addition of 1,300 Megavolt-ampere is expected (the East Galilee switching station).
- Construction of 10 storage facilities by the end of 2024
- On January 25, 2023 the Israeli Electricity Authority published a resolution that provides details as to the principles and the volume of such storage facilities that the Company will be allowed to build by 2030. The resolution stipulates that the Company's market share will not exceed 15% of the total volume of storage promoted by the private sector in the previous year; the resolution also stipulates that as a general rule - the deployment of the storage facilities shall be made in accordance with a plan that will be approved by Noga and under its guidance, supervision and controls.

Distribution segment

Electricity sector reform

- Full opening of competition in the field of power supply for large-scale business customers and household customers that have smart meters installed.
- The smart (digital) meters have an independent communication network and enable reading the household's real-time electricity consumption remotely. The consumption information would be available to new electricity consumers who would be able to offer customers electricity at a reduced tariff, according to consumption hours and volumes.
- In accordance with the reform, when the number of consumers of the Israel Electric Corporation falls below 75% of the total consumers in the low-voltage supply segment, the Company will be permitted to supply cybersecurity services to all of its consumers, as well as smart home and energy efficiency improvement services for low-voltage consumers only (this matter will be specified in the supply license to be granted to the Company). "Smart home" and "efficient energy consumption" services in this regard are information provision services on the electricity consumption characteristics of the consumer in every electrical facility/device, consulting services on the ability to reduce electricity consumption and streamline the use thereof, and remote-control services of household electrical appliances.

Measures to reduce emissions

- The smart metering project will provide advanced digital tools for electricity consumption management and improving energy efficiency, which may lead to reduction of emissions.
- Smart Home services and energy efficiency services will help reduce emissions.

Performance in 2022

- As of the end of 2022, there are approximately 260 thousand installed remote metering devices in Israel.

Objectives

- 450 thousand meters, with an option for an additional 150 thousand meters, subject to a resolution to be passed by the Authority.
- The Company's goal is to install approximately one million remote metering devices by the end of 2024.
- The Company will be permitted to offer Smart Home services beginning in 2024, after completion of the first stage of the installation of the meters.
- Promotion of dynamic rates.

Measures and Objectives

Measures and objectives for 2022 - Planning vs. Implementation	Execution status
The IEC is conducting an international tender for the construction of 10 additional storage facilities at southern substations by the end of 2024.	In 2022, the Company promoted a tender for the acquisition of 5 storage facilities + 10 optional facilities.
Renewal of the range of vehicles for leasing, gradually transitioning to hybrid, plug-in, and electric vehicles.	In 2021-2022 there was a 10% increase in the number of vehicles of this type.
A summary document will be submitted in the late first half of 2022 presenting an overview of the activities required at the Company to prepare for extreme weather events, as a basis for the formation of a work plan to implement the actions. After the overview document is submitted, its conclusions will be presented to Noga, in its capacity as the Israeli Electricity Authority (under its system management license), and to the Ministry of Energy and Electricity Authority, to requisition the necessary resources.	In order for us to be able to complete the definition of the actions required to make the preparations, we require a reference scenario regarding weather events from the Ministry of Energy (and the Power Authority, Noga). The scenario was completed lately, during the writing of this report. The Company is currently engaged in analyzing the scenario, in order to derive from it the preparations it is required to make.



For additional information regarding the Israel Electric Corporation's environmental activity, see the Environmental Report for 2022 at <https://tinyurl.com/y2n35bes>

Appendix A - Environmental Data

Set forth below are selected data regarding environmental aspects.

Table 7: Distribution of electricity production by type of fuel used in the generation segment, 2018-2022 (in percent)

	2018	2019	2020	2021	2022
Coal	43.0%	45.8%	42.7%	44.3%	42.6%
Natural gas including LNG	56.5%	53.1%	56.9%	55.5%	57.0%
Diesel fuel	0.4%	1.0%	0.3%	0.1%	0.3%
Fuel oil	0.1%	0.1%	0.1%	0.1%	0.2%

Table 8: Total IEC energy consumption in 2018 through 2022 (in TJ)

	2018	2019	2020	2021	2022
Consumption for electricity production					
Coal	194,994	207,504	180,003	160,003	157,503
Natural gas including LNG	194,975	179,981	189,980	159,983	169,982
Fuel oil	864	760	494	342	798
Heating oil	2,370	4,625	1,297	692	1,341
Consumption for transportation					
Diesel fuel for transportation	347	365	356	367	363
Gasoline for transportation	123	118	76	76	77
Consumption at the Company's sites					
Own consumption of power by the power plants	6,501	6,614	6,294	5,776	5,922
Estimated own power consumption at the administrative sites and other sites	216	216	216	216	216
Total	400,390	400,183	378,716	327,455	336,202

Table 9: Data on IEC air emissions from combustion of fuels for power production (grams/generated kWh)

Year	Power generation	Nitrogen oxides	Sulfur Dioxide	Particulate matter
2015	50,641	1.32	1.34	0.046
2016	48,718	1.07	1.08	0.042
2017	48,788	0.92	0.77	0.038
2018	47,905	0.88	0.63	0.032
2019	47,810	0.75	0.45	0.028
2020	44,363	0.75	0.41	0.030
2021	38,248	0.65	0.42	0.029
2022	39,286	0.64	0.39	0.028
2022 compared to 2015	-22%	-52%	-71%	-40%
2022 compared to 2021	3%	-2%	-6%	-4%

	Power generation (MWh thousands)
	Nitrogen oxides (NO _x) emissions (gm/kWh)
	Sulfur Dioxide (SO ₂) emissions (gm/kWh)
	Particulate matter (PM) emissions (gm/kWh)

Table 10: Data regarding treated effluents discharged into the sea at IEC sites (m3)

Year	Total effluents discharged into the sea
2018	357,940
2019	375,419
2020	413,015
2021	341,275
2022	315,802

Table 11: Summary of water consumption data of various qualities in the IEC for 2018-2022 (m3)

Year	Total IEC water consumption, excluding seawater used for cooling at the coastal power plants	Potable water consumption	Brackish water consumption ³⁰					Rate of brackish water consumption out of total sources
			Sanitation effluents from external sources for use in cooling towers	Sanitation effluents from independent sources for irrigating garden areas	Industrial effluents and brine for reuse from independent sources	Boron enriched water from external sources	Total consumption of brackish water	
2018	11,450,972	4,851,136	5,172,668	103,140	686,161	637,867	6,599,836	58%
2019	11,005,705	5,341,845	4,144,109	87,241	663,795	768,715	5,663,860	51%
2020	8,302,609	4,910,415	2,159,270	102,881	542,993	587,051	3,392,194	41%
2021	9,905,733	5,503,905	3,065,293	71,566	699,694	565,276	4,401,829	44%
2022	10,206,115	5,485,340	3,320,533	83,392	564,920	751,930	4,720,775	46%

In 2022, there was a reduction in the consumption of potable water, mostly due to the decline in production volumes at the Rutenberg site, which are equipped with FGD eliminators to remove SO₂ from combustion gases. In addition, no use of potable water was made in the cooling towers at the Gezer site production units.

In 2022, compared with 2021, there was an increase in the brackish water consumption because of the increased activation of cooling towers using externally sourced sanitation wastewater at the Gezer site generation units and increased use of boron enriched water originating from the desalination facility in the Orot Rabin production units, which are equipped with FGD eliminators to remove SO₂ from combustion gases.

For additional information regarding the Israel Electric Corporation's environmental activity, see the Environmental Report for 2022 at <https://tinyurl.com/y2n35bes>

³⁰ Additional site where wet cooling with sanitation effluents is used through cooling towers is the Alon Tavor power plant, which was sold as part of the electricity sector reform at the end of 2019. In view of this, the need for sanitation effluent consumption from external sources used for cooling towers was reduced, and accordingly, the IEC's total consumption of brackish water decreased.

2

Corporate Sustainability Report ESG

High Quality Service for Our Customers



High Quality Service for Our Customers

We are committed to the needs of our customers

High quality and readily available service is one of the Israel Electric Corporation's core values, and improving the service provided to its customers is at the heart of the Company's strategy and activity.

The Company is putting substantial effort into developing new products and services, to enhance the service quality and the customer experience and serve its customers with a focus on their needs, while considering the different market segments that the Company serves. Among other things, these efforts include developing and integrating digital systems and tools to improve customer service, with emphasis on simplicity and ease of use - in addition to artificial intelligence capabilities – both in the interface between the customers and the service centers, and in giving the customers tools to perform actions and receive information on their own. All this is in addition to a continuous and fruitful dialogue with the customers and the community within which the Company operates, in parallel to its efforts to engage in the competition in the supply of electricity to the customers.

Holding a Continuous Dialogue with Customers

Diverse Service Channels

To make it easier for our customers to receive service via their preferred channel, the Israel Electric Corporation operates a variety of service channels, including:

- **Digital customer service channels** – that enable the Company to perform a very wide variety of actions; response on Facebook, LinkedIn, Twitter, and Instagram; an online chat on the website, through which customers can interact with a representative and gain support for conducting various actions on the website; a response on WhatsApp and service via text (during the centers' business hours), and a chatbot through which, various actions can be performed automatically with a virtual representative's support, such as reporting meter readings, reporting on and inquiring about power cuts, checking and paying the electricity bill, etc.
- **In March 2021, the Israel Electric Corporation launched the new version of its website.** On the website, customers can perform a variety of actions via self-service, 24 hours a day. In 2022, the website was upgraded, in a format specially adapted for mobile phones; in a full format in English along with continued improvements in Arabic; a comprehensive upgrade for suppliers as well as an upgrade of customer services pertaining to payments, messages and reminders, queries (complaints, searching for power cuts, reporting malfunctions).
- **The Israel Electric Corporation's call centers (the 103-call center)** – the centers offer a full IVR (interactive voice response) dialogue service in Hebrew, English, Russian and Arabic. A fully-manned human answering service is provided in Hebrew and Arabic, while a response in Russian and English is provided on the basis of available representatives.
- **Self-service and callbacks** – the Israel Electric Corporation provides self-service options, through which, many actions can be performed by IVR, by dialing 103. We also offer the option to receive service by having a service representative call the customer back (callback), as part of the "3-minute waiting time" and the possibility of making an appointment for a call back in the My Visit application..
- **Hybrid service station a physical branch with remote representatives via video call** -in February 2021, a hybrid station for remote service began operating at the Nahariya site, offering a solution for providing service to customers.
 - The actions performed there are physical but the staffing (remote call center) is remote through video chat with human representatives. In addition, it is possible, at the station, to receive service in Hebrew, English Arabic, Russian and French.
 - Following a successful pilot in Nahariya, the activity was expanded to an additional hybrid station in Rahat, where the IEC identified that the population is in need of customer facing services but finds it difficult to get to Beersheba, a one-hour journey, and thus provided it with a temporary station manned by a representative providing service in Arabic (who by the way, is actually located in northern Israel).
 - There are hybrid service stations across the country: in addition to the Nahariya and Rahat stations - In 2022 stations were also launched in Beersheba and Tel Aviv. In 2023, service stations were established in Haifa, Hadera and Nazareth. In 2024, an eighth service station will be opened in the city of Eilat. During the year 2024, the following stations will be relocated: Beer Sheva will be relocated to Ramla, Tel Aviv will be relocated to Ashdod and Haifa will be relocated to Tsfat.
 - In view of the change in strategy, In 2023, it was decided to reopen manned physical customer facing service stations (stations that had been closed down in recent years) In 2023, 14 more service points will be opened.

- **A service station for residents-customers at the city hall** – in 2021, the Israel Electric Corporation started offering service stations in multiple local authorities, where reception stations were set up at the city hall. The stations operate one or two days a week during business hours, and they provide all services offered at the Company's reception stations. In 2022, this service was expanded and currently operates in 6 local authorities: Migdal Hamemek, Givatayim, Nof HaGalil, Yeruhem, Nazareth and Rahat.
- **Guaranteeing diverse service during emergencies and under normal conditions** – to ensure high quality, relevant service that is adapted to emergencies and to normal conditions, as well as to diverse populations, the Company also works with government and municipal entities. This includes:
 - Routine work meetings with senior and professional officials in local authorities in order to ensure regular and reliable power supply to customers.
 - Meeting with welfare officials and representatives of local authorities, as part of the Company's activity to help struggling customers exhaust their rights, as described later in the chapter.
- **Unmediated contact at the visitor center** – the Israel Electric Corporation operates two visitor centers for the general public at the Orot Rabin and Heftziba sites. These centers provide a way to educate our customers and the general public, create a dialogue with them, and enrich them.
- **Service customized to the needs of PV customers** – Until several years ago, all of the electricity needs of the Israeli economy were supplied by a few large power plants. The current approach is based on a decentralized production model. This means that large consumers, or even ordinary households, can become suppliers in their own right by installing facilities for electricity generation using renewable energies. The surplus left over from their own consumption can be sold to the IEC. With a view to preparing for the increase in connecting customers to renewable energies by understanding the customer's needs and by effective management of the processes, in 2022 a portal for private producers was established on the IEC³¹ website. The portal provides all the relevant information for applications to submit orders to connect up for power generation, as well as carrying out various actions with the IEC relating to the regulation³² of their customers. In February and June 2023, the portal underwent upgrades to make the registration processes easier for the private producers. In February 2023, a Green Track pilot was launched for rapid registration on the private producers portal of renewable energy systems with a capacity of up to 15 KVA. The pilot was launched in 22 communities and in July 2023 it was expanded to the entire country.

At the time of writing the report, in 2023, a service unit was established regarding photovoltaic (PV) installations that specializes in all PV issues, and provides service to a variety of issues from the day the system is installed and throughout the contract period for 25 years.

31 Renewable energies - all the information - Israel Electric Corporation (iec.co.il): <https://www.iec.co.il/content/renewableenergy/lobbies/lobby>
 Private producers portal - homepage (iec.co.il): https://manufacturers.iec.co.il/home?fireglass_rsn=true#fireglass_params&tabid=a6d4c08d6161842a&start_with_session_counter=3&application_server_address=iecfcloud-4-me-west1.prod.fire.glass

32 The Israeli Electricity Authority publishes tariff regulations for renewable energy of various types and sizes. The Circle webpage: https://iec-hamaagal.co.il/distributed_production_arrangements

Measures and Objectives

Measures and objectives for 2022 - Planning vs. Implementation	Status
Expansion of self-service channels.	Done
Expansion and enhancement of service accessibility to the customer.	Done
The process of full conversion of the renewed website.	Done

Future measures and objectives for 2023

Pilot for integration of sign language in customer facing services.

Making documents uploaded to the website accessible - expanding the use of digital invoices enabling the interactive explanation of terms and viewing in a number of languages (Arabic, English, Russian, French, Amharic) is being made accessible to customers with impaired vision, with the ability for payment and meter reading from the invoice itself.

Carrying out an accessibility survey in the service according to "form 9".

An increase of 15,000 customers joining the Company's digital services during 2023.

Operation of a mobile service station is planned.

At the end of 2023, a new application will be launched, which will allow payment of an electricity bill by using advanced identification capabilities through facial recognition, and later payment through Google and Apple digital wallets.

Public complaints

As part of its service ideology, the Company trains service representatives who are at the “first line of defense” and who provide a high-quality service, to provide a solution to the customer’s satisfaction when the customer first reaches out to them, and to minimize the number of complaints.

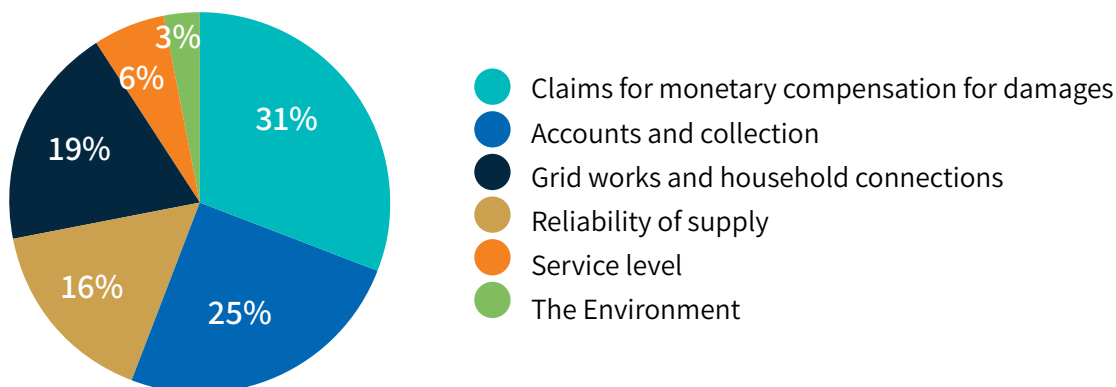
In 2022, the Ombudsman moved from the Internal Audit Unit to the Service, Marketing and Regulation Division. This change involves bringing together the entire field of handling complaints under one roof with the overall fields of customer service and the interface with them. At the same time, a methodology for complaint handling according to area of activity (distribution/supply) was implemented, in place of complaint handling according to geographic deployment that had been customary until the change, to enable enhanced capabilities to contend with the scope of complaints and their complexity.

Moreover, during 2022, the IEC enhanced its complaints handling in a number of additional aspects: additional inquiry channels were launched or submitting a complaint/appeal, the digital channel was upgraded via which it is possible to submit a complaint more easily and simply, and orderly lesson learning processes were put in place alongside control processes via the appointment of a dedicated head of section, formulation of operational format and the production of periodic reports.

In 2022, the Israel Electric Corporation received 23,437 complaints – 30% more than the total complaints received last year, of which, 22.5% were justified.

Each complaint is examined and looked into according to the criteria determined by the regulator, the Israeli Electricity Authority. At the system-wide level, the Company examines and analyzes the information obtained from the complaints to learn lessons, identify opportunities to improve the service, improve its work processes, and minimize the factors that affect customer dissatisfaction and customer complaints.

Breakdown of types of complaints by topic in 2022:



For more information on public inquiries, see the details of the 2022 Public Inquiries Report published on the Company’s website,³³ and also see the “File a complaint to the Ombudsman” page³⁴ and the “Ways to Contact the Ombudsman” on the Company’s website.³⁵

33 The 2022 Public Inquiries Report on the Company’s website – <https://www.iec.co.il/content/ombudsman/files-pages/reports>

34 File a complaint with Public Inquiries – <https://www.iec.co.il/content/ombudsman/pages/filingcomplaint>

35 Ways to contact the Ombudsman – <https://www.iec.co.il/content/ombudsman/ombudsman-lobby/ombudsmanlobby>

An Improvement in the Service Quality Satisfaction Surveys

Customer satisfaction with the quality of the service and the improvement thereof are a main element of the Company's policy and its strategic plan.

89% satisfaction

with the service on the 103-call center in 2022

90% satisfaction

with the service at the reception centers in 2022

The IEC's hotlines

Within the effort to learn and improve, and to assess the level of customer satisfaction with the call centers (103), the Company regularly carries out two types of surveys. The survey findings are presented and discussed before the management every quarter:

- **Telephone satisfaction surveys** – the management considers the review of customer satisfaction with the 103-call center very important. The survey is carried out through a text message that is sent to the customer at the end of each telephone call with a 103-call center representative, during which they are asked 15-20 questions pertaining to the service they received at the call center.
- **"Customer experience"** surveys - digital surveys (Howazit) are conducted continuously immediately before the end of the call, through a designated system. Each customer who was served through the 103-call center was sent a "how was it" text at the end of the call, with a link to provide feedback.

The total weighted satisfaction with the 103-call center in 2022 is 89%, compared with 90% in 2021.

Reception center

Each quarter, a telephone survey is carried out among reception center customers, customers who were served at a hybrid station, and customers who were served by Israel Electric Corporation representatives at the local authorities or asked the reception offices to call them.

Each quarterly survey samples 1,200 customers.

The satisfaction level according to the reception centers surveys in 2022 was at 90%, compared with 87% in the last quarter of 2021.

Additional surveys

- **"Brandman" attitude research survey** - conducted by the Brandman Research Institute - distributed among the general population and specific communities, including the Ultra-Orthodox community, the Arab community, and senior citizens. The research segments household positions and business consumer positions toward the Company and constitute an effective tool for receiving feedback from the public, reviewing how positions toward the Israel Electric Corporation have evolved throughout the years, and to estimate public sentiment. Further to this, the survey results help identify the key areas for improvement or for maintenance, and they make it possible to weigh the public's positions into the Company's decision-making processes. The results of the research survey, which was conducted in late 2022, indicate continued erosion in the Company's image among the majority of the surveyed sectors, alongside a certain degree of stability in the score awarded for general trust in the Company.
- **Prepaid meter customer survey** – in the last quarter of 2022, a satisfaction survey was carried out among the prepaid meter customers for the second time; prepaid meters are typically installed for indebted customers from underprivileged populations.

The survey findings showed that 73% of these customers reported the highest satisfaction score (9 to 10 on a decimal scale), this constitutes a 35% increase in customer satisfaction compared with the previous survey (54%).

Measures and Objectives

Measures and objectives for 2022 - Planning vs. Implementation	Status
Launching of the new website	Done
Conduct a customer satisfaction survey of the 103+ services: chat services on the website and in the app, interactive text messages and Facebook/messenger, and fax and online inquiries.	Done
Promoting a survey to study the professional-technical customers' satisfaction with their points of contact with the Company, including engineers, electricians and electricity consultants, architects, etc.	A survey was conducted in November 2022 Survey of satisfaction from online services (ordering connection and connection enlargement) among two target audiences: professionals and customers. The findings of the survey conducted among professionals: - IEC facilities inspection score: 8.5 - Establishment of the connection: 6.7 - Technical coordination: 6.6 - Opening an order: 7.2 The findings of the survey conducted among customers: - IEC facilities inspection score: 8.4 - Establishment of the connection: 6.4 - Technical coordination: 5.9 - Opening an order: 6.2
Designing a consolidated service measurement for all customer service aspects, private and professional alike. The measurement will include all service interface points and the satisfaction with each interface	Suspended The Company is pursuing a new index for implementation in 2024

Future measures and objectives for 2023

90% customer satisfaction with the 103-call center

82% service cycle completion at the 103-call center

85% response availability (including call back) at the 103-call center

Average waiting time of 200 seconds at the 103-call center

Diligent Work to Improve Service

To enhance customer welfare and improve customer service, the Company is promoting a string of service initiatives at the various service centers, including:

- **The “Circle” app for professional customers** - The app presents all the technical information the Company’s customers need on a variety of areas of activity (including the digital ordering system, planning connections for buildings, facility inspections, transformation stations, decentralized production, grid tariffs, electric vehicles, and the engineering archive), in an accessible and concentrated manner. The app also streamlines the interface with the customers and sets uniform technical requirements for them.
- **The quality service competition for 103 call centers** – to encourage and motivate the service representatives to provide effective and efficient customer service and encourage information exchanges between call centers, the Customer Service Department launched a competition between the three 103 call centers. The competition focused on aspects of service quality and effectiveness, and was based, among other things, on the customer satisfaction - as measured at the end of each call, and closing the handling cycle of the customer.
- **The CEO Award for Improved Customer Service** – the Company has been awarding the CEO Award for Improved Customer Service for over a decade. The purpose of the competition is to encourage the employees to suggest ideas for new products and services. The Company implements the winning suggestions through a follow-up committee, overseen by the Head of the Service Department and the VP of Service, Marketing, and Regulation (SMR). In 2022, a revision was carried out of the competition format for the CEO Award for Improved Customer Service, as part of a change effected in all the Company awards for excellence, which was brought for approval of the Commissioner of Wages in the second quarter of 2023, implementation of the competition in its new format is expected to take place during 2023.

Making Sure Underprivileged Populations Exhaust Their Rights and Receive Service

As our Company is a society-oriented business, including considering our status as a government-owned company, we are committed to providing professional, attentive, and caring service to all our customers, emphasizing customers who are struggling to pay their electric bills and who belong to economically underprivileged communities.

The electricity tariffs are all set by the Israeli Electricity Authority and IEC has no influence over them. The Israeli Electricity Authority, together with the National Insurance Institute, defined 11 population groups as eligible for reduced electricity payment, including Holocaust survivors, soldiers without family support, individuals entitled to a long-term care allowance, etc.

Special activity for struggling customers

To aid customers who are experiencing hardship and crises, the Company maintains a continuous dialogue with social organizations and the local authorities’ welfare departments, the Ministry of Welfare, the Ministry of Social Equality, and the National Insurance Institute. The Israel Electric Corporation also offers a series of solutions and arrangements for struggling customers, some of which are a result of the processes that reached fruition during the Covid-19 crisis, that the Company has decided to apply under normal conditions too:

- **Flexible arrangement** - The option of receiving the electricity bill monthly and paying monthly.
- **Prepaid meters** – a prepaid meter, which allows customers to control and plan their electricity consumption ahead of time and avoid accruing debts.
- **Debt restructuring** – offering an option to spread the payments on electric bills from 2020, while forgiving the accrued interest.

An Assistance Fund for Household Customers Who Struggle to Pay off Their Electric Bills

In 2021, a strategic process the Israel Electric Corporation promoted, to establish an assistance fund for customers who are struggling with paying their electric bills, came to fruition. This process is the fruit of the Company's continuous dialogue with social organizations, that promoted the inter-organization plans on this subject.

As part of the measure, and in response to the call of the Israeli Corporations Authority to promote projects with "shared value" - social value for customers and in parallel, business value for the Company, the IEC initiated the establishment of a financial assistance fund to assist customers who have fallen into debt with electricity payments.

The fund, whose budget is NIS 15 million a year, will maximize value for the customers, while helping the Company minimize collection costs and the substantial costs of disconnecting and reconnecting. The aspiration is that ceasing the accumulation of payments and interest together with additional solutions that will be offered to customers - such as a prepayment meter and spreading of payments - will boost the customer's awareness: from a customer in debt to a paying customer.

In November 2021, the Company's board of directors authorized the establishment of the assistance fund, and the assistance fund mechanism formation commenced in early 2022.

Eligibility to receive assistance from the fund is determined by members of the fund's executive committee, comprising the fund's Chair: Adv. Roni (Fantanesh) Malkai, representatives of ministries/government entities, social organizations, the Israel Electric Corporation and 2 social workers. Members of the executive committee may decide on eligibility for complete or partial assistance to cover the debt to the Israel Electric Corporation, or to reject the request.

In 2022, the number of customers who received assistance from the fund amounted to 340 and the sum of financial assistance granted amounted to NIS 1.91 million.

It should be noted that the Executive Committee's discussions on the aid requests only began in July 2022, after the establishment period. The discussions were held on a monthly basis. Since this is a completely new process, the second half of 2022 was used as a run-in period as well as to create trust among the social workers and encourage them to submit requests for assistance. With the experience gained, improvements were introduced that resulted in an increase in the number of requests discussed in each discussion.

Measures and Objectives

Measures and objectives for 2022 - Planning vs. Implementation	Status
Full formation of the assistance fund's operating mechanism	Done

Future measures and objectives for 2023

Increase the frequency of discussions addressing the requests for assistance

Increase the number of employee debt collection positions dealing with the assistance fund

Engage in an effort to explain to customers, who have been granted assistance, how to avoid accumulating additional debts

Setting Goals and Measurements to Improve Service

The Israel Electric Corporation service performance indicators are set by the Israeli Electricity Authority, and they are set forth in the Criteria Book.³⁶ The criteria are intended to govern interactions between the Company and its customers, and they set forth the parties' "rights and duties", including in the areas of consumption, bills and payments, charges, inquiries, customer service, and connections to the grid. The book also sets the criteria for reliable electricity supply, in terms of planned power cuts, renewed electricity supply, frequency shedding³⁷ and damage to electric appliances.

Connecting customers

The Israel Electric Corporation is responsible for connecting customers to the electrical grid. The Company has set a goal of minimizing the number of days customers wait to be connected, and even set incentives for connecting consumers and producers to the distribution grid. Moreover, a model was set to check if goals are met - in 2022, a goal of 70 waiting days was set.

In practice, the average number of waiting days for connection to the grid was 44.3 in 2022, compared with 42.5 in 2021.

Reliability of the Power Supply and Supply Interruption Minutes

We seek to maintain continuous and available power supply to all our customers, and invest many resources in improving the electricity transmission infrastructure. In addition to ongoing maintenance and in order to ensure available supply of electricity, in the transition seasons we make sure to reinforce the response to customers at call centers, the technical teams working in the field, the preventive works (pruning, washing of lines, ongoing tests) in the field. We are also reinforcing use of technological means such as helicopters, drones, and rescue teams that help us locate sensitive areas, and we treat them as soon as possible before a malfunction emerges.

Despite these actions, unplanned power cuts sometimes occur, and the duration in which electricity is not supplied to a customer because of a regional power cut is referred to as the "system average interruption duration". The measurement refers to a supply interruption resulting from disturbances in the high-voltage grid and in the transmission and transformation segments.

The Company regularly monitors the electricity quality characteristics, analyzes unusual events in the electrical grid, and does a multiannual statistic of the electricity quality characteristics, all to make sure the Israel Electric Corporation is robust, according to the relevant criteria and standards for monitoring electricity quality.

In July 2022, the Israel Electricity Authority published a target model for gradual improved supply³⁸ reliability to reach a national goal of 92 supply interruption minutes on average per customer a year by 2032³⁹, and a reduction of the standard deviation between reliability levels in different sub-districts by at least 60% by 2032. The new model includes only supply interruption minutes originating from the high-voltage grid, as well as the transmission and transformation segment (and not including scheduled service interruptions, malfunctions originating in the electricity production systems, the Palestinian Authority, etc.). Following the publication,

³⁶ See the book of criteria on website of the Israeli Electricity Authority: <https://www.gov.il/he/departments/general/amotmidabook>.

³⁷ Automated disconnection of a consumer's facility, to stabilize the system's frequency.

³⁸ Israel Electricity Authority Resolution No. 63518 from July 2022 - continuation of the resolution for incentives to development of the distribution grid-improvement of supply reliability.

³⁹ The measurement refers to supply interruption minutes resulting from disturbances in the high-voltage grid and in the transmission and transformation segment only.

the Company prepared a work plan to include numerous improvements in the distribution grid such as the undergrounding of the power grid, replacement of old grid infrastructure, added automation, the construction of coupling devices, etc.

Changes to the supply interruption minutes measurement methodology, to adapt it to the standard worldwide measurement methods

In 2022, the measurement method of supply reliability metrics was replaced, with a view to adapting it to globally accepted measurement methods, from calculation based on the interrupted installed capacity to a calculation based on the number of interrupted customers, as is the accepted norm in most countries. The new calculation method of supply interruption minutes:

System Average Interruption Duration Index (SAIDI): the average number of supply interruption minutes per customer in a given period.

The new measurement method portrays a significant mitigation of the variation between operational centers in the various geographic regions, it places emphasis on areas with high customer density and thus corrects the distortion created in the old system from the point of view of intercity areas with a low customer density.

The data in the table below are calculated using the old calculation method (the Electricity Authority has yet to publish an update to the supply reliability goals using the new measurement method), but they are presented in accordance with the Electricity Authority model published in July 2022, which includes only supply interruption minutes originating from the high-voltage grid, as well as the transmission and transformation segment.

Table 12: Supply interruption in minutes, 2019-2022

2019	2020	2021	2022
135.4	178.3	145.1	153.6

There is a trend of an increase in supply interruption minutes in some of the years due to unusually stormy weather and also due to wear and tear of the high voltage grid/grid obsolescence.

The IEC website has made a power cuts portal available to customers, in which the customer may be updated on power cuts at their properties, in their personal area at: <https://eoutages.iec.co.il/home>, and in addition we have also developed a virtual assistant providing a response on this issue via WhatsApp.

In addition, the customer can view historical supply interruption data in their residential area at: <https://c.howazit.com/e/2350369614?abts=1634219161379>

Measures and Objectives

Measures and objectives for 2022 - Planning vs. Implementation	Status
Changes to the supply interruption minutes measurement methodology, to adapt it to the standard worldwide measurement methods.	Done

The supply reliability goal for 2023

Pursuant to the regulator's decision - Israel Electricity Authority No. 63518, dated July 3, 2023, the supply reliability goal for 2023 is 127 supply interruption minutes

Committed to customer health and safety

With incorrect use, electricity may be a dangerous product and therefore, the health and safety of our customers is a top priority of the Company and a material issue for us. The Company is heavily and strictly regulated in terms of health and safety, and it is continuously working to map out these aspects' potential outcomes, prevent them, and mitigate them. Therefore, the Company complies with all the strictest standards in the area of production, transmission and distribution of electricity, sometimes even beyond the requirements of the binding regulations. Special emphasis is placed by the Company on providing access to information on the subject of safety, through various communication channels and social media. The Company's website offers a great deal of up-to-date information, from time to time, according to the seasons of the year and various developments in the Company's operations, and our publications in the communication channels include explanations and guidelines for safe and prudent use of electricity. Also, during meetings with the public and lectures delivered to diverse audiences, and within our educational activity and community outreach, electrical safety has been discussed extensively (for more information, see the chapter on "Community Outreach in the Israel Electric Corporation", page 128.

Our guiding principles

- Compliance with the requirements of the law and regulations on electricity safety.
- Meeting guidelines on behalf of the Ministry of Energy, the Israeli Electricity Authority, local authorities and statutory authorities, for planning and construction of national infrastructure, building an underground network in urban and industrial zones that are characterized by high population density.
- Obtaining permits to establish and operate radiation sources, as defined in the Nonionizing Radiation Law, granted by the Ministry of Environmental Protection under the law, and following the precautionary principle regarding magnetic fields. For further details, see the financial report for 2022.⁴⁰
- Construction of new electricity facilities, according to terms included in the construction and operating permits with regard to implementation of measures to limit the exposure levels, limiting access, placement of warning signs, reporting obligation and more;
- Monitoring air emissions - IEC,⁴¹ the Ministry of Environmental Protection⁴² and the Associations of Cities for the Environment, perform ongoing monitoring activities to ensure compliance with standards to which the Company is committed. The Company operates completely transparently with regard to the monitoring results.
- Extensive activity to mitigate the environmental impact of the Company's activity. For more information, see the Company's annual environmental reports⁴³ and the Environment Chapter in this report.

⁴⁰ For information on non-ionizing radiation, see the financial report for 2022 of IEC, Page 56. Section 9.9.2: https://iecontent.iec.co.il/media/t0matkt4/meshulav21222_isa.pdf

⁴¹ Summary of annual air monitoring findings in the monitoring stations of IEC: <https://www.iec.co.il/content/environment/filepages/environmentqualityreports>

⁴² Air monitoring data in Israel, Ministry of Environmental Protection: <https://www.svivaqam.net/>

⁴³ Environmental reports of IEC: <https://www.iec.co.il/environment/pages/environmentalreports.aspx>

Committed to Protecting Our Customers' Privacy in the Age of Information

Protecting information privacy

The Company makes sure to protect and prevent any harm to the customers' privacy, and that of its suppliers, employees, and prospective employees; and it follows the provisions of the Privacy Protection Law, 1981, and the regulations promulgated thereunder. The Company has cyber security procedures, including a specific procedure on privacy protection, authorized by the Company's management, which addresses the variety of areas of responsibility for protecting individuals' privacy, while detailing the IT system protection and cyber system protection rules in the Telecommunications Unit (not including cyber warfare).

The procedure defines guidelines for appointment of different officers, including a personal information protection officer, who is responsible for implementation of the provisions of the law and regulations in the Company's databases. In addition, the Company has an information disclosure committee headed by the VP of ICT, which examines and approves disclosure of personal information from the Company's database to public entities outside the Company, or receipt of information from public entities. This is supervised by the Board of Directors Audit Committee.

Furthermore, the Company website contains a privacy policy that is available to users and sets out information about management of the information and details collected by the Company, including information collected automatically and how it is used. Customers who do not wish their personal information to be collected, sent or disclosed in any manner may remove their name from the digital service options. Every customer may review the information kept in the Company's database according to the Privacy Protection Law, and apply to the Company to correct or delete information if necessary.

In all the information and information booklets disseminated to the employees, a clear message is recorded that they may report any deviation/question/vagueness/suspicion to the National Cyber Center, which is available on a 24/7 basis. The address for complaints from external elements is the Internal Audit Unit that serves as the Public Complaints Unit, and its details may be found on the Company website.

The Company provides network-wide protection of databases, there is an authorization management system, the user lifecycle is treated, authorizations are reviewed, there is a methodical risk survey process in place, and penetration tests are carried out for the relevant systems.

In 2022, there were no incidents involving leakages, theft or loss of information concerning the organization's customers and no complaints were received from customers regarding invasion of privacy.

Information security and cyber security

At IEC, as a national utility company, it is of utmost and strategic importance to manage the information security and cyber security system, since information security and cyber security incidents may lead to impairment of regular power supply in the country and a breach of various regulatory requirements. There is a National Cyber Center at the Israel Electric Corporation that operates the whole year round, including on weekends and on Jewish festivals, with the aim of providing a response to cyber security and information security issues and to contend with cyber incidents.

The Company Board of Directors holds an annual meeting regarding the organization's cyber security actions, which is presented by the VP of ICT, the CCI officer (Critical Cyber Infrastructure) and the organizational CISO. The CEO of the Company is at the head of the Company's Head Steering Committee of Cyber Security, and he receives annual updates from the forum of vice presidents on the Israel Electric Corporation's data protection and cyber security robustness status. The VP of ICT, with the organizational CISO (the data protection manager)

is the professional leader of all of the Company's data protection and cyber security operations. The Company's cybersecurity administration is subordinate to them, and it comprises members who hold the key positions in this area in all Company units. The Company is compliant with the regulator's instructions, in accordance with the work plan. In addition, periodic internal or external controls are conducted on information security subjects for the purpose of examining the manner of management thereof in the Company and maintaining continued proper work. Within the risk management and the enhancement of our ability to handle cyber incidents and data protection incidents, there is an operational order file for handling actual or suspected cyber events, and there is a business continuity plan for cyber and data protection events, that is updated annually. Furthermore, risk surveys and information security surveys are conducted, in conjunction with external experts at the frequency determined by the legal and regulatory requirement, of once every 3 years for the issue of implementation on critical OT systems and sites and a frequency of once every 18 months on IT issues.

In addition, the organization carries out both administrative and technological oversight of cyber and information security pursuant to the work plans. Furthermore, the Company possesses insurance coverage for information security and cyber incidents.

The company's national security unit has a department responsible for information security and cyber protection. As part of it, the Director of Information Security and Cyber leads a team of referents from all the company's divisions responsible for preventing information leakage. This, through a dedicated system operated by the ICT division, in accordance with the policy approved by the VP of ICT. According to the approved company policy, the staff reports to the VP of ICT on their work.

Among his other duties, the Director of Information Security and National Cyber Security is responsible for controlling and preventing the transfer of classified information from the company to outside parties, performing security adjustments in accordance with the regulation, and is also responsible for providing a supply server to suppliers in Israel and abroad.

The work procedures are derived from the instructing regulator's cybersecurity and data protection method and from the Company's policies. The Company is also spearheading a plan to increase the Company employees' awareness of these issues, including training, educational software and information booklets, that state the proper channel for employees to make appeals and report of actual or suspected data protection or cyber events to the National Cyber Center. Every new employee in the Company is required to complete an online information security tutorial and sign an information security form.

In 2022, 480 training hours were held on the subject of information security, with the participation of 500 Company employees.

Measures and Objectives

Measures and objectives for 2023

Closing discrepancies arising in the biennial audit in 2023.

Advertising and marketing ethics

The advertising and marketing activities in the Company are carried out in order to provide access to information regarding the system of services that we make available to the public: information about the electricity bill and the volume of electricity consumption, the electricity rate, including eligibility for lower electricity rates for special-needs populations (under law) electrical safety rules, special preparations required according to seasons of the year, efficient energy consumption recommendations, significant changes in the Company's operations, sustainability and environmental protection issues with value or significance for the public, etc. We believe that advertising that is not for the purpose of direct profit constitutes another means of dialog that allows us to maintain continuous contact with our customers, which include over 2.65 million households. We make sure to target diverse audiences in all our marketing and advertising materials, maintain a gender balance, and use appropriate language that cannot be construed as offensive. In addition, in all advertisements and marketing material that we distribute to the public, we use clear and simple language, and avoid concealing messages in "small print".

In 2022, the Company did not receive any complaints or fines for non-compliance with laws and regulations from marketing communications aspects.

3

Corporate Sustainability Report ESG

Human Capital at IEC



Human Capital at IEC

IEC employees are the Company's main asset and the main factor in its success. Due to the energy, professional knowledge, and vision of the Company's employees, we are able to develop as an organization, reach significant achievements, and continue to provide a stable, safe, and reliable supply of electricity to all citizens of the State of Israel. Our commitment to the employees is reflected in mutual respect, open communication, and support for their personal and professional development, while cultivating a sense of pride, belonging, and organizational engagement.

Moreover, we promote a proper, safe employment environment, free of any form of harassment, while ensuring full compliance with the provisions of labor laws. The Company also uses the diverse means available to it to encourage occupational diversity, equal opportunity, and prevention of any type of discrimination.

2022 in numbers:

10,715 employees

Women in the company

20%

of senior management⁴⁴

25%

of mid-level management

37%

of first line management

47 training hours⁴⁵

on average for all Company employees

Employing workers from among underemployed groups

14%⁴⁶

of the employees

Workplace accidents

0.33% rate of accidents⁴⁷

(compared with 0.42 in 2021)

⁴⁴ Senior department manager and above.

⁴⁵ The average was calculated for a total of 10,715 employees. Professional training: 43.4 hours of training on average for all IEC employees. Training sessions at the Leadership School: 3.6 training hours on average per employee in 2022.

⁴⁶ 14% of the employees are from underemployed populations - this statistic was calculated based on the following data: 1,518 employees from underemployed populations (people with disabilities, Ultra-Orthodox, people of Ethiopian descent, members of the Arab sector) out of 10,585 employees unionized under collective agreements.

⁴⁷ The accident rate refers to workplace accidents with casualties that occurred while performing the work. The rate is based on a multiplication of the number of accidents by 100 thousand hours, divided by the number of actual work hours of all employees.

Table 13: jobs* by area of activity, in 2022⁴⁸

Area of activity							
	Manufacturing	Customer service	Grid	Headquarters	Service	Practical engineering projects	Total
% of IEC employees	17.3%	7.1%	36%	11.4%	11.1%	17.1%	100%
No. of employees	1,756	722	3,636	1,151	1,121	1,735	10,121

In Table 13 the Company FTE is presented* (10,121 positions) rather than the actual headcount of all the employees ** (10,715). As there are employees who worked on a part-time basis (for example: students, trainees, some of the 103 call center operators) – more employees were required in order to man full-time positions; therefore, the actual FTE is greater than the headcount.

10,121 are the positions without special employment agreements, which amount to 280 positions.

The scope of the positions presented in the table in addition to the positions under special employment agreements amounts to 10,401 positions.

* Company FTE - the amount of positions that those employees occupied on the workforce.

** The actual employee headcount – the number of employees in practice who were on the Company workforce.

Terms of employment and employee unionization

The employment terms of IEC's employees are regulated under the Labor Charter for IEC Employees and under a set of collective agreements and arrangements. These agreements constitute a binding agreement in the Company for hiring or severance, employment terms, employment relations, rights and obligations of the parties. Under a special collective agreement signed between IEC, the Histadrut - the General Federation of Labor in Israel, and the national labor union of IEC, the employment term for temporary workers who were hired to work in the company as of 5.11.18, was limited to 4 years of work in the company. IEC works continuously to renew the set of labor agreements, in order to meet the needs that arise as a result of the reform, changes in the labor market and more.

As of the end of 2022, 10,585 of the Company's employees (representing 98.8% of the employees) are unionized in collective agreements.⁴⁹

Relations between management and the labor union

IEC recognizes the labor union as a collective body that represents its employees in negotiations with the Company's management and considers it an integral and key partner in its success, with the relationship between the Company's management and the labor union being based on mutual trust, transparency, and open communication. Once every four years, elections are held for the organization's institutions; and the national workers' representation is elected, which is an entity representing the interests of all employees and retirees in the various fields before the Company's management. In general, the labor union is responsible for representing the employees before management, acts in favor of the employees and their family, and supports them throughout their personal and professional life in the Company as well as during retirement. Its main purpose is to protect the rights and obligations of the employee, negotiate wage agreements, arrange subsidized medical insurance that includes supplemental insurance and dental insurance, provide assistance by obtaining low-interest loans, produce community and volunteer activities for different types of communities, contribute financially to hospitals and various social organizations, take care of the Company's widows and widowers and their family, provide ongoing care for the needs of retirees, provide discounted and subsidized services to employees, such as vacations, shows, fun days, trips, marches for various purposes, arrange sports events to commemorate employees or their children, and more. When making organizational changes in employee-management relations, all changes are made, to the extent possible, while maintaining the employment terms of the Company's employees and within the framework of the labor agreements.

The labor union may announce a strike in accordance with the restrictions set out in the general legislation of the Settlement of Labor Disputes Law and the ruling on this issue. In 2021, a labor dispute was declared by the professional union division chairperson at the Histadrut General Federation of Labor in Israel, with regard to the reform signed in 2018. Pursuant to the labor dispute announcement, the main topics regarding which the labor dispute was declared are the promotion of new resolutions and regularizations in the electricity sector, as well as in all matters pertaining to the supply and distribution segment, which have implications for the rights of employees of the Company, including concerns over harm to their wage terms and job security; avoidance and delay by the Company in taking actions to implement the reform; and de-facto implementation of a new unilateral reform. As of 2022, the Company was engaged in a dialogue with the labor union and the state to continue implementation of the reform and bridge the gaps and the disputes with the employees' representative body and the Histadrut.

⁴⁹ The 10,585 employees refer to the tenured and temporary employees and employees on a personal contract are not included.

Promoting a diverse and inclusive workplace

As a national utility company, the Company's Board of Directors outlines a consistent policy for the promotion, hiring, and integration of employees from all walks of life in Israeli society and from all sections of the population, including underrepresented populations in the employment market. This, not only in accordance with the legal obligations imposed on the company' but also stems from the Company's moral duty, its social responsibility, and the perception that integrating populations from diverse backgrounds enhances creative thinking, improves output, contributes to a positive and open atmosphere, and expands the candidate pool for positions in the Company, while optimizing the employment potential of Israel's melting pot. A senior Company manager is in charge of promoting and implementing this policy and there are organizational mechanisms and processes in support of diversity and inclusion, including senior compensation metrics for diversity and inclusion that have gradually been introduced into the compensation model commencing in 2017. (The board of directors sets goals on the subject as part of the approval of annual work plans).

Training sessions, seminars, and study days on diversity and a multicultural work environment held in 2022:

- Hiring center employees are trained to hold interviews with candidates from diverse backgrounds, including to gain impressions of life sources while paying attention to cultural biases. In addition, non-culturally biased compatibility tests were formulated, including reference to variables such as gender, age, ethnicity, and mother tongue.
- Lectures on IEC's diversity policy are conveyed as part orientation courses for new employees and in management development courses.
- The Get to Know Each Other initiative, in which employees from diverse backgrounds give lectures to all Company employees to create acquaintances, share success stories and challenges from everyday life, and promote dialogue between employees.
- In preparation for the annual performance appraisal, all managers employing people with disabilities are trained to hold effective feedback discussions with the relevant employees.
- Manager training sessions are conducted on a routine basis to provide tools for contending with management issues and dilemmas related to the diverse populations within the workforce.

Initiatives to support diversity in the Company's workforce

The extensive diversity activity in the Company is performed through dedicated representatives or diversity officers in the units, in addition to the diversity steering committee that was established. To promote the appropriate representation among our employees, we maintain contact with a variety of community partners and with associations that specialize in placing employees from underrepresented communities in the labor market, including from Arab society and ultra-Orthodox society, people with disabilities, and Israelis of Ethiopian descent.

The calendar of holidays and vacations of the Company's employees includes the holidays and festivals of different religions, and all employees have the option of choosing to take leave according to the festivals they wish to celebrate. In addition, the Company collaborates closely with gay community organizations, as part of a comprehensive drive to promote employment models adapted to the diverse range of families in Israel, including various benefits, and training for employees and managers on promoting a safe and accepting work environment. Furthermore, the managers receive a set of tools pertaining to the commemoration of and cultural sensitivity to festivals and special occasions of the diverse populations, such as the Sigd festival of Israelis of Ethiopian descent, as well as the Ramadan festival.

Messages of a multicultural and inclusive work environment are also integrated in the Company's external publications (in accordance with the provisions of the law applicable to the Company in this matter) as well as in publications in the inter-organizational communication channels.

Program in collaboration with the Profession for Life project

Partnership with the Profession for Life project operated by the IDF, which assists soldiers who are about to be released in acquiring a profession in demand, creates an employment outlook for them, and also entitles the participants to the state grants for discharged soldiers employed in vital or preferred work.

In 2022 one mechanic was hired for a position at the IEC from among the program participants.

Dedicated training sessions for populations from diverse backgrounds

For several years now, the IEC has been training populations from diverse backgrounds for professions in demand within society, with the aim of helping candidates from these populations to overcome the education barrier that constitutes a prerequisite for core positions in the Company.

Thus, for example in 2022, 17 graduates of the program that began in 2021 on a shortened 17-month curriculum for training practical electrical engineers from Bedouin society in southern Israel and for people of Ethiopian descent, were hired by the Company. The graduates were integrated into a variety of positions and core occupations in the Company, gain technical experience, and receive an opportunity to develop a career in a large Israeli company. Beyond the social value and the contribution to mitigating the economic gaps in outlying areas, and providing an opportunity for developing a career in a large company in the Israeli economy, the program provides a response to the challenge of recruiting quality manpower for the various electricity professions with which the Company must contend.

An additional, revolutionary program that was opened was specially adapted for ultra-Orthodox women.

There are 18 women in this program, practical electrical engineering students who will then be incorporated in core positions within the Company. This is the first practical electrical engineering training program for ultra-Orthodox women in the Israeli economy.

A similar practical engineering program exists for Arab women and women of Ethiopian descent designed for technological field positions that until now have traditionally been regarded as “male” positions.

Age diversity – Recruitment program for employees over the age of 45

In 2022, working with partners specializing in finding candidates over the age of 45, we developed and expanded our relevant recruitment sources. This effort is a response to the difficulty faced by employees over the age of 45 in finding new roles, while also addressing the IEC’s need for quality employees who are committed and experienced. During that year 35 employees were hired above the age of 45.

Arabic study program for managers and service providers

In 2022, a pilot was launched for teaching Arabic to 100 Company employees. The program was established with the objective of providing greater knowledge and more familiarity with the Arab culture and language, mainly among managers and service providers who come into daily contact with the Arab speaking population. The number of participants in this program is due to increase in the coming years and the Company aspires that this will aid in boosting acceptance, tolerance and the multicultural nature of the work environment. Following the pilot, the program was expanded to include in-person training sessions to expand knowledge of the Arabic language. The language studies also include familiarity with the Arab culture, customs and festivals, which is designed to draw the various employee populations closer together and to reduce cultural and linguistic gaps.

Occupational mentoring program for people with disabilities

In 2022, we held a unique mentoring program on a nationwide basis that was developed in conjunction with Taasuka Shava, a program operating on behalf of the Ministry of Labor that promotes employment opportunities for people with disabilities on the national labor market. The aim of the program was to accompany people with disabilities and prepare them towards their entry into the job market. As part of the program, a number of IEC managers were trained to serve as mentors and to accompany individuals contending with complex disabilities. The program ran for five months and included weekly meetings dealing with how to prepare for job interviews as well as bolstering their sense of capability and self-value towards integration in the employment market. The managers who served as mentors stated that the program raised their level of awareness to the issue of disability, enriched their capacity for effective communication and also contributed to their general management skill-sets for both employees with and without disabilities. The program participants indicated an extremely high level of satisfaction and most of them were successfully integrated into jobs at the end of the program, and two program participants were hired in different departments within the Israel Electric Corporation.

Integrating people with disabilities into the IEC

Nitzan-Or project - for integrating people with disabilities into IEC

IEC is one of Israel's leading employers of people with disabilities, and the issue is intertwined with the vision of the revitalizing IEC and the core values of the Company, with hiring of people with disabilities into the company's standard jobs and within the Nitzan Or program. The program has been operating in the Company since 2015, and its goal is to integrate employees with significant disabilities and at the same time - to increase awareness of this issue and to bring about a change in perception on the labor market. People with disabilities are integrated in all departments and all areas of occupation; the basis of every recruitment and placement of people with a disability is first and foremost, their suitability and the Company's business requirements.

The Nitzan Or project identifies relevant candidates, together with associations specializing in the integration of people with disabilities into jobs; formulation of the job content and the training and mentoring program begin at the stage of candidate application in collaboration with the hired employee. Suitable employees are integrated in a range of positions in the Company, each according to their skills and abilities, and throughout their working lives they are supported by a professional team from within the Company, along with guidance from entities in the community. For these employees, and according to their needs, we make physical adjustments in the work environment, including renovation and accessibility of workplace, purchase of accessories and compatible clothing, and translation and transcription into sign language.

IEC employs approximately 481 employees with disabilities, including 318 employees with significant disabilities (a disability degree exceeding 40%) under the Nitzan Or project, in various departments in the Company. Every year, budgeted jobs are allocated for the program, in addition to NIS 1.5 million for adjustments in the work environment, to allow employees with disabilities to perform their job optimally, without their disability being a barrier to success.

Managers employing people with disabilities in their units participate in specialized training for screening and onboarding a person with a disability, optimal integration, feedback discussions and performance evaluation, adjustment of work routines, and more.

As of the end of 2022, 4.4% of the Company employees were people with disabilities. Each year, the Company aims to hire 40 employees with disabilities every year, so that by the end of 2023, these employees will represent 5% of the total number of employees in the Company. The focus is on hiring employees with significant disabilities. In addition to the Nitzan Or program, the Company employs another 160 people who have suffered injury or critical illness with resulting disabilities. After being found fit to return to work, they were rehabilitated as part of the job, underwent adapted training and, where necessary, were placed in new positions subject to a medical recommendation.

The Company has a unique program for integrating people with autism into the workshops. For optimal integration, we made safety adjustments to work equipment and machines to prevent life-threatening injury from equipment, appointed professional mentors who provide mediation and close professional and social support, and adapted work routines.

Gender equality data in IEC - 2022 in numbers:

Table 14: Number and percentage of employees from underemployed groups in 2022 and the target for 2023

	No .of employees in the Company:	Percentage of all employees in the Company:	Percentage of entire senior management:	A multi-year target for the labor force for:2023
People of Ethiopian descent	343	3.2%	0.1%	At least as their percentage in the population
Ultra-Orthodox	197	1.8%	--	3%
Arabs	497	4.9%	1.5%	5%
Employees with disabilities	481	4.4%	--	5%
Employees over 60	1,181	10.5%		

Table 15: Employees from underemployed groups hired by the Company during 2022

	No .of employees hired by the Company this year:	Percentage of employees hired by the Company this year:
People of Ethiopian descent	33	5.2%
Ultra-Orthodox	23	3.6%
Arabs	63	11%
Employees with disabilities	32	5%
Employees over age 60	4	0.6%

Measures and Objectives

Measures and objectives for 2022 - Planning vs. Implementation		Status
Integration of 18 ultra-Orthodox women in the practical engineering training program for populations from diverse backgrounds		The program has been completed and the graduates are currently in the process of being onboarded in the Company (August 2023)
20 managers selected for a mentoring program developed in collaboration with JDC Israel and non-profit program Equal Employment. Under the program, they will serve as mentors for people with disabilities when entering the workforce		Done
Development of an inter-organizational mentoring program in which employees of the Arab sector at the Company are assigned a manager from one of the largest companies in Israel as a mentor, and managers at the IEC serve as mentors for employees at other organizations		The planning phase has been completed. The Company is going ahead with a program in 2023 (as at the time of writing this report)
Future measures and objectives for 2023		
An additional round of the occupational mentoring program for people with disabilities was launched.		
17% of all employees recruited during 2023 will be from underrepresented populations		
In 2023, diversity and inclusion metrics will be introduced into the various VPs performance metrics: one for the number of women in management positions and one for the integration of employees from diverse backgrounds within the population		

Excellence in promoting gender equality

IEC placed integration and promotion of women on the public agenda, alongside maintaining gender equality, allowing equal opportunities for women and men. In addition to the legal obligation, the measures for promoting women in the Company arises from our moral duty and from business justification, since it is clear to us that an organization that allocates resources to this area benefits from satisfied employees and promotes a better, more diverse, and healthier work environment.

Since 2017, the Company has a unit dedicated to gender equality in the Human Resources Division. The unit's vision is to create an organizational reality in which men and women face equal opportunities to realize their personal and professional potential. The gender equality unit aims to assimilate the issue in thought, organizational culture, and daily practice, and to formulate it as a business perception, with the promotion of gender equality serving as a lever to drive overall organizational change in IEC.

In this context, the gender equality officer strives to promote the issue in the Company in six main layers: formulation and application of policy, promotion of women to senior positions, organizational climate, integration of women into field and technology positions, promotion of employment flexibility, and integration into community projects to expand the spheres of influence.

Gender equality in IEC - 2022 in numbers:

Board of Directors

As of December 31, 2022, there were 7 board members, including **3 women (43%)**; in comparison, on December 31, 2021, there were 11 board members, of which 3 were women (27%).

Women in the Company

21.6% women in the Company,
(compared with 21% women in 2021).

74% of the Company's female employees

work in core professions and in core support professions,⁵⁰

(compared with 68% of female employees in 2021). 89% of the men are employed in these professions.

175 new female employees

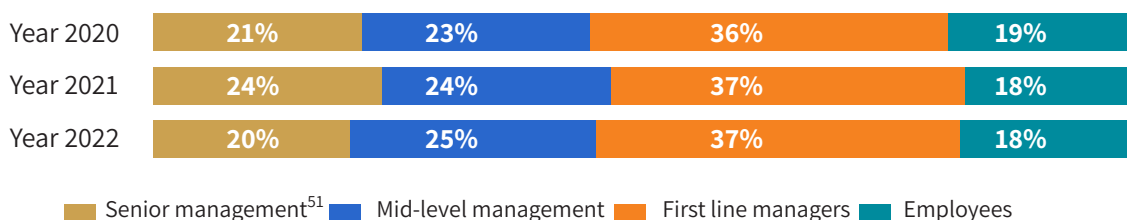
were hired by the Company, and they constitute 30% of the 574 employees recruited by the Company (compared with 31% in 2021).

50.8% 20% of women were admitted to core and core support occupations out of the total intake of workers for these occupations (men and women).

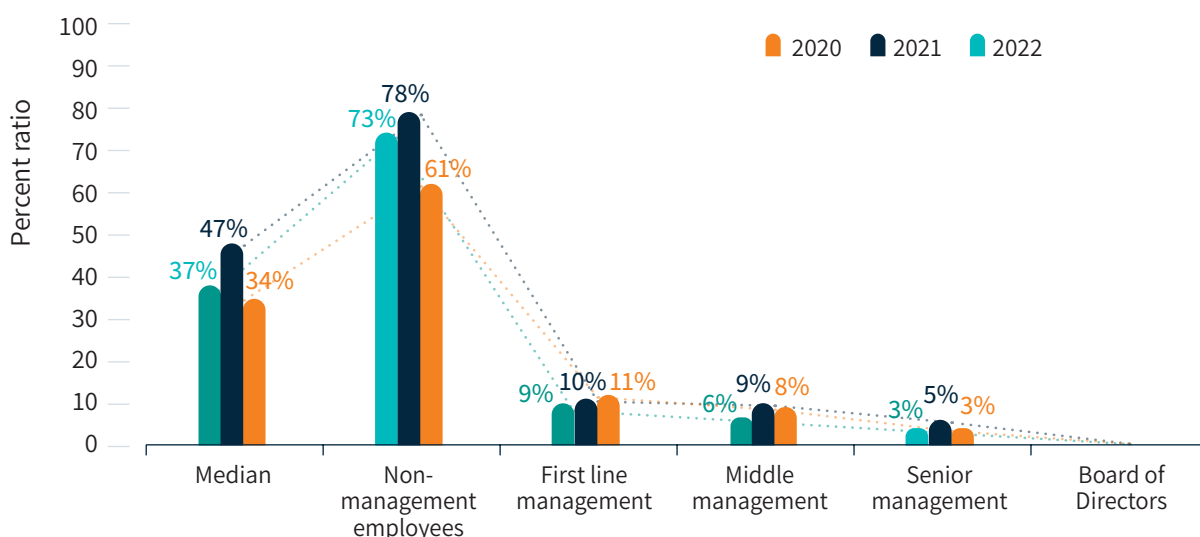
24.8% of all managers at the various managerial levels are women (compared with 21% in 2021).

3 senior female managers were hired in 2022.

⁵⁰ Core professions and core support professions are considered to be professions with potential for a long-term employment horizon and promotion. Core professions include field positions and unique professions for the IEC, such as grid operators, production and construction jobs, data professions, analytics, human resources, planning & design, etc.

Chart 7: Percentage of women at various ranks in the IEC, in 2020-2022

Comparison of average wages for men and women

Chart 8: Average ratio⁵² of men's wages to women's wages at the IEC - a comparative look

In the diagram above, the gap between men's wages and women's wages is shown by rank (the rate at which men's average wages are higher than women's average wages).

For example, in the "first-level management" level in 2021, the average salary of men was 10% higher than the average salary of women, and in 2022 the gap was reduced to 9%.

The increase in the gap of average wages of men to women in non-management roles from 2020 to 2021 resulted from the need for the Company to maintain operational continuity during the period of the coronavirus pandemic, while also protecting employees' health. Consequently, laborer groups (men) had to change their work schedules, and received special wage increments in return. Meanwhile, women continued working without scheduling changes, as most women workers are not in field positions; this was reflected in wages. In addition, more women than men were hired at the Company during this period to staff administrative positions (in which the salary range is lower, including the salary of a new employee, such as in the telephone customer service centers).

The decline in the average wage gap of men to women in non-management roles between 2021-2022 resulted from the fact that there was a markedly higher wage increase for women compared with men, which was the result, among others, of the return to full working capacity after the Covid-19 period in 2021.

⁵¹ Senior department manager and above.

⁵² The average monthly wage ratio is calculated by dividing men's wages by women's wages and subtracting one, for each rank. The survey was performed on the gross salaries of approximately 10,300 of the Company's employees.

Having said that, it is possible to see that the wage gaps between men and women did not return to their original pre-Covid-19 levels, and this was due to the fact that the Company has been engaged in an additional, significant activity drive in view of the reform and the implementation of numerous, new infrastructure projects (such as the construction of private substations), characterized by special works performed, for the most part, by male manual workers which entitles them to wage increments.

As a government company, the IEC pays equal basic wages based on rank to men and women workers. However, the wage gaps described above demonstrate a significant disparity, particularly among non-management employees. These disparities primarily derive from the nature of the positions involved at the core areas of the Company. Field workers and manual workers - most of whom are men - are also paid, by virtue of their position, in addition to the base salary - a salary increment for shift work and various payments for special jobs that include additional risk and field work.

In recognition of the importance of addressing wage gaps and promoting the representation of women at the IEC, the Company applied a series of measures in 2021 to provide both localized and lateral solutions to the issue of the representation of women at the Company, which helped reduce pay gaps among non-manager employees as well as in the median pay. However, these gaps are still significant, and the Company continues to invest efforts in reducing these gaps by the continued implementation of these measures. Starting in 2022, the company publishes a report on gender pay gaps once a year and gives employees a personal notice on the subject, in accordance with the provisions of Amendment 6 to the Equal Pay Law for male and female employees.

Formulation and implementation of a policy encouraging performed, for the most part, by male manual workers

The IEC applies the following measures with the aim of encouraging female representation:

- Periodic reporting on processes and information on female representation and promotion in the Company; setting goals for female representation, and ongoing measurement of achieving goals.
- Gender-focused recruiting, including posting jobs on the Company's website in grammatically feminine language in Hebrew.
- Determining a multi-annual plan for focused gender recruiting among the various Company divisions.
- Integration of the Gender Equality Unit and relevant content in a variety of courses and training sessions.
- Establishment of a female representation in tender proceedings with a view to ensuring a reduction in gender bias in tenders.
- The issue of gender equality is defined as one of the Company's values in the Code of Ethics, and it is reflected in assimilation of the ethics derived from it.

Promoting women at management ranks

- Identify potential women in the Company's various divisions and encouraging them to submit applications for tenders, including providing them support and preparation for this, as required.
- Convening of the "Phenomena" Forum, an annual forum comprising 80 female department managers and above, aimed at providing tools for personal development and promoting a work environment that encourages the integration and promotion of women in all professions at the Company.
- Round tables – encouraging a gender discourse via direct meetings with female employees and managers, led by a female division representative.

Dedicated training activities for women

- **The Tenufa Program** - the aim of this program is to train female employees hailing from diverse backgrounds, ranks and seniority, to assume management positions. This is achieved by encouraging innovative thinking and excellence, reinforcing the sense of organizational belonging, development of personal and professional capabilities, and providing tools for career promotion. The program was held for the first time in 2022 and was attended by 20 female employees.
- **The “Write Yourself” Project to train women as bloggers** - a professional workshop providing relevant tools for writing a blog intended for those Company female employees involved in core engineering and technological positions. The participants who successfully completed this project publish blogs and posts on social media regarding their personal story, their challenges and career paths, and as such they become Company ambassadors and serve to position the IEC as a groundbreaking company in the field of promoting women in technological positions.

Integrating women in field and technology positions

- **A training program for women from diverse backgrounds** - in 2022 a practical electrical engineering study course was opened for ultra-Orthodox women in Jerusalem along with another practical electrical engineering study course in Carmiel for women from northern Israel. 34 women participated in both courses. As part of the program, those women successfully completing their studies are guaranteed a placement in a core profession at the Company. The program is the result of a joint venture of the Israel Electric Corporation and several social organizations dealing with professional training and diverse occupational placement.
- **Targeted hiring for field and technology professions** - Ongoing work of the hiring center with the division managements to expand female hiring and representation in the various core professions. In 2022, for the first time two women were trained for the job of UAV (Unmanned Aerial Vehicle) operators and they are among a select few in Israel with such a unique qualification.
- **Producing short videoclips on the topic of “Women in Field Positions”** - the Company Communications & Spokesperson Department produced videoclips documenting female employees in unique positions, including the challenges with which they contend and the requisite skills and capabilities they need to perform their tasks.

Creating an organizational climate and culture that promote gender equality

Based on the understanding that alongside encouraging, training and promoting women, action needs to be taken to create a corporate climate and culture that promote gender equality, a series of measures was adopted by the Company, including:

- **Combating domestic violence** - For several years now, IEC has been running a special program that includes a framework for employees to address domestic violence, including identifying and assisting in cases of violence. In 2022, the Gender Equality Unit commemorated the International Day for the Elimination of Violence against Women by displaying an artistic presentation “She no longer exists” at several Company sites throughout the country.
- **Prevention of sexual harassment** - We work to secure a respectful, safe work environment that is free from any kind of harassment. There is a procedure (No. 08-02-04): “Prevention and Treatment of Sexual Harassment and Harassment” and regulations on the subject published to employees on the internal portal and on the bulletin boards on the company’s websites. The employees have access to a “hotline” to which they can refer complaints pertaining to sexual harassment, and each complaint is also referred to the

Internal Auditing Unit, and from there it is then sent to the supervisor of gender equality, in her capacity as supervisor of the prevention of sexual harassment, maltreatment and bullying at the Company.. Starting in 2022, sexual harassment issues can also be addressed directly to the supervisor of gender equality, or to the contacting members of the regional sexual harassment committees, whose contact details are published on the internal portal and on the bulletin boards on the company's websites. All complaints are centralized with the supervisor and routed by her for review and treatment by the committees. Also, an annual report was submitted to the board of directors

- **Commemorating gender-related date/events** – during October - Breast Cancer Awareness Month, a national health conference was held in conjunction with the health officer and employee representatives. At the conference activities were held along with workshops for the Company's female employees, and in parallel a unique campaign was launched on social media designed to raise awareness to the importance of early detection and to encourage a healthy lifestyle.

Promoting occupational flexibility and work-life balance

The IEC supports a balance between work hours and leisure hours as a necessity for its employees, recognizing it as an important element in their mental and physical well-being, and a contributing factor to an equitable workplace for men and women. Accordingly, we allow finishing work early one day of the week, concessions within the definition of a parent's job and a gradual return from parental leave, for parents who wish to do so. In addition, the company participates in daycare costs for the employees' children

In 2022 a number of measures were adopted to promote a good work-life balance, including:

- Completing a pilot project for gradual return to work after parental leave
- An experimental program was introduced in 2021 allowing employees a gradual return to work after parental leave, offering a softer landing at work and allowing parents the opportunity to enjoy time with their newborns. At the same time, they can continue earning and realizing their employment potential according to a specially developed model. In 2022, the pilot reached its successful conclusion and this move became a directive to enable employees who so desire to engage in a gradual return to work, subject to approval from the relevant department manager.

The Family Zoom platform

3 employee enrichment lectures were delivered on the Zoom platform for Company employees and their families.

Promoting a hybrid work model

In accordance with a precedent agreement drawn up between the company and the workers' committee, the company's male and female employees are authorized to work from home, in accordance with the needs of the work in the scope of two days a week, if their field of occupation allows it.

Measures and Objectives

Measures and objectives for 2022 - Planning vs. Implementation	Status
Continue to integrate a study unit on Gender Equality in management courses in the Company.	Done
Continued refresher courses for the team of women representatives in tenders.	Done
Opening professional courses on electricity targeted to women, aimed at hiring trainees who graduate successfully as IEC employees:	Done
- A training program targeted to ultra-Orthodox women will open at the Mercaz Chareidi Institute of Technology in Jerusalem, with 18 women participating in a course on practical electrical engineering. After completing the program, the trainees are expected to be hired at the IEC for professional positions suitable for the ultra-Orthodox sector (March 2022). - A practical electrical engineering course for women, in collaboration with the non-profit organization Atidim and ORT Braude.	The training program targeted to ultra-Orthodox women opened in March 2022 A practical electrical engineering course for women opened in November 2022
Recruitment of women for core and field positions, including a pilot project in 2022, in collaboration with the IDF Homefront Command, for hiring newly discharged women combat soldiers for network jobs.	A pilot was conducted and 2 women were hired.
Launch of a support workshop on work-life balance for employees who are fathers of young children.	Scheduled to take place in 2023.
Plan to achieve the goal of strengthening the women executive tier and raising the percentage of women in management roles – The Company	In 2023, at the time of writing this report, a process is being carried out to determine updated multi-year goals until 2030 that will be reported in the next report.

Future measures and objectives for 2023

Training sessions on the issue of the prevention of sexual harassment – in 2023, an extensive informative activity will be held in a hands-on, interactive format. 120 training sessions are scheduled to take place in 2023-2024 for all employees.

Health and safety in IEC

Safety training sessions

5,660 manual workers

underwent physical safety training sessions in 2022 (some 95% of all the Company's manual workers)

8,552 employees

underwent training sessions using online tutorials, and 6003 of them took part in dedicated online tutorials (directly pertaining to their specific profession)

Safety training sessions were delivered to **1,500 contractors**

7,414

visits by safety supervisors in the various sites

1,564

near-miss incidents in the Company

200% compliance with the annual target

6%

increase in the number of reports about "almost an accident" compared with 2021

IEC regards occupational safety and health as a supreme value and an essential measure of its success. Accordingly, it regularly develops and revises its safety plans and works to promote and assimilate the safety culture in the Company. As part of the effort to make safety a top priority for the Company, safety has been established as a metric for the Company's compensation model.

The Safety Unit's activity is derived from laws, regulations, procedures and directives, and is managed via a computerized safety management system. The system documents safety incidents, officer visits, safety plans for the sites, occupational hygiene, risk management, near-misses, contractors (training sessions, incidents, visits), safety committees and statistical data. The information in the system relates to all the Company sites. The system even assists with management and monitoring of compliance with the regulatory requirements.

The Company has a document entitled IEC's Occupational Safety, Hygiene, and Health Policy, which was signed in 2017. This policy defines the Company's approach to the topic while focusing on the following components: the safety concept, leadership and corporate culture, management commitment, guidelines for management, control and improvement mechanisms, full response to regulatory requirements and transparency, as well as the allocation of resources for management of this matter. This document expresses the management's commitment, led by the CEO, to safety, and constitutes a framework under which the goals of the Company's safety management program are determined, while focusing on two approaches:

1. **Proactive-preventative approach:** A structured and systematic process of risk management and encouragement of a reporting culture, to reduce risks of accidents on the level of the organization and the individual.
2. **Reactive approach:** Carrying out in-depth investigations of safety incidents, workplace accidents, and occupational diseases, with the aim of drawing cross-organizational conclusions and taking corrective action.

Short-term CEO goals and long-term strategic goals in the area of safety were established for the first time at the Company in late 2020. The goals include:

- To aspire to zero road accidents and workplace accidents in the Company .
- To attain the targets for reduction of the number of accidents each year (95% of the five-year average of the safety metrics).
- To assimilate a proactive safety culture.

Towards the end of 2020, two new Company procedures came into effect, defining the function of safety and hygiene at IEC and describing the role of the safety supervisor:

- The Safety Organization and Safety Management Plan Preparation Procedure.
- The Management of Risks at Work (Safety and Hygiene) Procedure, currently being implemented at the Production Division, and planned to apply to all divisions of the Company.

The Safety Unit operates in accordance with the safety plan and policy, "Safety Management Method," which is implemented at all levels of the Company. In 2021, the Company underwent a certification process for management of the occupational health and safety system (ISO 45001), some of the Company units were certified with this standard, such as the Projects Division.

Internal safety instructions and procedures formulated by the Company include a set of safety guidelines on different issues, such as:

- The Safety Organization and Safety Management Plan Preparation Procedure.
- Safety instructions for work with switchgears at district power plants and substations, for all types of voltage levels.
- Safety instructions for manual handling.
- Safety procedures for work with hazardous materials.
- Safety procedures for operation, maintenance, and transportation of materials.
- Safety procedures for transportation/storage of materials.
- Safety procedures for work at the Company's power plants and facilities.
- Occupational hygiene.

Labor Inspection Organization Regulations (Safety Management Program), 2013 require the implementation of a system-wide proactive program for occupational safety management.

In 2022, 48 safety management programs were prepared and signed in the different departments/divisions of the Company.

Safety control system

Safety committees

Within its safety control system, the IEC operates several committees of different compositions for monitoring, developing, and maintaining safety and safety culture at the IEC. The committees operate in accordance with the law and meet on at least 8 occasions a year, and their activity is detailed and documented in the safety committees module on the automated safety management system.

In addition, IEC has a performance monitoring and measurement system for occupational exposure of employees to hazardous material through various tests, including personal sampling, area and surface sampling. The Company adopts active measures in order to reduce risks, and in accordance with the deviations discovered in the monitoring of employees and their exposure, the IEC issues health cards to employees, works to reduce the risk using technological means, safety directives and inculcating a culture of risk prevention and reduction. Pursuant to the issuing of health cards, the IEC carries out monitoring of medical tests and by this monitoring activity, it acts towards the recognition and identification of risks in the work environment - identification of the hazardous material and its separation from other materials in the workplace.

In 2022, monitoring was conducted with regard to welders and deviations were identified in heavy metals such as manganese, nickel, chrome, and accordingly all the Company welders were required to use air-fed welding masks (such kits were purchased for all the welders in the Company) for all types of welding, and the central technical committee worked to introduce the use of low manganese electrodes.

The Safety Unit in conjunction with the Environmental Protection and Medical Department act towards:

- Recognition and identification of risk in the work environment - identification of the hazardous material and its separation from other materials in the workplace.
- Knowledge of the potential risk - knowledge of the properties of the hazardous material, its toxicity, physical condition in the air, how it penetrates the human body, the effect of the process on dispersion of the material in the environment, and the possibility of interaction between the material and other materials.
- Environmental monitoring - measuring the concentration of the material in the air.
- Biological monitoring - a system for measurement and control of materials in body fluids and tissue.
- Exposure assessment - weighting of all data, including conditions that increase or decrease the intensity of exposure (such as physical exertion, exposure to several hazards simultaneously, and environmental conditions).
- There is also a set of environmental-occupational tests that include preliminary surveys and monitoring of hazardous materials to measure their concentration in the air. The tests are performed at the frequency and in the scope prescribed by law, by a surveyor from a certified laboratory for environmental-occupational tests.

Safety indicators

To monitor and manage the attainment of CEO targets in the area of safety, the Company has established a series of objectives and ⁵³ indicators, measured on a quarterly and annual basis. The Company's key indicators:

- Accident rate (number of accidents per 100,000 hours);
- Severity of accidents;
- Average number of days of absence following an accident;
- Lost hours or working days.

⁵³ Targets are based on the average performance for each indicator in the preceding 5 years, with the aim of meeting the target of 95% ("good level") of the five-year average of the index. The targets weight the number of accidents against the number of work hours, the number of safety supervisors per 100 employees, the percentage of safety officers, etc.

In addition, personal safety targets were set for employees of the Company, for reporting at least five times as many near-miss events as the number of accidents in the preceding year (reporting using a dedicated safety management system application), safety risk management tasks, and remedying findings of safety inspections.

Safety supervisors and trustees

Operation of 38 safety supervisors – under the Labor Inspection Organization Law, the Israel Electric Corporation is required to employ a safety supervisor. The number of supervisors, their placement and their mode of operation, are determined pursuant to the requisite and forecast scope of the activity. There are 34 supervisors operating in the line divisions (in the Manufacturing and Energy Division, the Engineering Projects Division and the Grid Services & Logistics Division), and at the safety headquarters there are 3 supervisors operating in the administration departments along with an additional supervisor responsible for the staff and service sphere in a number of divisions (ICT, HR, Engineering Projects and Manufacturing).

Safety supervisors, who are required to attend eight training days each year, perform their duties in accordance with 19 sections of the Labor Inspection Organization Law, and visit the various sites of the Company to maintain a high level of safety among the Company's employees, and to identify and quickly remedy safety deficiencies. The inspections, which are performed based on an annual work plan, examine aspects of the work environment, the use of tools and equipment, personal protective equipment, work processes, hazardous materials, signage, risk management, training for Company employees and contractors, monitoring of medical examinations and environmental testing, and more. The resolution of deficiencies is also monitored continuously, including automatic alerts for managers according to the schedule established for resolution, through a safety management IT system.

These reviews raise two types of findings:

- **Findings for improvement:** deficiencies in work processes and detection of hazards in the work environment, unsafe conduct, and violation of safety instructions by employees.
- **Findings for preservation:** maintaining safe conduct, environmental protection, and proper work processes.

In 2022, safety supervisors held 7,414 visits at various sites and identified 4,267 findings for improvement, as well as 16,110 findings for retention. Following that, 97.8% of the findings and deficiencies identified were addressed.

Operation of 350 safety trustees – in order to create a culture of safety, prevention and reduction of workplace accidents and to generate a sense of competition and achievement in the field of safety in the workplace, safety trustees were appointed in the Company, who operate in accordance with the outline presented at the safety trustees launch ceremony in 2019. A safety trustee possesses the department's safety management program and assists in implementing it among the various managers and employees, including: giving key safety pointers at the beginning of the working day, monthly safety monitoring inspections with the employee team and quarterly inspections with the department manager, producing inspection reports, participation in risk analysis and updating the control measures to prevent them, monitoring safety qualifications and training sessions in the department, and both reporting and encouraging reporting of near-miss incidents.

Safety training

The manual workers are required to undergo an annual safety refresher course by the safety supervisors at the Company.

In 2022, physical safety training sessions were held for 5,660 manual workers (some 95% of all the Company's manual workers), via in-person training sessions delivered by the safety supervisors. Moreover, 8,552 employees

underwent training sessions using online tutorials, and 6,003 of them took part in dedicated online tutorials for the various divisions and departments directly pertaining to their specific profession in accordance with the risks in the workplace (including taking an online exam). The duration of the training was 4 hours per employee.

In addition, the entry of contract workers into the Company facilities is permitted only after they have completed safety training and some 1,500 contractors are given instruction on an annual basis by the Safety Division supervisors at the IEC premises. The Safety Unit launched the “Contractor Portfolio Module” in which training coordination is carried out with the safety supervisor and the supervisor, and all the contractor’s requisite documents are inputted in advance into the module and it is used to document training sessions that have been completed.

Initiatives to uphold safety at IEC

Program for to mitigate safety risk

Since 2020, a comprehensive plan has been in place to reduce overall safety risk at the Company; the plan was approved by the head safety committee, in the presence of the CEO. The risk-management work plan was updated in 2021, with the aim of changing the perception of safety at the Company and instilling an approach based on the following principles:

- The data and digitization function - to streamline and improve reporting, monitoring, collection of information, and analysis in a way that allows rapid drawing of conclusions.
- Risk control based on the principle of “reduction to an acceptable level”⁵⁴.
- The perception of safety as an essential component of business activity.
- System-wide approach - centralized and uniform management of the subject for all divisions in the Company, while combining leadership, principles of a learning organization, continuity and repetition, transparency, and increased awareness.

Encouraging a culture of safety excellence

The aim of the program for encouraging safety excellence is to reduce and prevent workplace accidents by bolstering the safety culture at all ranks and levels throughout the Company. During 2022, the Safety Unit updated the overall program for safety excellence and during the year award ceremonies were held to recognize the work of the Company’s 350 safety trustees. This is in addition to the CEO safety trophy and the VP safety trophy that are awarded annually to the three departments excelling in safety.

Furthermore, the Safety Unit held a conference on the topic of safety leadership that was attended by all the Company’s managerial ranks, as well as relevant partners from leading companies in the Israeli economy. As part of the IEC’s being a learning organization, in 2022 the “Flagship Investigation” pilot was launched, in which filmed reconstructions are produced of outstanding safety incidents that are then disseminated to the Company employees, accompanied by the key points of the investigation and the conclusions drawn, along with information leaflets.

⁵⁴ An acceptable level is based on the requirements of the law; a balance between the possible damage and the expected benefit; social norms and organizational culture, the cost of mitigating risk; and prioritizing risks.

Raising employee awareness

In 2021-2022, the Safety Unit led a large-scale safety campaign to raise awareness of safety and help change behaviors among employees and managers of the Company. According to a survey conducted among the employees both prior and subsequent to the campaign, it emerged that the exposure to the publications led to a high level of awareness to the topic of safety and that more employees now take care to adhere to the relevant safety aspects during their routine work.

Near-miss reports

Near-miss reports are an important part of the safety culture and in prevention of workplace accidents. These reports are divided into two types - reports on hazards and reports of deficiencies in the work process. IEC strives to increase the number of work process deficiency reports, with the aim of improving and enhancing work guidelines and safety procedures, thus systematically and consistently raising the safety level. The Company's management encourages near-miss reports, and the Head Safety Committee also set an initial ratio for 2022 of 1:5 (at least 5 near-miss reports are required in 2022, compared with each accident that occurred during the corresponding period in 2021).

In 2022, 1,564 near-miss incidents were reported in the Company (which represents a 200% compliance rate with the annual target); there was also an increase of 7% in the number of reports compared with 2021. 1,383 of the reports addressed hazards, and 181 addressed deficiencies in the work process.

Occupational safety project for subcontractors

As part of the reform of the electricity sector and the restructuring arising from it, we implement numerous construction, infrastructure, and operation projects. The execution of these projects involves a range of functions, both IEC employees and contractors, and brings together a wide variety of infrastructures, tools, methods, and work processes. The complexity of the projects and the range of functions involved in execution lead to significant safety risks and require extensive preparation by all of the parties. This preparedness is reflected in safety programs that are an integral part of the work plan in each project. In 2022, the unit performed safety operations with more than 900 contractors. When working with contract workers, there are two significant safety risks:

- 1) **Safety culture gap** - Due to the nature of the project work, the contract worker is usually a temporary worker who is unfamiliar with IEC's safety culture and requirements.
- 2) **Partial or poor communication** - When working on large projects with the participation of many entities, safety incidents sometimes occur due to deficient coordination between the contract workers and other implementing and supervisory entities.

To address the increase in agreements with external contract workers and the numerous complex construction and operational projects, the safety unit implemented several significant changes:

- A new module for contractor management was launched, affording improved control and monitoring of all the safety issues involved in the work of contractors at the Company;
- Reporting to the Procurement Division on contractors according to their safety history;
- Requirement for a structured safety appendix in the contractor's performance specification;
- Improvement and expansion of the safety program for contractors.

100% of relevant IEC suppliers and subcontractors attended safety training in 2022.

In 2022, there were 30 injuries of subcontractor employees at IEC sites.

No accidents occurred leading to the death of contract workers.

Additional safety data for 2022

In 2022, the number of work accidents of employees of the Company decreased compared with 2021; there were 542 safety incidents, of which 327 safety incidents resulting in the absence of an employee for at least one day beyond the day of the accident. At the same time, there was an increase in the number of accidents involving contract workers. At the same time, the severity of the work accidents had increased. The total number of days of absence from work due to safety incidents and occupational illnesses in 2022 was 2,691 among the Company employees.

In 2022 no fatal accidents occurred in the IEC; however, during the first quarter of 2023, two fatal accidents occurred, involving the death of two contract workers following the collapse of excavation works in Ashdod, and the collapse of the crane at the Rutenberg power plant, which led to the deaths of Naftali Edri, a Company pensioner, and Nir Dekel, a Company employee.

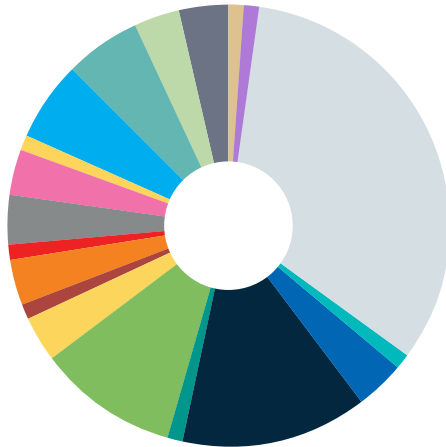
Table 16: Overall IEC safety data, 2019-2022

	Five-year average ⁵⁵	2020	2021	2022
No. of workplace accidents		96	115	74
Rate of workplace accidents (number of accidents per 100,000 hours)	0.48	0.42	0.49	0.33
Average severity of accidents ⁵⁶	25.19	32.71	30	35.54
Workplace accidents involving contract workers		39	41	54
Cases of loss of life of contract workers due to workplace accidents		1	2	0

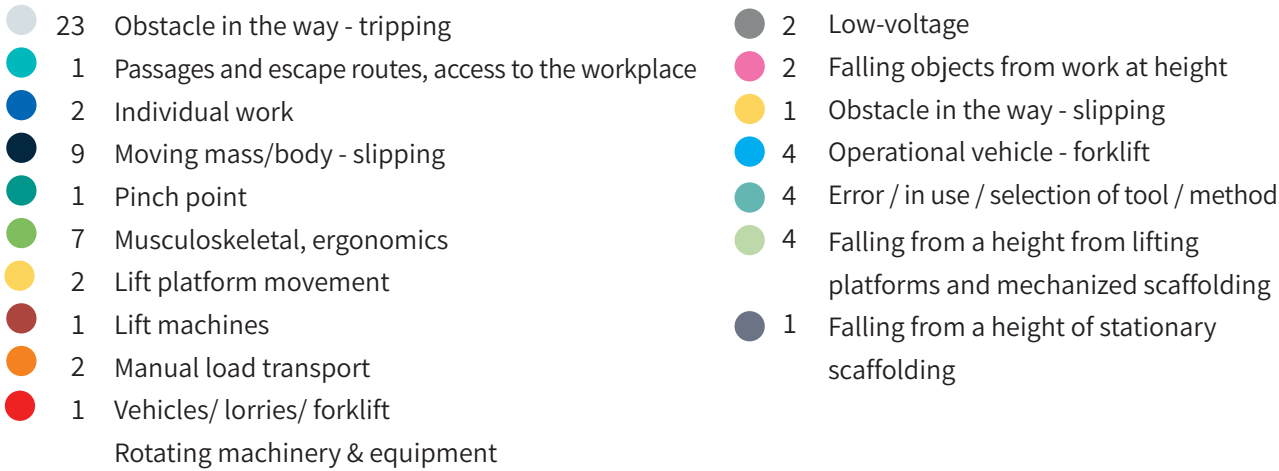
⁵⁵ The five-year average is presented since targets are based on the average performance for each indicator in the preceding 5 years, with the aim of meeting the target of 95% ("good level") of the five-year average of the index. The targets weight the number of accidents against the number of work hours, the number of safety supervisors per 100 employees, and the percentage of safety officers.

⁵⁶ Calculated according to number of absence days following the accident, per employee.

Chart 9: Segmentation of types of accidents in 2022 – material risk factors



Number of work accident statistics - main causes - overall Company 2022



No. of manual workers who received safety training



There was a decline in the number of manual workers in the Company in parallel to the decline in the overall number of Company employees due to the reform in the electricity sector.

Table 17: The IEC safety committees system

Head Safety Committee	
Partners	Members of the Company's management and members of the labor union
Areas of responsibility	Making decisions regarding IEC's safety policy. The committee outlines the methods for implementation, performance, and improvement of the safety policy, and coordinates the work of the safety committees of all sites.
No. of meetings	The committee held four meetings during 2022.
Safety committees of the sites (16 committees in total)	
Partners	Employees of the site/unit (management and labor union)
Areas of responsibility	Site/division safety committees operating under the Labor Inspection Organization Law.
No. of meetings	The committee holds at least eight meetings every year, on safety issues in the units and sites within its area of responsibility.
Central technical committees (4 committees in total)	
Partners	Professional entities from all the Company's divisions and representatives from the safety unit
Areas of responsibility	Developing, revising, and distributing occupational safety instructions in all areas of the Company's business. The committees are composed of professional entities from all divisions, alongside the members of the safety unit who coordinate them.
No. of meetings	Each committee convenes several times a year, and the decisions and routine work are usually implemented by local ad-hoc sub-teams for each task.
Disciplinary committees	
Description	Disciplinary committees are established in accordance with Company Procedure 10-03-01 (Addressing Cases of Violation of Occupational Safety Regulations) or following an investigation committee.
Incidents	During 2022, 30 employees were brought before a disciplinary committee, and 2 employees were found to be innocent. 60% of the incidents in respect of which employees were brought before a disciplinary committee were life endangering incidents and/or involving heavy damages.
Decisions	There were no cases of dismissal at the disciplinary committees or on the occasion of a decision by a disciplinary committee.

Occupational hygiene and medicine

Occupational hygiene addresses maintaining and promoting the physical, mental, and social wellness of the person in the workplace, by maintaining an adequate work environment, combined with healthcare supervision and social welfare conditions.⁵⁷ Occupational medicine addresses the recognition and evaluation of the medical aspect of occupational risk factors, recommendations for preventing exposure of employees to these risk factors, periodic medical follow-up of employees exposed to occupational risk factors, diagnosis of occupational diseases, recommendations for placement of employees in a job compatible with their medical condition, and recommendations for rehabilitation of employees in a job in the event of an illness restricting them.

IEC uses different kinds of tools, machines and materials, and employees engage in diverse operations under variable working conditions. During work at the Company, the employees may be exposed to hazardous materials, including:

- **Chemical substances:** such as metals, aromatic liquids and gases
- **Physical factors:** noise, ionizing-non-ionizing radiation, etc.
- **Physical-chemical factors:** harmful dust, hard metal dusts
- **Biological factors:** bacteria, viruses, allergenic materials, dust

In order to maintain their health and a proper work environment, the Company takes steps to predict, recognize, evaluate, and control these hazards by implementing a set of environmental-occupational monitoring tests (biological and environmental monitoring), based on three levels of prevention:

1. **Environmental control** - performing preliminary surveys and environmental monitoring of hazardous materials in the air and comparing them to exposure levels/standards.
2. **Biological control** - performing blood tests and other medical tests for employees, and comparing them with biological exposure markers.
3. **Level of healthcare supervision** - periodic appointments with the occupational physician for tests.

The Company also acts to prevent and reduce exposure to hazardous materials, by using materials that are more user-friendly or using equipment and work methods that reduce the exposure of employees to hazardous materials.

Within the management of safety and health risks, following a finding of failure to report medical testing of employees for harmful factors, in 2021 a decision was made to raise the risk level of safety and health risk at the Company to high, based on data on employee exposure, in accordance with the work plan pursuant to the Occupational Hygiene Procedure.

At the same time, the company worked to improve reporting through computerized systems that support the occupational medicine system.

⁵⁷ Occupational hygiene activity is set in Company Procedure 10-08-01, Occupational Hygiene.

Committed to employees' well-being and health

Employee wellbeing

The Company invests extensive resources in the well-being of its employees, who are entitled to a range of benefits and employment terms, including meals, subsidized health insurance, a study fund, support for life events, and more. These benefits are anchored in the collective agreements and apply to all employees, if they have accumulated the conditions for their receipt.⁵⁸

In addition, the Company has a National Occupational Welfare Department staffed by welfare and social workers, and provides a full social response to all Company employees and to the 8,000 retirees and families of deceased IEC employees. The department is responsible for maintaining ongoing contact with employees and retirees, and for support in life events such as mourning, illness, divorce, dismissal, and retirement.

“We care about people”

is a core value for the national Occupational Well-being Department.

The department provides guidance, support, and assistance to IEC employees and their families, retired employees, and surviving relatives of deceased employees, in times of stress and crisis. The core activity of the department is everyday work with employees experiencing occupational, health-related, or mental distress. These employees receive holistic assistance, while being provided with practical tools to cope with their situation. Aid is provided by social workers and well-being workers, who maintain collaborative ongoing dialogue with management. The shared goal of these processes is to return the employee to work as quickly as possible. The department's employees are also responsible for providing opinions in cases of employees supported by the department who request tenure on humane grounds and early retirement due to personal, health, and/or family problems. In addition, the department initiates diverse projects in response to needs arising from the “field”, such as a framework for employees caring for family members, a community for parents of children with special needs, and more. For the Company's retirees, the department initiated the Lend and Ear project, in which retirees regularly contact older retirees, take an interest in their wellbeing and update the welfare department on their requirements when needed. The department operates in close contact and full cooperation with social organizations, and refers employees, retirees and/or their family members for further care in the community as relevant. In recent years, the Well-being Department has also led a project for the prevention of domestic violence, which has been implemented at all units of the Company.

The Company's employees and retirees may contact representatives of the Welfare Department through all the means available to them (such as telephone, text messages, e-mail, and suggestion box), and they are routinely informed how to contact the department.

⁵⁸ The benefits do not apply to contractor employees who are not company employees and are not employed in accordance with the collective agreements

Employee health as part of routine work at the IEC

IEC management accords great importance to employee health. To this end, the IEC works to develop organizational infrastructures and instill an organizational culture in which health-promoting activity is interwoven into employees' daily routines. Therefore, the head of the health promotion section is often engaged in a dialogue with the Company's senior staff to find opportunities for health-related activities during the working day. In addition, to reach all the employees, engage them and raise awareness of corporate activities to encourage a healthy lifestyle, approximately twenty "health promoters" were trained and located at the Company's various sites. The role of the health promoters is to initiate, lead local activities, and assist in the implementation of cross-organizational activities. Activities in this area are publicized through various communication channels: bulletin boards at the various sites, additional intra-organizational communication channels, intranet, and email.

Activities to promote health take place in a number of main areas:

Encouraging movement

One of the main challenges we try to address is prolonged sitting and immobility throughout the day, and a direct link was found between this lifestyle and the development of chronic diseases. We hold a range of events and activities to encourage movement during the day, including an annual Walking Day; a traditional staircase race at the Company's headquarters in Haifa, over the 27 floors of the building; a race for Company employees at the IEC training center in Heftziba; encouraging employees to take walks collectively; a step-count contest over the course of a month, using a dedicated app; and more. To raise awareness of the importance of physical activity, administrative offices and stairways at the headquarters building as well as some sites were branded with signs encouraging employees to use the stairs.

With the assistance of an external supplier, we developed the Employees on the Move app, which encourages movement and healthy lifestyles, and provides reminders during the workday to get up, stretch, and drink water. The app can be used to register for classes and activities and offers content such as optimal organization of the work environment, short exercises that can be implemented on the job, online sports lessons, lectures, podcasts, and more. For employees who are interested, personal ergonomic advice is offered through the app for organizing the work environment at home and in the office, as well as lectures on the subject.

In addition to activities and tools integrated into the workday, we hold hybrid-format long-distance running groups, where runners attend a weekly lesson online and meet twice a month to run together. In addition, our employees participate in IEC's representative sports teams and employees' leagues in various branches, through the labor union. To encourage commuting by bicycle, thereby promoting energy savings along with movement for employees, we have installed bicycle racks and showers at various sites.

Preventing illness and promoting health

The main activity in disease prevention is the survey tests that we subsidize for every employee aged 40 and above, with a small deductible. In 2022, the percentage of utilization of entitlement amounted to 15% of those entitled individuals.

In addition, Health Month was held in hybrid form in 2022; during the month, various activities were held during work hours at numerous Company sites across the country: power plants, operational centers, administrative centers, etc. Among other things, lectures and employee enrichment workshops were held on a number of health-related topics. For example: healthy diet; positive psychology; quality sleep, reduction of stress, and integration. Physical activities including studio exercises and sports games.

In addition to the aforementioned, the Company marked the Breast Cancer Awareness Month with a national health conference for its female employees that included lectures on issues of relevance to women's' health along with workshops on physical activity.

To promote skin cancer prevention and awareness, we held - for the second consecutive year - testing days for diagnosis of moles by dermatologists, and raise awareness to the importance of prevention and sun protection. In 2022, we focused on employees in the Network Services Division, who spend long hours working outdoors.

The Hatna'a program was launched in 2022 - a program with the aim of reducing work accidents and illness among drivers and employees, led by the Deputy Head of Transportation in the IEC Logistics Division. According to the professional literature, long working hours spent in the driver's cabin create exposure to various types of risks and have a negative effect on their ability to lead a healthy way of life.

The Hatna'a program was developed to provide a response to these issues, and its aim is to reduce occupational morbidity and to improve employee health by instilling healthy modes of conduct, increasing physical exercise and providing informative material on specially tailored core content matters; ergonomics, healthy diet, adequate sleep and protection from the sun. This content is conveyed through in-person training as well as digital means (a phone app paired with a smart bracelet).

Proper nutrition

In the Company's dining rooms, emphasis is placed on a healthy menu, and agreements with our catering services are made with the help of nutritionists. In addition, there is outside culinary supervision of the dining rooms, including the kitchen, raw materials, and the quality of the meals. Every day we ensure that employees are offered the option of a rich vegan meal. In food arrangements for outside workers who are entitled to this, special emphasis is placed on the inclusion of healthy options.

In addition, to raise awareness of the issue, we offer lectures in various frameworks on the importance of a healthy diet and its role in disease prevention.

Measures and Objectives

Measures and objectives for 2022 - Planning vs. Implementation	Status
To assess whether health-promotion activities have improved the organizational climate and culture of the Company, in the coming years we will conduct a survey of basic positions in this area (the previous survey was conducted in 2018), to obtain a comparative perspective and examine the impact of this activity on employees.	Not carried out in 2022, will be done in 2024
Implementing Health Month – Unique activities during Health Month are also planned during the last quarter of 2022, and annually.	Carried out in Q4 2022
Fitness center subsidies – We are working with the employee union to offer subscriptions for employees nationwide, in various forms of sports.	Not carried out in 2022, not yet approved by the employees organization.
As part of the effort to make sports accessible to employees during the workday, 6 additional fitness parks will be built at six sites over the coming 3 years.	Not carried out, in 2022 the contract was established and in 2023, 2 fitness parks have already been built.
Launch of the "Hatna'a" intervention program to reduce work accidents and illness among drivers and transport workers at the IEC.	Carried out during 2022-2023 and is being completed at the time of writing this report.

Future measures and objectives for 2023	Execution status/expected date
Implementing Health Month – preparations to hold unique activities during Health Month.	Due to be held during the second quarter of 2024.
Fitness center subsidies – We are working with the employee union to offer subscriptions for employees nationwide, in various forms of sports.	Was due to be carried out in 2022, not yet approved by the employees organization, completion forecast by end of 2023
DAs part of the efforts to make sports accessible to employees during the workday, 6 additional fitness parks will be built at six sites over the coming 3 years, 4 of them during 2023.	A contract was established with a supplier, in 2023 at the time of writing this report, 2 fitness parks have already been built.
Furthermore, we shall return to holding physical exercise as part of the workday, firstly as part of a pilot at two sites only.	Commenced in 2022, continued implementation planned for 2023 and is reaching completion at the time of completing the writing of this report.
Running a pilot involving workshops on Company sites for employees to help them stop smoking, led by teams from the various health maintenance organizations	Scheduled to take place towards the end of 2023
Number of individuals tested in occupational health monitoring tests: 950 Number of individuals tested in skin tests: 600	In early September 2023, the actual number of individuals checked was measured: Occupational health monitoring tests: 750 employees Skin tests: 223 individuals tested (the tests began in August 2023)

Asbestos cement surveys at IEC sites

There are still numerous elements made of asbestos cement at IEC facilities, including: corrugated asbestos sheets used in roofing and walls in various buildings, portable buildings are made of asbestos cement, together with fences, rails and piping. The main danger inherent in asbestos cement products is that of deterioration until it reaches a state of erosion and disintegration, leading to the release and dispersal of asbestos fibers in the atmosphere that are then inhaled by the employees or the general public. In more severe cases, the deterioration in the state of the asbestos might lead to the collapse of buildings and potential asbestos cement fires, situations that constitute an immediate health risk for both employees and the general public, and which in addition make the efforts to treat this hazard extremely complex and require such incidents to be reported to the Ministry of Environmental Protection.

The Environmental Monitoring Department in conjunction with the National Safety Unit continued to work during 2022 to map out and survey all the asbestos cement products at IEC sites by a qualified inspector, with the aim of facilitating the gradual dismantling and removal of all the asbestos cement products from all IEC facilities. In addition, there is ongoing cooperation with the Environmental Regulation Department to conduct asbestos cement surveys as part of the response to the findings emerging from environmental compliance surveys carried out at the IEC sites.

In 2022, asbestos roof dismantling operations were completed at the Ashdod logistics center, and asbestos sheds were dismantled at the Rotenberg logistics center. In addition, asbestos cement surveys were carried out at the production sites and the relevant logistics sites. In 2023, asbestos cement surveys are expected to continue at all relevant production sites and logistics sites according to an annual work plan, along with various tests, among other things, in accordance with employee complaints or unexpected findings discovered in the area of the Electric Company sites.

Development of human capital

Development and retention of our human capital, given the changes in the business environment, were defined by the Company's management as one of the Company's four main focal points. To position IEC as a leading business entity in the Israeli economy, the Human Resources Division formulated four strategic targets:

Designing an organizational culture and leading strategy-supporting change and business objectives

Employee engagement	Remote management	Enterprise learning
Excellence in service	Tools for business thinking	Innovation

Development of human resources of the revitalized company

Talent management	Career management	Assessment and development circle
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Development of a leadership backbone to lead the Company to achieve its strategic objectives

Training of managers at different levels and development of senior leadership in accordance with the organizational leadership model

Development of the Human Resources Division as a leading entity to achieve the Company's objectives

Development, expansion, and assimilation of HR practices in the organization
Support and training of the Human Resource Departments and Excellence Centers of the division

Human-capital development at the Company focuses on two main paths:

- 1) **Professional training path** – The IEC's Electricity, Energy, and Environment Training Campus provides professional training programs in the principal areas of activity of the Company and the certifications required by government ministries pursuant to laws and regulations.
- 2) **Leadership and organizational culture development path** – Responsible for executive development processes at the Company, and works to mold and adapt its organizational and managerial culture to that of a business in a competitive market, in the spirit of the electricity sector reform, through the creation of a multi-channel continual learning process.

The overall investment of the IEC in training and coaching (training, coaching, study programs, and leadership development), in 2022 and 2021, was approximately NIS 148 million and NIS 152 million, respectively.⁵⁹

⁵⁹ The amount includes salary expenses, outsourced training expenses, transportation and other general expenses, for the Energy and Environment Training Campus (professional training) and for the Center for Leadership and Business Management.

Professional training

According to company policy, every employee is required to receive relevant professional training. The Company releases an annual training work plan every year, derived from analysis and processing of data collected regarding the needs of the various divisions and trends in the evolving and changing electricity sector.

The Company has a range of professional training tracks in various fields, including for professions such as electricity, grid, natural gas, mechanics, welding, piping, project management, risk management, contract worker supervisors, operations, control, IT, cyber, height, safety, forklifts, cranes, hoisting equipment, cutting, rescue, firefighting, service representatives, training skills, and development of training means.

465,016 total hours of professional training in 2022 (equivalent to 58,127 working days)

The average number of professional training hours per employee stood at 43.4 training hours⁶⁰

The IEC's investment in training in 2022 was approximately NIS 148 million.⁶¹

Development of leadership and corporate culture

The average hours of training per employee at the Company Leadership Development Center: 3.6 hours per employee

The Human Capital Development Unit has set several goals, to support realization of the Company's vision and strategy:

- To improve interfaces between divisions and enhance partnerships.
- To instill organizational ethics and core values (see Chapter 6).
- To cultivate business leadership.
- To assimilate a service concept adapted to a business company in a competitive market, among all the employees and managers in the Company.
- Continued support for the Company's transition to remote management, and providing management tools in a changing reality.
- Assimilation of a corporate culture of learning organization across the Company
- Formulation of a concept, tracks and supportive tools for career management, and professional development of employees with skills.
- Continued support of the business units through programs aimed at organizational change, tailored to customer requirements.

In order to develop a prominent leadership backbone at the IEC, a dedicated development plan has been formulated. The plan encompasses a broad and integrative view of all levels of management, including components of preparation for a role (managerial reserves), the process of entering a new role, and learning and development on the job. The plan includes search and screening processes, career management, performance evaluation and compensation, and lateral organizational processes. To produce a continuity of development processes and empowerment of employees and managers, from the day they enter the Company and their initial orientation, and throughout their managerial career, the programs are offered for different management levels:

- **Leadership development program** - As a policy, before entering any managerial position in the Company, the relevant employees participate in the leadership training course. Appropriate emphases defined for

⁶⁰ The average was calculated according to the total number of professional training hours at the Company during 2022 - 465,016 hours divided by the total number of employees at the Company: 10,715

⁶¹ The amount includes salary expenses, outsourced training expenses, transportation and other general expenses.

each level: personal leadership for employees, system-wide/operational leadership for sector heads and department heads, and strategic leadership for senior managers - from the level of deputy division manager and above.

- **Executive training and development** - there are 108 senior executives⁶² at the IEC and their training and development programs are based on a holistic framework covering the following key aspects: management potential, training sessions tailored for entry into a new position, and career management.

Personal leadership:

- **Flowers of Light** - to identify and develop potential candidates among the younger generation in the Company for the position of department heads, and to create a pool of excelling employees, develop them, and influence, with their help, improved organizational culture. Training for the program combining academic components and enrichment content alongside deepening the perception of the role of the manager and imparting management skills. This training is held once annually; In 2022, 22 employees were trained as part thereof.
- **Program for sector heads** - In the context of reorganization in IEC, a new position was created - sector head, which will serve as an operational arm and assist the department manager. For some of the sector heads, this is their first managerial position and special training is designed to provide them with managerial tools to address challenges and increase their sense of capability. In 2022, 94 sector heads were trained. In total, to date, 355 sector heads have taken part.
- **Barak Or program** - a program for training department heads when taking up their position. The objectives of the training are to provide a framework and support for the development of a business management orientation processes, to create a space that allows personal managerial development, to shape a perception of a personal role, and to formulate a future departmental picture that maps gaps and the way to realize it. As a result of the program, a group of peers for interdepartmental learning and interaction was formed.

In 2022, total investment of the IEC in leadership development was NIS 5,300,000.

Courses and academic studies

In addition to IEC training programs, we encourage employees to attend various professional courses and earn academic degrees, as part of the development of human capital at the Company. The Company approves attendance of courses/seminars and conferences (depending on the position and rank) for employees, as well as academic studies for bachelor's/ master's degrees/technician/ practical engineer, or certificate studies. Employees are entitled to financing for their studies at a rate of 60% to 100% of the tuition fee, depending on the affiliation to work requirements, and in most of the cases, receive approval for absence for a full study day at the Company's expense.

In addition to the programs offered by academic institutions, two programs have been developed for the Company's employee as part of postgraduate studies, which were specifically customized to the Company's requirements:

- An MBA program majoring in natural resources, environment, and energy at the Netanya Academic College, which has been adapted to the requirements of the largest infrastructure companies in Israel.
- Master's degree in electrical engineering from Ariel University, majoring in power systems (high voltage).

In 2022, investment in academic studies was approximately NIS 4.7 million.

⁶² This group includes the ranks from the level of deputy division manager to Company CEO.

Professional Talent – Psagot

Alongside the development and promotion tracks of the employees, IEC runs a professional promotion track - Professional Talent - Psagot. The objective of the program is to increase preparedness, organizational resilience, and rapid adaptation to changes through leadership development, professional development, and encouragement of excellence. This innovative program includes the identification, selection, and advanced professional training of employees with outstanding professional abilities, who are identified as having the potential for development and a positive impact on the Company's employees. The program was initially run as a pilot project in the form of divisional training at the Production Division; a new Company-wide format, developed in 2021, was carried out in 2022.

Measures and Objectives

Measures and objectives for 2022 - Planning vs. Implementation	Status
Expansion of the training program for section heads to the Finance and ICT divisions.	Done
Holding the Professional Talent Psagot training program in a new Company-wide format.	Done
Mentoring – Formulation and implementation of a Company-wide mentoring program.	A program was formulated
Individual consulting for managers and systemic consulting for Company units – Continuation of individual support for managers entering new roles or during change processes. Systemic consulting for all units of the Company, for guidance in adapting its culture to the culture of a business in a competitive market.	Done

Processes for performance feedback and evaluation of employees and managers

The employee feedback and assessment process begins with a self-assessment form, which is submitted to managers for the feedback session. During the meeting, the manager (at the level of sector head and above) addresses the range of issues and aspects in the employee's performance and function. The performance appraisal process supports a number of objectives, including coordinating expectations, improving performance, and learning lessons, as well as formulating a career horizon for employee development. In addition, the feedback improves the communication channel between employees and managers, and draws the employee's attention to the evaluation of their performance. The feedback is documented in the employee's personal file and provides information to the human resource system about decisions regarding employment or promotion, the need that arises for professional retraining, and training or studies, locating managerial potential, and more. Feedback processes were held for 100% of employees in 2021 (the feedback process takes place every year).

Inter-organizational dialogue

Our employees are at the center of organizational change, which is designed to prepare the Company for changes in the electricity sector and the challenges involved in these changes. The Company, together with its managers and the labor union, invest great effort and resources to undergo this change together, as a cohesive company ready for the challenges of the future. We have an ongoing, transparent, and sensitive dialogue with our employees, and hold meetings with the employees led by and with the participation of the Company's management. The purpose is to convey information and updates and learn how the employees, some of whom have been with IEC for many years, experience and address the complex changes.

Employee engagement measures

In 2022 too, we continued to maintain dialogue with employees, encompassing talks, conferences, and meetings at the various units. Activities were also held at all units of the Company during the year to apply the insights and focus areas drawn from the organizational climate survey.

In addition, over the year, senior executives made field visits and met with line workers. During the visits, they heard, among other things, about the work challenges in this complex year, as well as ideas, initiatives and proposals for streamlining arising from the day-to-day experience of the employees.

Channels for continuous communication

Communication with employees is held through a variety of channels, including written media and by video. We manage the Facebook group Stay Connected, targeted at employees and retirees, which allows for firsthand and multi-directional dialogue. Every week, a short video magazine is sent to the employees via their cellphones, summarizing the main events and activities in the Company over the past week. This is in addition to the “classic” channels: the organizational portal, television screens at central sites, e-mails and text messages, a special mobile app and internal WhatsApp groups, and if necessary, also in printed media on signs and notices on bulletin boards at the Company’s sites. In addition, other processes are underway to increase dialogue, including round tables that provide an informal meeting with the Company’s executives and field trips.

Organizational climate survey

An organizational climate survey was conducted at the IEC for the third time in 2022. The organization climate survey is a continuation and expansion of the attentiveness processes we implemented in previous years. The objective of the survey is to obtain a snapshot of how employees and managers feel about the organization, in order to learn, listen, improve, and reinforce organizational resilience. 69% of Company’s employees responded to the survey.

Outstanding insights from the survey:

- 86% of the employees are proud to work for IEC and 62% would recommend working at IEC to a friend.
- 53% noted that the Company manages to change and adapt quickly to the changing reality dictated by Covid-19.
- 84% feel that their role is meaningful and contributes to the success of the Company.
- 63% feel that the Company treats employees fairly, including during the current reform period.
- 50% of the employees indicated overwork and burnout.
- 3.63 was the average overall employee satisfaction with the Company (on a scale of 1-5. The target is 3.9).

Beyond the climate survey, smaller-scale satisfaction surveys are held regularly in various areas, including a safety climate survey, internal service customer experience questionnaires, and questionnaires on significant junctures for employees, such as at the completion of a managerial reserve track or other professional training program, after retirement, and more.

Following the intra-organizational climate surveys and the processes of listening to employees, we hold processes to implement our insights. For example, in the surveys, employees expressed a desire to continue working in a hybrid model combining work from home and work at the office; indeed, in May 2022, a hybrid work model took effect, in accordance with an innovative agreement signed with the workers' committee, a step that would probably not have been possible in the past without conducting a dialogue.

Measures and Objectives

Measures and objectives for 2022 - Planning vs. Implementation	Status
Holding another organizational climate survey in the third quarter of 2022, due to the importance that the Company attributes to maintaining dialogue and offering employees the opportunity to express themselves and make their voices heard.	Done

Preparing for retirement

The IEC accords great importance to long-term savings and pension insurance, recognizing that workers should prepare for retirement throughout the years of their work, to ensure a satisfactory standard of living during retirement. As such, the Company operates an innovative, special-purpose center of expertise on long-term savings, the Pension and Provident Center, which provides service to all the Company's employees and retirees. The center's main objectives are to raise awareness of savings and pension insurance among employees and managers in the Company, and to proactively take care of the pension future of thousands of employees. The center also works to implement the reform process among employees insured under accruing pension plans, including calculation of estimates of reform grants and bridge pensions for eligible employees designated for special early retirement programs. The Center also supports the management and implementation of pension plans for senior executives in the Company, who have moved to work under personal contracts, the operation of complex pension plans, and a pension service for retiring senior executives.

The Center regularly initiates personal contact with employees at personal and occupational junctions, guides them through the pension process, offers tools, and encourages them to be proactive to ensure their pension rights.

In 2022, the Pension and Provident Center was a significant partner in determining policy, applying and implementing two new collective agreements that were signed by the Company and which constituted a breakthrough in labor relations: a third-generation retirement agreement and a continuing employee agreement.

This year too, the Pension and Provident Center continued to work towards making the relevant information accessible to the employees via innovative digital tools, it held in-person lectures for targeted populations and Zoom lectures for thousands of employees and broader audiences, on diverse pension-related topics, which it made accessible via the Center's portal for those who were unable to attend them in real time.

In recognition of its extensive and professional activity, in 2022 praise was heaped on the Center for winning first place in the category of "Professionalism in Human Resources" in the Excellence in HR competition on behalf of the Israeli Society for Human Resource Management (ISHRM), which involved participants from numerous companies across the country.

In addition, IEC has a "retirement center", through which the Company accompanies its employees in all retirement procedures, and holds retirement preparation courses and leisure activities for the Company's retirees. The Company's retirees, both early retirement and mandatory retirement, receive full financial information. Concurrently, human-resources employees and administrative managers receive training on retirement, to enable them to respond to and guide employees and their families.

2022 in numbers - further information about employees:⁶³

Chart 10: IEC employees by geographic location, in 2022

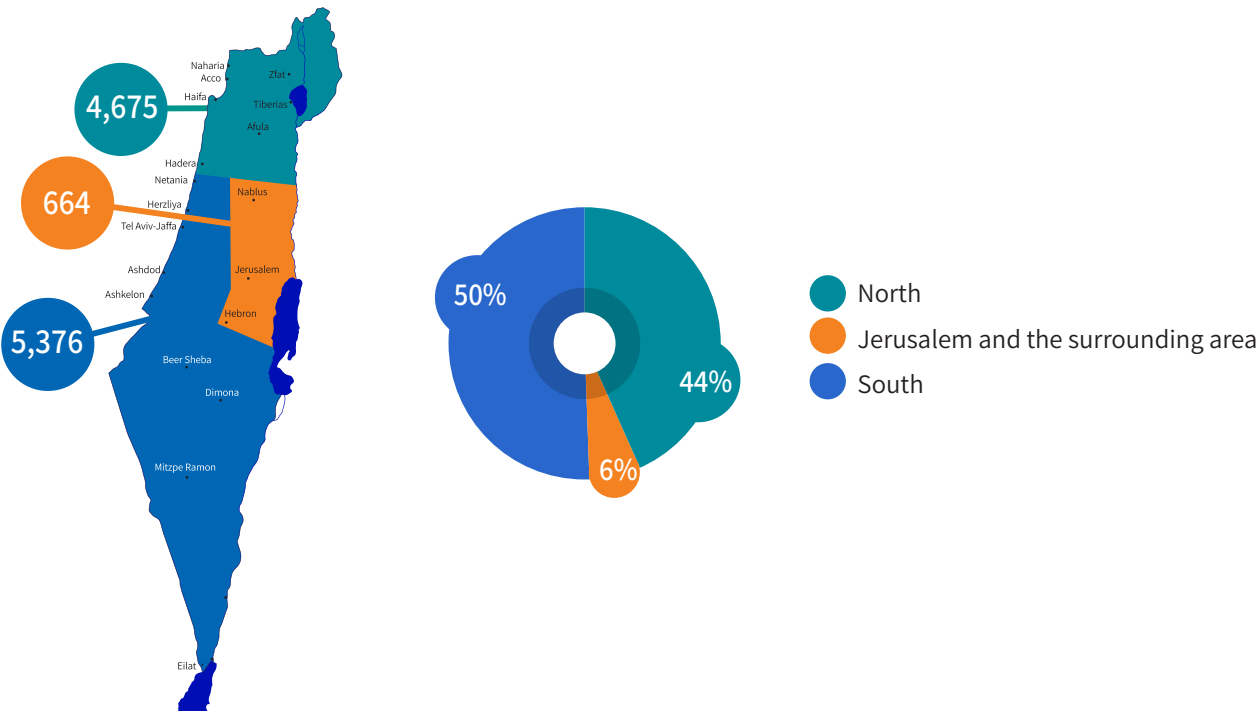
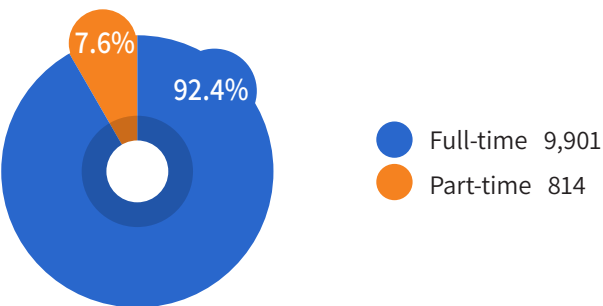


Chart 11: IEC Breakdown of employees by geographic location, in 2022



⁶³ The employee data do not include the employees of the electricity grid management unit, who were included in previous reports, as the unit was transferred to the new government company - Noga, as part of the reform in the electricity sector.

Table 18: IEC employees by gender and rank

Employee rating	2020			2021			2022		
	Men	Women	Total	Men	Women	Total	Men	Women	Total
Senior management	91	24	115	82	26	108	85	22	107
Mid-level management	510	155	665	520	168	688	532	178	710
First line management	942	536	1,478	941	549	1,490	961	565	1,562
Employees	7,484	1,741	9,225	7,224	1,593	8,817	6,772	1,470	1,526
Total	9,027	2,456	11,483	8,767	2,336	11,103	8,350	2,235	10,585

Table 19: Percentage of women at the IEC, by rank, in 2020-2022

	2020	2021	2022
Senior management	21%	24%	21%
Mid-level management	23%	24%	25%
First line management	36%	37%	37%
Employees	19%	18%	18%
Total	21%	21%	21%

Index employee rating

Senior management (deputy department head or higher)
Mid-level management (senior department heads, and department heads via standard position or equivalent position)
First line management
Total employees

Table 20: IEC employees by gender and age in 2022

Age group	Breakdown by gender		
	Men	Women	Total
Up to 29	59%	41%	7%
30-34	75%	25%	13%
35-44	76%	24%	23%
45-54	77%	23%	26%
55-66	88%	12%	30%
67+	96%	4%	1%
Total	79%	21%	100%

Table 21: Education data of IEC employees, Year 2022

Education	Managers**	Employees***
College graduates*	712	3,324
Practical engineers and technicians	51	2,261
Non-academics	54	4,313

*College graduates BSc, MSc, PhD

**Managers all the managers equivalent to the rank of department manager and above

***Employees all the employees underneath the rank of department managers (and those equivalent to department managers)

Table 22: Data on newly hired employees, 2020-2022

Age of new employees	2020			2021			2022		
	Men	Women	Total	Men	Women	Total	Men	Women	Total
Up to 30 (inclusive)	321	187	508	161	105	266	272	94	366
31-50 (inclusive)	336	87	423	186	50	236	184	76	260
Over 51	25	12	37	8	4	12	10	3	13
Total no. of new employees	682	286	968	355	159	514	466	173	639
No. of positions filled internally - without organizational/recording changes									
	481	138	619	292	95	387	212	111	323

Table 23: Data regarding employee departures

	2019	2020	2021	2022
Gender segmentation				
Women	310	245	303	273
Men	802	615	652	700
Segmentation by age				
Up to 30 (inclusive)	249	160	218	245
31-50 (inclusive)	260	239	245	318
51 and older	603	461	492	410
Employee turnover rate in 2022 ⁶⁴	9.1%			

Table 24: Data regarding employee retirement

	2019	2020	2021	2022
No. of employees who retired upon reaching mandatory retirement age	149	135	135	137
No. of employees who retired as part of the IEC reform	343	204	319	293
No. of employees who retired as part of the early retirement plan for 64+	76	48	0	0
Total exits	568	387	454	430

⁶⁴ This figure does not include employee retirement that is brought separately in Table 24

Table 25: Parental leave, Year 2022

	Women	Men	Total
On parental leave	189	3	192
Of these, the number of employees who returned to work after parental leave (in 2021)	79	1	80
On parental leave during the year and remained on parental/unpaid leave after the end of the calendar year	12	0	12

Table 26: Data regarding employee absences in 2022

	No. of utilized sick leave days (on average, per employee)	Rate of absence due to sick leave, of total days paid in that year	Reserve duty (average per employee)	* Personal events (average per employee)	Deceased employees
Women	14	5.3%	0	0.4	1
Men	12	4.5%	1	0.3	1
Total	13	5%	0.6	0.4	2

* Personal events of the employee – marriage, birth, mourning

Table 27: Professional training of employees

	2020 ⁶⁵	2021	2022
Total no. of training hours ⁶⁶	297,600	493,624	465,016
Average no. of training hours per participant ⁶⁷	30	24	16
Scope of investment in training (NIS)	NIS 107 million	NIS 143 million	NIS 153 million

⁶⁵ As shown, activity volumes decreased in 2020 due to the Covid-19 restrictions

⁶⁶ Calculated according to the participation of participants in all courses and training, including employees who participated several times a year in various training courses

⁶⁷ Calculated according to the multiple of the hours for each course by the number of participants in each course, divided by the total number of participants who participated in all the courses (including employees who returned for a number of training courses)

Table 28: Employee feedback, 2021 (held once in two years)

	Men	Women
Managers	90%	90%
Employees	93%	93%

Table 29: Segmentation of employees by employment agreement

Manner of employment	Women	Men	Total
Number of employees under collective agreements	2,213	8,373	10,585
Number of employees under individual contracts	101	29	130
Total	2,314	8,402	10,716
Percentage of employees in employee unions	95.64 %	99.65 %	98.79 %

Table 30: Segmentation of employees by type of employment ⁶⁸

Type of employment	Women	Men	Total
Permanent employee (excluding executives under individual contracts)	1,180	5,385	6,565
Temporary (provisional) employee	1,033	2,987	4,020

⁶⁸ The table does not include data regarding employees not employed directly by the Company: External employees – employees not directly employed by the Company and who work on a fixed basis at the organization's sites (such as security, cleaning and catering services). Outsourcing employees – employees who, while not employed directly by the Company, work exclusively for the organization (IT staff, etc.).

4

Corporate Sustainability Report ESG

Community Outreach in IEC



Community Outreach in IEC

As a national utility company, it is important to us to work for the benefit of society and the community in Israel. We aspire to be attentive to the human environment in which we operate, striving to work with it and demonstrate involvement, consideration and social responsibility. Our operations in this area reflect our core values as a company and constitute a strategic tool to creating “shared value” for the Company and the community. The Company initiates and maintains dialog and long-term collaborations with various entities in the community based on the changing needs that arise on its part and in areas in line with its core business activity, including safe and prudent use of electricity, science and technology, sustainability and efficient energy consumption.

Impact Snapshot

Israel Electric Corporation operates many community projects that have an impact on the society in Israel in various ways. To quantify this impact, the projects were examined separately, and each initiative received a score weighting the number of resources invested in it (budget and staff time); the number of people affected; the success index of the project, and the degree of its impact on the Sustainable Development Goals of the United Nations (SDG) relevant to the activities of the Israel Electric Corporation. It is noted that some of these projects are described in the chapters on Customers and Human resources.

Chart 12: The projects reviewed according to their impact on the various SDGs: SDG

Energy efficiency education plan



Social Leaders - Ashkelon



Eureka in the Electricity World



Olga Technoda

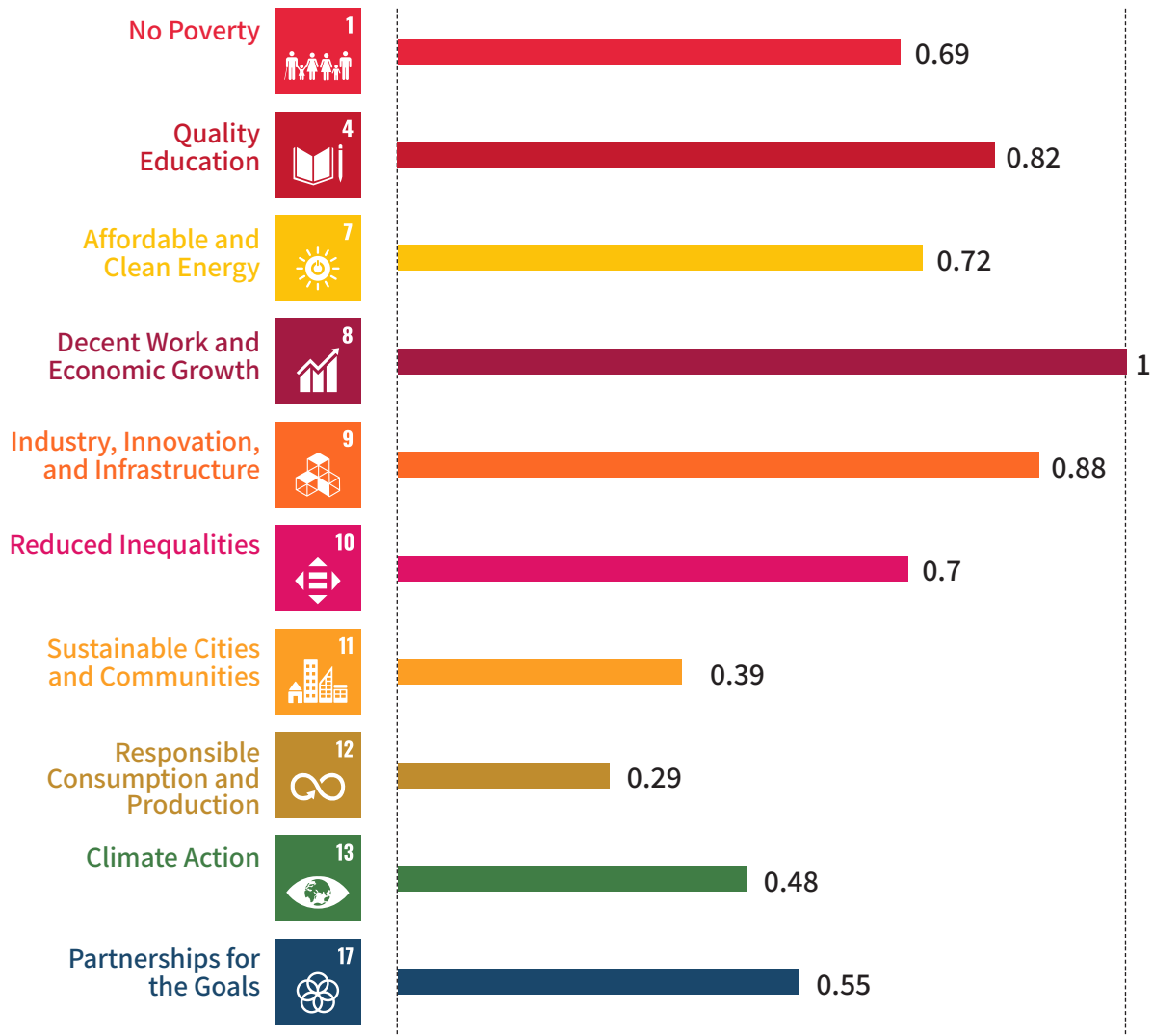


Volunteering in the community



An assistance fund for household customers



Chart 13: The impact of IEC's community outreach on the SDGs 0 - 1

Volunteering of employees

As a government company, and due to regulation, the Company cannot give donations in cash and cash equivalents, including donations in time. However, the Company places great importance on staff volunteering, both for the benefit of the community and the benefit of the organizational climate, staff bonding and strengthening the pride of the individual. Therefore, the Company developed a staff volunteering program through which it encourages its staff to volunteer after working hours near their work sites. In this way, the Israel Electric Corporation aims to engage its human resources to volunteer for the community, creating a synergy between its vision and Code of Ethics.

At the end of 2021, the volunteer program was approved by the Board of Directors and was launched to the employees. To lead the volunteer activities, 20 social leaders were appointed and placed in charge of 25 company sites spread all over the country. The social leaders coordinate groups of volunteer employees at each site and perform volunteer activities in the community near their workplace. The Company's employees volunteered in about 100 different projects in 2022, including activities with and for the elderly; activities with people at risk; children, youth, women and people with disabilities; food collection and distribution; environmental projects that include cleaning beaches and developing community gardens.

In 2022, approximately 3,400 employees volunteered for approximately 7,000 hours. The number of volunteer employees was about 70% higher than the annual goal set for the first year of operation.

Measures and Objectives

By 2025	Increasing the number of volunteer employees by 20% and expanding volunteering projects by 20%, compared to 2022
By 2030	Increasing the number of volunteer employees by 30% and expanding volunteering projects by 50%, compared to 2022

Dialogue with the public

Social Media Dialogue

The Company maintains a relationship with the public through a variety of social networks to allow different populations to contact it directly in a variety of languages and to keep updated. The Company is active on social networks: Facebook, Instagram, TikTok, YouTube, Twitter, LinkedIn and Telegram. Through these networks, Israel Electric Corporation provides information to customers, such as wise consumerism, and enables personal and public customer inquiries. There is also a dedicated Facebook page for the Arab society. In addition, social networks are used to distribute information and campaigns about electrical safety in Arabic, Russian, Amharic and Hebrew, and are used as a tool for branding the Company as an employer and recruiting employees.

Visitor centers

The Company's visitor centers were established with the aim of making our activity accessible and transparent to the general public, satisfy curiosity about the electricity generation processes and provide information to persons of all ages. We see the visitor centers as a bridge to the community in which we operate, as well as an opportunity to glimpse our operations and the content worlds we deal with every day.

Through the direct experience provided by the visitor centers, we aspire to present different aspects of the Company's operations and answer every question raised, transparently and professionally. There are visitor centers at Orot Rabin and Heftziba Farm; in 2022, about 500 groups visited them and virtual tours took place.

Strategic visits and professional tours of the Company's sites

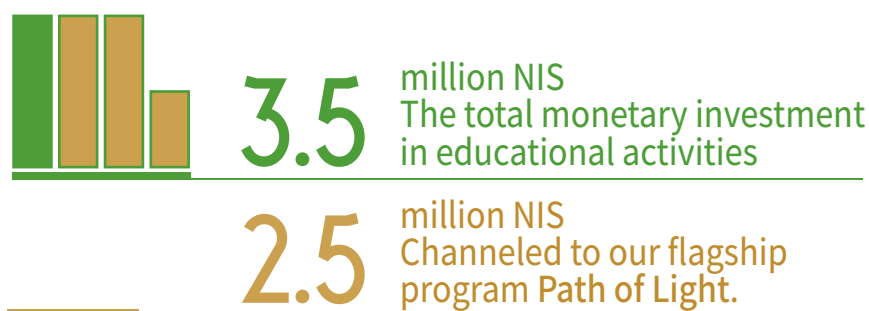
Meetings of senior figures in the Israeli economy and in the Israeli public, accompanied by the Company's staff and management, is another significant tier in our relationship with stakeholders. The visits are an opportunity for us to reveal the core of the Company's work, deepen the discourse and promote acquaintance between senior figures, decision makers and the Company. We also host individuals from the Ministry of Education and academic institutions on tailored professional tours at the IEC site for knowledge enrichment, and strengthening collaborations. In 2022, 32 strategic and professional visits were conducted at IEC sites.

Promoting Community Education

IEC's educational activity focuses on the Company's core areas of operation, particularly electrical safety and efficient energy consumption. Through the educational activity, IEC seeks to lead awareness and behavioral change in the community, enlist the future generation to the importance of energy efficiency and to expose the public to current knowledge on the energy sector, inter alia renewable energy, reduction of emissions, etc.

The educational programs are held with the approval and full participation of the Ministry of Education, while striving for wide deployment of the activity and reaching all sectors of Israeli society, with emphasis on the social and geographic periphery. In addition, all programs have quantitative measures and goals and a feedback and assessment system that includes questionnaires for the purpose of checking for knowledge gaps and examining the change in perception and behavioral changes before and after the educational program.

The community leaders who were trained as part of the Dialogue activity (described above) also participated in local activities (around the Orot Rabin and Rutenberg power plants) that take place in the educational programs, and in 2022 - gave lectures at eight schools.



2 million students 

Participated in the Path of Light program since 2004
of which about 180,000 students in 2022,
in 229 local authorities

125 middle schools held a program on
from **90** local authorities “energy efficiency and
prudent use of electricity
as a way of life”

4,000

Safe and Prudent Use of
Electricity workshops
under the Path of Light
took place online

zoom

including

300

special education
workshops

Community Education at the IEC in 2022

Path of Light Flagship Program

IEC's flagship program on safe and prudent use of electricity, the Path of Light, which has been operating since 2004, is one of the longest-standing large-scale educational programs operated by the Company. The program operates at kindergartens and elementary schools in 229 local authorities nationwide, among all sectors of Israeli society: state, state religious, Haredi, special education, and among, Circassian, Druze and Muslim societies.

The program encompasses over 1,570 schools and was formulated as a solution to a need that arose from the community, due to cases of electrocution of children, to instill habits of safe and responsible conduct with electricity, along with leadership development. This while instilling knowledge on broader content areas such as energy saving and environmental protection aspects. From the beginning of the program in 2004 until the end of 2022, approximately two million students participated in the program, about 180,000 of whom in 2022. The program is recognized by the Ministry of Education under the purple track, and thereby in practice, the ministry allows and recommends that school principals choose this well-established program.

The Path of Light Program operates in two channels:

School Channel

Good Morning Path of Light initiative - during which Path of Light Children leadership groups from each school are trained to assist with integration of the program at their school and in the community. As part of the venture, hands-on enrichment sessions were held, including various experiments aimed at instilling the students' understanding of all areas of electrical safety. The first meeting of the program is led by Company representative, and the remaining annual meetings (6-8) are led by the teacher in charge of the Path of Light program at the school.

Community Channel

In this program, representatives among the Path of Light Children worked in their community and invested efforts in explaining about intelligent and safe use of electricity.

Every year, an annual competition is held, which is the highlight of the project. In 2022-2023, the theme of the competition was the creation of a 50x70 poster titled safe and prudent use of electricity.

From the beginning of the program in 2004 until the end of 2022, approximately two million students participated in the program, about 180,000 of whom in 2022.

Energy Efficiency and Prudent Use of Electricity as a Way of Life program

The program operates to increase the awareness of youths to sustainability and to serve as ambassadors for the Company and the community by spreading messages of prudent use of electricity. In 2022, 125 7th grade programs were launched in about 90 municipalities in a wide geographical spread, with an emphasis on the social and geographical periphery. The program assessment findings indicate a significant positive change in reducing knowledge gaps, perception changes and behavioral changes before and after the program.

Eureka in the Electricity World

A joint project of IEC and Rutenberg House formed according to the Rutenberg Foundation's vision to reduce social divides, which took place for the third year. The project integrates the heritage of IEC and its founder, Pinchas Rutenberg, with instilling technological knowledge and use of software that enables engineering construction of three-dimensional objects by the students, which will be applied by the construction of efficient "green" homes and development of energy generation facilities.

Measures and Objectives in the field of Community Education

In 2022, we prepared for the development of a holistic program outline in the education system, on the subject of safe and prudent use of electricity for elementary, middle and high school students

The development of the program will take place in 2023, and the implementation of the pilot in 12 municipalities will be conducted during the 2023-2024 school year, following the approval of the Ministry of Education

Developing Technological Education

Technological-vocational high schools

The Company's involvement in technological-professional education by exposing students to the world of industry, making it accessible and relevant, helps train the future generation of the Israeli energy industry in particular, and the employment market in general. This by prioritizing the acceptance of graduates of the courses as company employees.

The program operates at Amal Energy Tech in collaboration with the Amal education network, where the studies provide students with a graduation certificate from the Ministry of Economy and Industry, or a technological track that includes passing the matriculation exams in the core subjects and in the technological field. The third class ended in 2022 with 37 graduates. In addition, a program is also being run at the Or Haatid school in collaboration with the Atid education network, during which the students gain practical experience at the Company's sites as part of their studies, and the school gives them the opportunity to obtain a certified electrician certificate. In 2022, 45 students participated in the practical stage at IEC workshops.

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Corporate Sustainability Report ESG

Responsible Supply Chain



Responsible Supply Chain

As a leading commercial company in the Israeli economy, we consider it our duty to operate with respect, integrity, fairness and reliability, while complying with all our obligations, to our suppliers. The recognition that the suppliers are at the center of the Company's business has led us to embrace a service-oriented and proactive approach to managing our relationship with them, including fostering collaboration and trust, and this has led to high quality, reliable, and highly available service to our customers. At the same time, we expect all our stakeholders, and our suppliers in particular, to follow high ethical standards in their conduct, and hence, we encourage them to express their commitment by signing the Company's code of ethics.

Approx.

15,313

Active suppliers in 2022

(equipment and services,
photovoltaic producers,
private producers, fuels)

More than

90%

of the new suppliers
sign a letter on the
Company's code of ethics

Payments to suppliers totaled

24.6

billion NIS⁶⁹

Approx.

90%

Of all payments to
suppliers were made to
Israeli suppliers

⁶⁹ Total payments – NIS 24.6 billion, including NIS 22.2 billion in Israel (of which, NIS 10.7 billion for fuels), and NIS 2.4 billion overseas.

Responsible Conduct vis-a-vis Suppliers

Subject to the provisions of the law, and to align expectations and set the rules for regular conduct with suppliers, the Company drafted the “Service for Suppliers Policy” paper. This document defines the Company’s procurement values and expresses the Company’s aspiration for professional conduct and fruitful, professional and efficient collaboration with its suppliers.

Fairness

We undertake to treat each of the suppliers properly and fairly. We believe in integrity and credibility as values that guide us in our day-to-day work

Respect and empathy

We are committed to ethical behavior derived from the code of ethics, core values and vision of IEC

Transparency and straightforwardness

We undertake to forward to the suppliers all current information and data relevant to them in an accessible and straightforward manner, for the purpose of submission of an optimal bid

Speed and efficiency

We undertake to work to complete the handling of suppliers’ inquiries optimally and as quickly as possible

Confidentiality

We undertake to keep the information to which we are exposed confidential, and not to disclose information about suppliers to any of their competitors

Professionalism

We undertake to behave professionally, while striving for excellence

Dialogue with suppliers

Within the realization of the “Service Policy for Suppliers”, the Company is working to foster a regular dialogue with its suppliers, in the following ways:

- Publication of the procurement plan for 2022-2026 on the website.
- The Company has a designated website for suppliers⁷⁰ that is being upgraded, with the aim of improving the service experience and the quality of dialogue. In 2022, the first part of the upgrade was completed, and a new friendlier interface was implemented on the website, adapted, among other things, for mobile phones. During 2023, at the time of writing this report, additional improvements were made to the registration questionnaire (in Hebrew and in English) and technological improvements were made to the infrastructure. Among other things, improvements were made to the design, sharing elements were added and an option was added to save the information for 5 days, allowing the provider to stop the registration procedure and return to the same stage later on. The sales website was upgraded as well.
- Close cooperation with the Ministry of Economy and Industry and the Manufacturers’ Association. In this context, a conference on business opportunities is planned for 2023.
- In July 2020, the Company established a supplier service center, which improved and streamlined the relationship with the suppliers. The service center offers one clear address for responding to the suppliers’ inquiries and provides a continuous and uniform ongoing response.
- The Supplier Relations Unit is in charge of managing and maintaining the regular relationship between the Company and its suppliers, including:
 - Guides the suppliers from registration in the database of potential suppliers throughout their engagement with the Company.
 - Responsible for establishment of metrics and assessment of suppliers’ performance, as well as registration and certification of suppliers in Israel and overseas.
 - Assists in lifting bureaucratic barriers in procurement procedures, improving communication with suppliers and their “customer experience”.

Upholding transparency and integrity vis-a-vis suppliers

In engagements with suppliers, the Company is committed to act fairly, equally, transparently and without discrimination, according to the requirements of the law, and with the aim of achieving mutual trust with the suppliers. Most of the Company’s engagements are made through public tenders or other competitive processes, and it makes sure the rules are fair and offer all suppliers an equal opportunity.

We carefully honor our agreements with suppliers and do not abuse our position vis-à-vis them, while striving and implementing active measures to prevent any harm to integrity, corruption and inappropriate behavior. This being the case, the Company instituted the procedure entitled “Prevention of Conflict of Interests and Protection of Integrity” (for more information, see more in see more in Chapter 7 - Prevention of Embezzlement, Fraud, Bribery and Corruption.

In addition, we treat our suppliers with complete transparency and allow them to review the bid documents, while protecting the commercial and professional secrets of other suppliers. Also, whenever an engagement is made other than through a tender according to the Mandatory Tender Regulations, we act in accordance with legal requirements for publishing these decisions on the Company’s website.

In 2022, one complaint was received from a supplier⁷¹ regarding payments and participation in procurement procedures. The complaint was reviewed by the relevant parties in the Company. The processing of the complaint was completed and a reply was delivered to the complainant after the complaint was found to be unjustified.

⁷⁰ Suppliers - information and updates - Israel Electric Corporation (iec.co.il) <https://www.iec.co.il/content/suppliers/lobbies/supplierslobby>

⁷¹ The supplier’s complaint was received through the internal audit and the Public Complaints Commission

Maintaining confidentiality and information security

We operate according to strict procedures and guidelines with regard to information management and security in procurement and engagement processes with our suppliers, inter alia with the aim of enhancing their trust in the Company. Accordingly, the Company takes appropriate security measures to prevent information leakage, exposure and access by unauthorized parties that may harm the business activity of the Company or its suppliers. All parties involved in the procurement processes are committed to enhanced confidentiality procedures, and the Company's procedures dictate explicit rules regarding the distinction between different types of information, and marking, holding, copying and method of transferring them to third parties. On the other hand, the Company's suppliers are obliged to comply with the Privacy Protection Law, and the Company further ensures that its suppliers sign an information security appendix for new engagement, which are relevant to the topic, according to which they are required to comply with all the standards and provisions for maintaining information security in accordance with the Company's procedures and from time to time the Company performs supplier controls on the subject.

Responsible supply chain management

The Company's procurement policy, including the environmental and social aspects, derive from the Mandatory Tenders Law (and regulations thereunder) to which the Company is subject as a government company. The types of preferences which a government company is permitted to grant in tenders are established under law, such as: preference for "blue and white" (locally sourced) procurement, and preference for businesses managed by women.

As much as possible considering the law and its regulations, the Company integrates various tools to manage ESG aspects in the supply chain:

- When registering a new supplier in the Company's systems, two questions were included, to check if sustainability aspects in the corporation are formally addressed in general, and if there are practices that address environmental aspects in particular.
- New suppliers are asked to sign a letter on compliance with the law and the code of ethics. The letter is published on the Company website in Hebrew and English. The Company has met its goal and 90% of its suppliers have signed the letter. As of the report publication date, 90% of the new suppliers (since June 2019) signed the letter.
- Promoting diversity in the supplier database, as set forth in the subchapter entitled "Promoting Diversity in the Supply Chain".
- Various control mechanisms have been implemented regarding employee rights and fair dealing with catering, cleaning and security service providers as detailed below - Protection of Human Rights in the Supply Chain.
- Mechanisms were integrated to increase security in the supply chain, as set forth in the "Safety and Hygiene" chapter, in page 101.

Promoting diversity in the supply chain

In our supplier database, we endeavor – as much as possible, considering regulatory restrictions – to encourage and include suppliers whose operation has a social and/or environmental added value. In this framework, we participate in the WeSource initiative of the Jasmine Association and Zionism 2000, whose purpose is promotion of social change and integration of various suppliers in the procurement system of large organizations. As part of Wesource, a dedicated suppliers' database was set up, consisting of a variety of suppliers – including small and medium businesses, at least 51% of which are owned by minority groups, women, businesses in the social and economic periphery, social businesses, local businesses and businesses that employ populations that are underrepresented in the employment market. About 600 suppliers are registered in the venture's database, about 80 of which are registered with the Israel Electric Corporation.

Procurement scope and distribution

In 2022, the payment volume was at NIS 24.6 billion, of which, the payments to Israeli suppliers totaled NIS 22.2, including fuel procurement, at NIS 10.7 billion. Below is a breakdown of the Company's main procurement items:

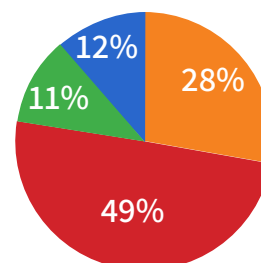
- **Fuel procurement** - within the Company's strategic goals, we are committed to informed fuel procurement according to the operational requirements – while verifying the fuels' quality and cost, environmental protection, a reliable power supply, and diverse fuel sources.
 - The Company procures different types of fuels, except for coal, which is acquired by the Company's subsidiary, the National Coal Supply Corporation Ltd. Diesel fuel is procured from Israeli refineries, and the other types of fuel in the production segment (including carbon and liquefied natural gas) are procured, directly or indirectly, from overseas sources.
 - Natural gas was purchased from the Company's partners in the Tamar Reservoir, and from the Company's partners in the Leviathan Reservoir.
- **Purchase of goods** - including stationary, office equipment, IT equipment, photocopiers, etc.
- **Equipment procurement** – to construct and maintain power plants and electric grids (utility poles, different voltage wires, different voltage cables, etc.), the Company carries out highly technologically complex procurement, including of boilers, turbines, generators, transformers, the control equipment, and more.
- **Purchase of services** - such as cleaning, catering, security, staff shuttles, transportation, landscaping, vehicle maintenance, etc.

Table 31: Distribution of payments to Israel Electric Corporation suppliers in 2020 to 2022 (in NIS billion) ⁷²

Year					Total
2020	6.6	2.0	2.0	6.6	17.2
2021	7.03	4.0	2.33	6.4	19.76
2022	12.1 ⁷³	2.81	2.84	6.8	24.55

	Fuels
	Purchase of electricity from Noga System Operator Company ⁷⁴ independent power producers (IPPs) ⁷⁵ through
	Purchase of electricity small from PV facility owners
	Goods and services procurement in Israel and abroad

Chart 14: Distribution of payments to suppliers in 2022



⁷² As of December 31, 2022, the Company produces most of the electricity in Israel (51% of the total produced energy), and the rest of the electricity is produced by independent power producers.

⁷³ The significant increase in expenses for fuel purchases was due to the increase in coal prices as a result of the war between Russia and Ukraine.

⁷⁴ In accordance with the reform of the electricity sector, all payments made as of November 2021 for the purchase of electricity from independent power producers, were made through the System Operator Company - Noga, and the netting method was also changed.

⁷⁵ "Purchase of electricity from Noga system management company" column: in the 2020 and 2021 corporate sustainability reports, this column was called: "Purchase of electricity from private electricity producers" and the data in it were expressed in gross terms. In this report the data is presented netto. Explanation: Until November 2021 (in the years preceding the launch of the "Electricity System Management Unit" IEC), the purchase of electricity was conducted directly between IEC and the private electricity producers. Accordingly, the method of calculating the payment proceeded as follows, each private producer paid a service to the electric company for the electricity he purchased from it, and received payment from the electric company for electricity the company purchased from him. In 2022, the payment method changed, since as of November 2021 purchases of electricity between IEC and private electricity producers at high voltage, were transferred to the responsibility of the Nega company and are being conducted through Noga.

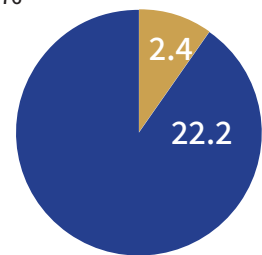
In 2022, there was an increase in procurement from owners of PV facilities. On the other hand, there was a decrease in the purchase of electricity from independent power producers because in 2022, the management of the agreements for the purchase of energy from independent power producers at high voltage (transmission grid) was assigned to Noga - the government company for Electrical System Management Ltd., after, as part of the reform of the electricity sector, it was sold and was transferred to the Noga Authority - the system management unit from the Israel Electric Corporation on November 1, 2021. In other words, in 2022, the Israel Electric Corporation has direct electricity purchase agreements with private producers, exclusively in the distribution network, as opposed to 2021, when the Company purchased electricity from IPPs from both the distribution grid and the transmission grid.

Table 32: Distribution of the Company's procurement in 2022, by number of suppliers

Number of active suppliers	1	4,230	11,059	23

Table 33: Distribution of payments to suppliers in Israel and overseas (in NIS billion) ⁷⁶

Suppliers in Israel	22.2 Billion NIS
Suppliers abroad (shekel value)	2.4 Billion NIS



Protecting human rights in the supply chain

The Company maintains fair employment of its employees. Furthermore, it assigns great importance to upholding human rights of service providers and contractors - both within the procurement procedure and in the context of the implementation of engagements with suppliers. We ensure, in accordance with the requirements of the law, that the contracts with them are fulfilled, while protecting the workers' rights and ensuring compliance with labor laws. Among other things, Company suppliers must pay their employees on time and in accordance with the Minimum Wage Law, and provide social benefits and work and rest hours according to the law. Therefore, in relevant engagements, the contract documents include a provision that requires our suppliers to furnish periodic approvals from an accountant on the matter of fulfillment of duties and payments applicable to them under the labor laws, including to their employees who work at Company's sites. The Company also contracted with an accounting firm that makes sure employee rights are protected among all security, cleaning, and catering service providers.

In addition, we implement a mechanism to investigate into and handle complaints by contract workers; the process includes clarifying and addressing complaints of contract workers on the issues included in the law,⁷⁷ collaboration with the Ministry of Economy and Industry, involvement of the Tenders Committee and forwarding recommendations regarding contractors.

In 2022, 3 contractor employee complaints were received in the complaints mechanism. The complaints reviewed and two of them are found to be partially justified, one is found to be unjustified. References were handled with the complainants and the management of the contractor companies. The justified complaints were corrected by the contractor companies

⁷⁶ Reflects the total payments made to all Company suppliers in 2022, including fuel procurement, electricity procurement from System Operator Company (Noga), and PV producers.

⁷⁷ Pursuant to the Law to Strengthen the Enforcement of Labor Laws

Risk management in the supply chain and supplier inspections

The Company is identifying and mitigating potential supply chain risks, and it mostly focuses on safety risks, human rights risks, environmental risks, and ethical risks, which were identified as material risks. Within this, the Company is managing the supply chain safety risks vis-à-vis all suppliers operating in Company sites, within the Company's Health and Safety Policy. The Company inspects and controls its suppliers⁷⁸, a process within which, among other things, protection of the suppliers' employees' rights and compliance with labor laws are examined.

The tender documents and procedures include a specific section drafted by the legal unit on legal compliance, which includes supplier obligations in a variety of aspects, including - adherence to prohibitions in the field of bribery and corruption, anti-terrorism aspects and money laundering prohibitions (see section "Bolstering compliance among suppliers and third parties", page. 156 of this report). Also, when this is required depending on the subject of the contract, the tender documents include an environmental appendix that includes individual requirements.

Measures and Objectives

Measures and objectives for 2022 - Planning vs. Implementation	Status
Contact suppliers for a satisfaction survey of their conduct vis-à-vis the Company.	Phase A has been completed
Completing the upgrade of the Company's supplier website	Phase A has been completed Phase B is under development

Future measures and objectives for 2023

In 2023, the Company plans to continue making proactive inquiries to its suppliers for the performance of a satisfaction survey of their dealings with the Company.

Completing the upgrade of the Company's supplier website

A suppliers' rating system will be available on the website, which will allow suppliers to review the components of their rating independently and confidentially.

In 2022-2030, as part of its strategic plan, the Company has set a goal of maintaining a rate of 90% of suppliers who have signed the letter on the Company's code of ethics.

⁷⁸ Controls are conducted in 100% of the labor-intensive companies, especially in the areas of cleaning, security and catering.

6

Corporate Sustainability Report ESG

The Code of Ethics and Core Values



The Code of Ethics and Core Values

The Company is committed to promote its business while conducting itself properly and ethically across all its areas of activity. In view of this commitment, the Company formulated its five core values in a cross-organizational process that included Company's managers and its employees. These values form the cornerstone of the Company's Code of Ethics.⁷⁸

**Changing
courageously**

**Committed to our
customers' needs;**

**Leading responsibly
and reliably**

**We care about
people**

**Committed to
professionalism**

IEC's Code of Ethics reflects our guiding principles, the vision of the revitalized company, the values we expect managers and employees to adopt and implement in their daily activities. IEC's Code of Ethics includes details of the mechanisms and relevant parties to consult and report to on ethical issues, and the appendix sets out the rules of ethics in the digital domain. The code was first drafted in 2011, updated in 2019, and in 2022 another update was made which was reviewed and approved by the steering committee, by the corporate responsibility committee in the board of directors and by the CEO and the chairman of the board of directors. The Code of Ethics is reviewed once a year by the Steering Committee for the Implementation of the Code of Ethics. The Code of Ethics applies to the Company, its directors, managers and employees. Every new employee must sign the Code of Ethics upon joining the Company.

We place great importance on its integration and implementation, and expect all of our employees, and specifically managers, to serve as role models and comply with the it. Issues relating to the Code of Ethics and core values are integrated in the evaluation of employees and managers.

The Code of Ethics' principles and values also apply to the subsidiaries and guide the way we conduct ourselves not only in Israel but also abroad, as well as in relations with suppliers and business partners.

⁷⁸ For the Israel Electric Corporation's Code of Ethics, see <https://www.iec.co.il/about/Documents/KodE.pdf>.

IEC Ethics Program

The Company has an updated two-year ethics implementation program for 2022-2023, on the basis of which the subject of ethics is implemented in the Company. The program is based on the Company's Code of Ethics and core values, and for the purpose of its construction, focus groups of employees and managers were devised, meetings were held with senior management and discussions were held in the ethics function forum. The program provides a solution to the Company's needs, with the aim of strengthening its organizational ethics culture and its business, moral, social and economic resilience. The program was approved by Company's management and in the corporate liability and human resources committees in the Board of Directors in 2022.

Components of the revised two-year ethics integration program:

- Integration of general contents together with in-depth integration of three core values - "leading responsibly and reliably", "we care about people" and "we are committed to our customers' needs".
- Ethical dilemmas for all Company staff.
- Ethical management dilemmas for managers.
- Ethical dilemmas from the content areas of the various divisions.

Instilling ethics

- In 2022, 17.8% of all managers participated in the program for instilling ethics, in accordance with the schedules approved by the Company's management. The remaining managers will participate in trainings during 2023.
- Every employee undergoes ethics training at least once every two years.
- An annual letter is sent to all the Company's employees, and informs about the options for recourse in the event of an ethical dilemma, and about useful information found on the ethics website on the Company's portal, such as the ethical dilemmas booklet, the Code of Ethics and the list of ethics trustees. Furthermore, a link to the website is attached.

The ethics function of the Company was established in 2011, and currently includes about 150 "ethics ambassadors," that is ethics trustees and members of the ethics forum, who are entrusted with its implementation in all Company units in addition to their current duties. The function is headed by the organizational ethics officer, Anat Ben Raphael, and the organizational head of integration of ethics and core values, Dalia Segev. Their job is to manage and direct employees, and act in accordance with the resolutions and guidance of management's steering committee for the implementation of the Code of Ethics and the Corporate Governance Committee.

The ethics program is designed for all employees and managers, includes discussions and workshops and is held in accordance with the Company's needs and its relevant emphasis for same years. The implementation of the Code of Ethics, the training program and controls over it fall within the remit of Company's management.

In 2022, as part of the assimilation of ethics among the extended Company's management, a live show was held with actors and a discussion of ethical issues in management. After that, the introductions to the Company's managers began, which included videos and discussions in accordance with the designated program for management. After the completion of the assimilation by management, assimilation will be carried out among the employees.

In addition, in 2022, following an incident of sexual harassment in the Company, the CEO of the Company instructed to bring up for discussion in the implementation of departmental ethics ethical questions with an emphasis on the subject of personal responsibility, the expected behaviors in accordance with the Code of Ethics and core values, the corporate culture, raising flags, etc.

Ethics success indicators

In 2022, initial success indicators were formed for review and learning, which will reflect the manner of assimilation of ethics in the Company:

- Compliance with the two-year work plan - according to schedules approved by Company management.
- Review of the annual score against the results of the previous year on the question from the organizational climate survey - "Does the Company operate according to its code of ethics and core values?"
- Implementation of an "extra mile" ethics routine, discussing an ethical dilemma from the field; examining the question of whether there was a discussion on the issue at least once a year in each department.
- Ethical leadership - the assimilation of ethics to the employees will be carried out by the department managers accompanied by the ethics function, with the aim of emphasizing the importance of the issue to the employees and creating a sense of connection and partnership.

Ethics Integration Control system

In 2022, a new IT system was launched to allow ethics trustees to monitor ethics integration according to the two-year integration program, while monitoring and controlling performance against targets graphically, quantitatively and in various cross-sections.

Reporting mechanisms on ethics

The Company's employees have a number of channels through which they can report ethical issues or get advice in connection therewith:

- **Intra-net ethics center** - all employees and managers can contact the intra-net ethics center for a professional and pragmatic response to ethical dilemmas encountered during the course of their work, or to report violations in the matter.
- **Reporting ethical breaches and receiving advice on ethical issues⁷⁹** - employees who grapple with an ethical issue, are in need of clarifications in connection with the Company's Code of Ethics, or have suspicions that the Code has been breached are advised to speak to a manager or employee related to the matter. In addition, the employees are instructed to contact their superiors, human resources and the branch ethics trustees or the unit forum members. They can also contact the Ethics Commissioner or the Director of Corporate Ethics Implementation.
- **Queries are dealt with by the ethics function;** where this is required, the function or person dealing with the query - with the assistance of other parties at the Company - shall assess the case and its details. Queries are dealt with discretely while respecting the dignity of all concerned parties.

In 2022, 15 queries and requests for advice on organizational ethics and other issues were received in these channels. All queries on ethics have been addressed.

⁷⁹ Inquiries and/or complaints regarding integrity and/or proper governance and/or managerial misconduct are directed to the internal audit and/or the human resources department, as the case may be, with the knowledge of the inquiring party.

Code of Ethics for suppliers and business partners

The IEC's Code of Ethics also applies to its suppliers and business partners. In 2019, after the Code of Ethics was revised, the IEC's procurement department sent a letter to the Company's suppliers in Israel and abroad setting out the principles of the Code of Ethics. In addition, the letter emphasized the importance assigned by the Company to compliance with high standards of ethical conduct, and its expectation from the Company's managers, employees, suppliers and stakeholders to conduct themselves in accordance with such high standards and in line with the Company's values in a way that will enhance trust and collaboration.

As from June 2019, when Company's suppliers join the pool of the IEC's potential suppliers, they are asked to sign and approve the document describing the principles of the Code of Ethics and the Company's expectations from its suppliers in that context. In 2021, the Company's requirements on the matter were revised and its suppliers were also asked to confirm and sign that they have read the complete Code of Ethics published on the Company website and their consent to comply with the same standards of values that the Company has set itself.

Business partners are also asked to sign a document describing the principles of the Code of Ethics and the Company's expectations in that context. To read more, see details in the Responsible Supply Chain chapter.

Measures and Objectives

Implementation of the ethics integration program for 2023:

100% integration among all managements and administrative forums.

Integration of at least 90% of employees.

Protecting human rights

IEC is committed to uphold human rights among its employees, and take action to promote a respectful work environment that treats all of its stakeholders with respect, fairness, dignity and care.

The Company places great importance on the upholding of human rights, and therefore takes great care in securing those rights - whether directly or indirectly through its supply chain. This includes the work environment, freedom of association, and conducting collective negotiation; prevention of discrimination and inequality; assisting welfare agencies to exhaust customers' rights with the Company, and fair employment in the supply chain. The above measures are elaborated on throughout this report.

Also, in order to ensure a safe and free work environment from sexual harassment, the Company established regulations for the prevention and treatment of sexual harassment and appointed a person in charge of the matter, along with regional committees to investigate such complaints. Also, the Company regularly implements in its employees and managers the importance of handling and preventing sexual harassment through trainings for all employees and managers through intra-organizational means of communication, management discussions held annually and orientation days for new employees. In addition, in 2022, a supervisor was appointed for the issue of prevention of harassment in the Company, and also a work instruction was formulated and approved as a pilot for the treatment of prevention of harassment at work, which is suitable for the unique characteristics of the Company, and accordingly, employee complaints on the subject are examined.

The procedure for investigating complaints is published on the corporate portal, as well as regulations in 5 languages, for the benefit of accessibility for all company employees, contractor employees, suppliers and company customers.

7

Corporate Sustainability Report ESG

Prevention of Embezzlement, Fraud, Bribery and Corruption



Prevention of Embezzlement, Fraud, Bribery and Corruption

We strictly uphold incorruptibility and integrity in all of our areas of activity, work to prevent corruption and avoid giving or accepting bribery - directly or indirectly; we avoid any act or action of embezzlement or fraud; taking advantage the Company's business opportunities for personal gain, and any situations or actions in respect of which conflict of interest may arise between the good of the employees and the good of the Company.

The Company is committed to treat customers, employees, competitors, suppliers, lenders, shareholders and government agencies with respect, integrity, fairness and reliability.

Main points of the Company's anti-embezzlement, fraud, bribery and corruption policy

We pursue an uncompromising policy of compliance with the law including in connection with embezzlement, fraud, bribery, and corruption, takes proactive measures to prevent bribery and corruption at all levels in the Company and upholds integrity. In addition to the foregoing, we work in accordance with procedures, guidelines, policies, codes and programs⁸⁰ for dealing with the prevention of bribery and corruption and that address the various issues involved in this matter, including:

- “Anti-bribery and Compliance Function” (hereinafter - the “**Compliance Procedure**”) that includes the Compliance Program
- Procedure regarding the “Prevention of Conflict of Interest and Maintaining Integrity”, which deals with avoiding situations or actions that might result in a conflict of interest between the good of the Company and the good of the employee, including in connection with gifts and entertainment
- Procedure on Embezzlement and Fraud Risk Management
- Procedure on Gifts and Advertising Products to Outside Parties
- The Company's Code of Ethics
- Corporate Governance Code
- The Israeli Companies Authority's circular on Donations of Government Companies, Government Subsidiaries and State-Owned Enterprises
- Circular on “Sponsorships and Collaborations by Government Companies and/or Government Subsidiaries” of the Government Companies Authority
- Company's Procedure on Use of the Company's Facilities by an External Party for Community and Cultural Activities
- Company Procedure on Conduct During Elections and Avoidance of Political and Partisan Activities in the Company
- Company's Procedure on Internal Audit and Complaints Commission
- The Procedure on Arrangements for Protecting Whistleblowers who Report Violation of the Law, Offenses and Breach of Integrity
- The Procedure on Suspected Criminal Offenses by Company Employees
- Supervision of Contract Work procedure
- A program for mitigating embezzlement, fraud, bribery and corruption risks
- IEC procedure - Addressing Disciplinary Offenses
- All provisions of the law and of the Company's internal procedures are binding, apply to all of the Company's units and employees and published on the Company's intranet. Furthermore, as a publicly-listed company and a reporting corporation, the Company is committed to proper disclosure to its investors, through financial statements and immediate reports on material events in the Company, as required by law.

⁸⁰ For details of the Company's procedures, see the freedom of information page on the IEC website - <https://www.iec.co.il/freedomof-informationact/pages/nehelim.aspx>

Management, Control and Supervision of Embezzlement, Fraud, Bribery and Corruption Risks

As part of the Company's anti-bribery and corruption activities, the Company's audit, investigation, risk management and compliance functions engage together in a comprehensive effort to manage and mitigate the risk of embezzlement and fraud, including the prohibition of giving and accepting bribes. For optimal management of the matter, the Company took several measures:

Appointment of responsible parties:

- The VP Operations & Logistics is responsible for risk management ("risk owner") and serves as the party responsible for the compliance program and for bribery and corruption issues.
- An embezzlement, fraud, bribery and corruption risk controller
- A supreme steering committee for Embezzlement and Fraud, Bribery and Corruption headed by the Company's VP Operations & Logistics, whose role is to supervise issues pertaining to Company's risks on the matter; the committee also serves as a professional forum on this issue.
- Coordinators in the various Company divisions who were appointed by the VPs to coordinate anti-bribery and corruption activity.

Mitigation Program

The Company has a systematic master plan whose aim is to mitigate embezzlement and fraud risks. This program, which has existed since 2016, was approved by the Company CEO and Board of Directors, and is implemented Company-wide. The program covers various aspects of embezzlement and fraud, including - the prohibition on accepting bribery, the prohibition of giving bribery and the compliance function. Under the program, the recommendations of internal surveys are implemented; a performance control function was established to review implementation of the mitigation program. Moreover, relevant Company procedures are also implemented and periodic reports are delivered twice a year by the risk controller to the steering committee for embezzlement and fraud, headed by the VP Operations & Logistics who was defined as the "risk owner" (the party in the Company responsible for risk management) for embezzlement and fraud, and to the various Board of Directors' committees. In addition, the Company appointed 10 risk trustees, who function as an executive arm that implements the mitigation program in the different divisions in addition to their positions in the Company.

System for management and control of business processes

As an additional measure to mitigate the risk of embezzlement and fraud, the Company has integrated a system for the management and control of business processes - the "NOVA System" - an automated tool that provides an alert of any anomaly in business processes, based on the methodology for embezzlement and fraud risk assessment.

Enforcement program on the prohibition of giving bribes to foreign public servants

The Company has a program for prohibition on bribing foreign civil servants program setting out the Company's procedure in 2016 entitled Prohibition on Bribery and Compliance. The plan includes instructions and training for key people in the company, appointment of officials, reporting mechanism and more.

The program was designed according to the guiding criteria that were determined, among others, by the OECD, the general bribery prohibition under Israeli law.

Risk Surveys

In 2022, the Company conducted a lateral bribery and corruption survey that includes proactive control, applies to subsidiaries and investees, includes a maturity model, etc. As part of the risk survey, 100% of the organization's units were examined, and no material risks were discovered. Notwithstanding, there are exposures that require the implementation of additional controls by the Company together with the provision of tools to address these issues.

Online Course and Training

In 2022, the Company continued to take measures to integrate an corporate culture according to the guidelines of the anti-embezzlement and fraud policy, including training and seminars, conventions and tutorials. Employees defined as key personnel undergo training on "embezzlement, fraud, bribery and corruption" at least once every two years. Furthermore, the members of the Board of Directors undergo training based on online tutorials every year, as part of the Corporate Responsibility Committee.

Details of the training sessions provided during 2022:

- Some 300 employees defined as key personnel underwent training using the online tutorial.
- Outsourced contractor employees working at the 103-call center underwent a dedicated online tutorial for the call center employees.
- Dedicated training sessions were held on anti-bribery and corruption:
 - A session for Board of Directors members – as part of the Corporate Responsibility Committee.
 - A session for the Innovation Unit – training for the Business Development Unit. Once.
 - The Procurement Department - 60 employees took part in training on the subject of how to prevent information leakage from contractual engagements.
 - A study session was held for 10 anti-bribery and corruption trustees that focused on basic risks.
- During the year, 2 newsletters focusing on embezzlement, fraud, bribery and corruption, the NOVA system (mentioned above), a quiz, recommended viewing material on related topics, relevant articles, etc., were sent to all the Company employees.
- As well as text messages to 400 managers from the department manager level, which focused on embezzlement and fraud: recommended viewing material, a quiz, identifying indicators of potential embezzlement and how to prevent it, red lights.

Control of sensitive functions

The Company acts to implement control activities regarding officers occupying sensitive positions with a medium, high and very high risk.

Separation of functions

The Company acts on a regular basis to separate between the various authorities in the computer systems.

Joining Anti-Bribery and Corruption Forums

In May 2022, the IEC joined the Business Integrity Forum in Israel of Transparency International Israel (TII)⁸¹ The Company was awarded a certificate confirming its membership after it was found that it complies with the requirements of anti-corruption protection mechanisms, which are a condition to membership on the forum.

⁸¹ The organization is a branch of the global Transparency International - TI movement, which operates through more than 100 branches worldwide to promote a World Free of Corruption.

Internal Audit Unit

The Internal Audit Unit is involved in a constant effort to examine issues in which concerns arise over the materialization of risks of embezzlement and fraud, suspected bribery and corruption and concerns of breach of integrity, including:

- The Internal Audit Unit's multi-annual work plan, as well as the annual work plans derived from it, which focus, among others, on embezzlement and fraud risks, based on risk surveys, embezzlement and fraud surveys, previous audit reports that pointed out embezzlement and fraud risks, past events, talks with managers at the Company, etc.
- Every audit and review are conducted bearing in mind the embezzlement and fraud risks in the area under audit or review; where specific events occur, organization-wide consequences are also considered.
- The internal audit reports are discussed before the CEO and the Board of Directors Audit Committee. In addition, the annual and the semi-annual report of the internal audit function, which cover all of the Company's activities during the reporting period - including in the field of embezzlement and fraud risks and the activities to uphold integrity - are submitted to the Audit Committee and Board of Directors plenum, and discussed by the Audit Committee.
- Reporting Channels for Complaints to Internal Audit Unit and Ombudsman Function:
- The Company provides all parties, including employees, suppliers, customers or the general public, with access to a range of reporting channels to file complaints, and offer information about concerns regarding inappropriate conduct or of potential cases of corruption and breach of integrity. The complaints may be filed openly or anonymously via a variety of channels, including the post, email, fax and also an anonymous phone line - the "Hot Line", enabling individuals to leave messages without the need to identify themselves. Details of the channels for making contact are featured both on the Company's external website and on its intranet. For the contact details of the Internal Audit Unit, visit: <https://www.iec.co.il/content/content-pages/review>

Moreover, there are reporting channels and work interfaces between the Internal Audit Unit – that addresses complaints pertaining to proper management procedures and integrity – and the Ombudsman, which deals with customer experience and quality of service complaints, because such complaints may sometimes also expose suspected inappropriate conduct.

Reports and information regarding complaints dealt with by the Internal Audit Unit are delivered to the Company's CEO, the Audit Committee and the Board of Directors, both as part of specific reports and in the semi-annual and annual reports of the Internal Audit Unit. This alongside data about the number of complaints filed, the number of complaints dealt with, the types of complaints, the results of the investigation of the complaints, etc.

The Unit initiates and participates in various Company workshops and forums and delivers training sessions on topics related to integrity. In addition, as part of its routine activity, the Unit initiates work interfaces and meetings with the Company's other "gatekeepers"⁸² for the purpose of coordinating, collaborating, and brainstorming, including in the area of embezzlement and fraud risks.

In addition, there is an investigations unit that also operates within the Company, which, among others, conducts investigations into embezzlement, fraud, bribery and corruption risks, including by obtaining information using intelligence means and collaboration with compliance authorities. The investigations' findings are reported to the relevant management functions and addressed as applicable, accompanied by the Legal Unit, the management and internal auditing functions.

⁸² Gatekeepers: embezzlement and fraud controller, Legal Unit, Investigation Unit, Risk Management Unit, SOX Department, Ethics Officer, etc.

Handling reports on incidents of corruption

The “Suspected Criminal Offenses” procedure provides that it is the duty of a Company employee who becomes aware of an act that raises concern of a criminal offense being committed by another Company employee, to report it immediately. The procedure lists the parties to whom such report should be delivered, how the Company should deal with such a concern and the link between such treatment and the holding of an internal disciplinary procedure. According to the Compliance Procedure, Company employees who become aware of an act that breaches the procedure, the law or the convention or any concern of such, will report it to the Supervisor and the relevant officers. The Supervisor will investigate the case and the nature of the breach and will act in accordance with the procedure to address the case. In each division, there is a coordinator whose function is to communicate the procedure and the activity on this topic to the key personnel, who are required to sign an annual declaration stating that they have read the procedure. The Company’s Procedure for “Handling Disciplinary Offenses” regulates the internal disciplinary treatment by the Company in cases of conduct that contradicts the obligations of the Company’s employees under the provisions of the law and the Company’s procedures.

In 2022, no incidents of corruption were uncovered in the Company or among third parties, and no significant measures were adopted against employees as a result of cases of corruption.

Protecting whistleblowers

The Company has a dedicated procedure for “Protecting Employees who Report Violations of the Law, Offenses and Breaches of Integrity” (hereinafter - the “Whistleblower Procedure”), which is based on the relevant provisions of the law. This procedure regulates the manner for filing complaints and reporting violations of laws, offenses, acts of corruption and breach of integrity or proper governance. The procedure also regulates ways of addressing it and protecting the complainant, including keeping their identity and details confidential, not have their work conditions adversely affected, not dismissing them, etc. Furthermore, so long as the employee’s complaint is being investigated, no investigation and disciplinary committee shall be set up in connection with him/her in respect of any subject other than the subject of the complaint, except for cases where the summons in question is from an investigation and disciplinary committee that was set prior to the submission of the complaint by the employee.

Pursuant to the procedure, there are a number of units in the Company that are involved in handling this issue, including the Human Resources Division and the relevant management staff, as well as the Internal Audit Unit, which operate in accordance with the procedure, and each case is examined on its own merits, in coordination with the legal unit.

Additionally, as a rule, the Company provides legal assistance to employees against whom legal proceedings are instigated in respect of an act or omission they committed as part of and while doing their work in the Company (subject to various conditions and tests).

Supervision of Compliance in the Company

In parallel to specific embezzlement, fraud, bribery and corruption activity, the Company manages, controls and supervises its compliance risks. The Board of Directors' Corporate Responsibility Committee is in charge of supervising the Company's compliance with the provisions of the law and of procedures, circulars, guidelines, government resolutions, etc. that apply to it. Once a year, the status of the Compliance Program is presented to the Committee, including the findings of the annual report, revisions in the law and case law, and the Committee reviews the Program accordingly. The Company's Board of Directors is updated on the progress of executing the compliance program, according to the discretion of the Compliance Supervisor or the Committee, and in any event of issues of principle that may arise from it. The Committee Chairman and the Company's extended management receive the annual report submitted to the CEO by the Supervisor (the embezzlement, fraud, bribery and corruption risk owner), who is the VP Operations & Logistics, which summarizes the Company's activity in respect of the Compliance Program. In cases where concerns arise of violations of the law or of integrity, the members of the Board of Directors receive a copy of the notices sent by the Chairman of the Board of Directors, in accordance with Section 35 of the Government Companies Law.

Bolstering compliance among suppliers and third parties

The Chief Legal Counsel of the Company published a comprehensive Company-wide guidance, which is revised periodically, entitled "Rules of Conduct" with regard to compliance applicable to the Company in contractual engagements with suppliers and service providers and in contractual engagements with customers, business partners and intermediaries in the business development and innovation segment and IEC's investee companies (hereafter - the "Compliance Guidance").

This guidance includes practical rules of conduct that Company's units are required to adhere by in order to enhance compliance regarding bribery and corruption, anti-terrorism, prohibition on trading with enemy countries, and money laundering issues. The Guidance also includes instructions for the Company's units regarding the wording of statements and commitments to be included in the documents for contractual engagement⁸³ with third parties (including suppliers, service providers, customers, business partners and intermediaries) regarding the above compliance areas.

In the cases listed in the Guidance, based on the scope and level of risk, "red light" tests must be carried out using reports of consulting and research companies, and more in-depth tests in the cases set out in the Guidance. The Guidance also includes a provision to examine blacklists⁸⁴ in the cases listed in it, when contracting with new entities, in addition to periodic checks of entities with which the Company enters into contractual engagements.

The statements and contract clauses pertaining to compliance (inter alia, the prohibition of corruption and bribery) that third parties are required to approve were distributed to the Company units (and are available in the internal organizational portal) also in English. Furthermore, the annual report required from the Company's units under the compliance procedure, contains a section verifying that the compliance sections are included in the relevant contractual engagements, according to the provisions of the compliance guidance.

⁸³ Below is a link to the page on the IEC website with guidelines for filing bids in a procedure exempt from a tender - IEC; the page contains documents setting out the general terms for procurement procedures that are exempt from a tender. Each document contains a "Legal Activity" section setting out the behavioral requirements in terms of anti-bribery and corruption: <https://www.iec.co.il/content/suppliers/content-pages/request>

⁸⁴ The Company seeks to ensure that the entities with which it engages are not included blacklists, such as those of the US authorities (OFAC, US Department of State), the main (collective) list of the European Union, the list of sanctions of the UN Security Council, and the Israeli Ministry of Defense and Ministry of Finance.

In addition, there is also dedicated guidance on mediation transactions and engagements with advisors on prevention of corruption and giving of bribes.

The IEC has in place various controls over the engagement processes with suppliers as part of its routine activity: In addition, for example, the Internal Audit Unit examines information and complaints received through the various channels, inter alia in connection with engagements with suppliers and external parties. Where relevant findings arise, they are reported to the management, to the CEO, Audit Committee and the Board of Directors, as the case may be and as needed.

The Company is also alert to any findings that may arise, from time to time, in respect of suppliers and third parties (for example as part of reports on behalf of the Internal Audit Unit and the Supervision of Engagements and Activity of the Tenders Committee), in connection with engagements with the Company, and takes action as applicable and in accordance with the circumstances.

Fair conduct in the Company's subsidiaries and investees

The Company is acting to integrate compliance and/or reporting mechanisms at its subsidiaries, investees and associates,⁸⁵ as applicable. In this context, the Company mapped risk exposures of those companies, in which it instructed them to act as follows:

- **Subsidiaries** - implementation and integration of compliance programs are to be carried out, including with regard to the issue of the prohibition of bribery, with the required changes based on their operations. This included the classification of attorneys for the subsidiaries and/or other parties, if necessary, as key personnel in the subsidiaries, who are required to participate in training and to sign key personnel statements accordingly, to submit an annual report(s) in accordance with the level of exposure, etc. Moreover, the Company maps exposures, reviews issues as they arise, takes periodic monitoring and supervision action involving representatives of the subsidiaries, and acts to provide guidance accordingly and as required.
- **Investees** - based on the level of the Company's control over their operations and according to the exposure arising from their operations, the Company instructed the investees or associates to take actions such as establishing/examining the existence of mechanisms or procedures for receiving information, maintaining compliance procedures appropriate for their operations, and monitoring implementation thereof. The Company checks that the corporations comply with the requirements before making investments and acquisitions accordingly.

The company's board of directors adopted a control and supervision procedure for the subsidiaries and held companies, and stated that once a year a review of the companies will be conducted on the board of directors, including on issues of compliance with the law.

⁸⁵ As defined in the Company's financial report for 2022

Prohibition on money laundering

In view of the IEC's areas of activity and the nature of its activities, it has a low money laundering risk; this is because its engagements are conducted as part of competitive procedures in accordance with the tender laws, and most of its customers are consumers of electricity. However, in order to mitigate the money laundering risk, the Company does everything in its power to pay its suppliers only by bank transfer. Nevertheless, payments to a limited number of suppliers as well as lump sum payments to external entities (such as court rulings) can only be made by check; therefore, this means of payment is still used, although to a lesser extent. Furthermore, the engagement documents include suppliers' declaration on compliance with anti-money laundering laws.

Measures and Objectives

Measures and objectives for 2022 - Planning vs. Implementation	Status
Dissemination of an anti-bribery and corruption online tutorial.	Done
Conducting a company-wide survey on bribery and corruption.	Done
Anti-bribery and corruption activity of the risk function, compliance function and the Internal Audit Unit, together with their efforts to protect integrity.	Done

Future measures and objectives for 2023

In 2023, the Company will implement the recommendations of the organization-wide bribery and corruption survey that was conducted in 2022, including proactive control, applying this to subsidiaries and investees and a maturity model, etc.

The risk function, compliance function and Internal Audit Unit continue their extensive anti-bribery and corruption activity and efforts to protect integrity as described above, in all aspects of the Company's activity, while engaging in ongoing cooperation and routine working relations.

8

Corporate Sustainability Report ESG

Appropriate Business Conduct



Appropriate Business Conduct

The Company is a government-owned company, a publicly traded company, and a reporting corporation, and as such, it considers its appropriate, effective corporate governance to be of the utmost importance. The Company has a corporate governance code formulated and approved by Company's Board of Directors (hereinafter - the "Code"); the said code includes the laws, regulations, guidelines as well as different legal provisions applicable to the Company, including the Companies Law, the Government Companies Law and Regulations promulgated thereunder, the Securities Law, the Electricity Sector Law, the Streamlining of ISA Compliance Procedures Law, the Economic Competition Law, the Environmental Protection Law and the regulations promulgated there under. The regulation included provisions regarding the composition of the Board of Directors and its work, the powers of the Board of Directors, competency criteria of the directors and the method of their appointment, directors' compensation, and rules for ensuring the accuracy of the financial statements and the report of the Board of Directors.

The Company's CEO⁸⁶

On February 10, 2022, Mr. Ofer Bloch informed the company of the end of his term as CEO of the company, effective May 9, 2022. From that date, until the appointment of a CEO is completed As a permanent member of the company, Mr. Ram Erlichman served as acting CEO of the company

On April 14th, 2022, the company's board of directors unanimously decided to adopt the recommendation of the search committee and appoint Mr. Meir Spiegler to the position of general manager of the company. On June 20st, 2022, the committee for reviewing appointments in government companies approved the appointment of Mr. Spiegler to the position of CEO of the company, subject to the approval of the ministers⁸⁷.

On October 19th, 2022, the company received a letter of appointment signed by the ministers for the appointment of Mr. Spiegler as CEO of the company. Mr. Spiegler began serving as CEO of the company on November 1st, 2022⁸⁸.

⁸⁶ Mr. Meir Spigler commenced his tenure as Company CEO on November 1.

⁸⁷ The appointed ministers as defined in the Government Companies Law, 1975, "the Minister of Finance together with the minister designated by this law as responsible for the company's affairs."

⁸⁸ For more details about the procedure for appointing Mr. Speiger to serve as CEO of the company, see section 5B of the board of directors' report on the state of the corporation's affairs for 2022.

The Company's Board of Directors

Table 34: The composition of the Board of Directors as of December 31, 2022 ⁸⁹

Chairperson	
On August 1, 2021, the tenure of Major General (res.) Yiftah Ron-Tal as the Company's Chairman of the Board of Directors came to an end and as of December 31, 2022, no new Chairman of the Board of Directors had yet been appointed.	
Members of the Board As of December 31, 2022	
Ms. Dvora Sonia Hassid	A director from among the public, independent, with professional qualifications.
Mr. Efraim Refael Henig	Director from among the public with accounting and financial expertise and professional qualifications
Mr. Shlomo Arbiv	An independent external director with accounting and financial expertise and professional qualifications
Ms. Diana Halabi Hassoun	A director from among the public, independent, with professional qualifications.
Mr. Nissim Alon	A director from among the public, with professional qualifications
Ms. Anat Oren-Elad	A director from among the employees with accounting and financial expertise, professional qualifications, and managerial experience
Mr. Michael Schneider	An (independent) external director with relevant professional expertise

Table 35: Board members - breakdown by age and gender

7 members of the board		No.	In %
Breakdown by gender	Men	4	57%
	Women	3	43%
Breakdown by age	30-50	-	-
	Over 50	7	100%
Underrepresented populations		1	14%

The members of the Board of Directors bring with them considerable expertise that provides an important contribution to the Company's ongoing activity and towards shaping its corporate strategy. All the Board members have expertise in large-scale project management, understanding of corporate processes and considerable familiarity with the world of corporate governance. In addition, four of the Board members have experience in risk management, two of the Board members have practical experience in the energy sector and two Board members boast experience in organizational information security and cyber management.

⁸⁹ On April 6, 2022, Mr. Dov Baharav was appointed Chairman of the Company's Board of Directors, but he resigned on April 26, 2022, while raising claims regarding the propriety of the proceedings for selecting a Company CEO and the process of selecting a secretary for the Company Board of Directors, as set forth in the immediate report dated April 26, 2022. For further details regarding the examination of the propriety of the proceedings for selection of Company CEO and Board of Directors secretary, see Section 5C of the Report of the Board of Directors on the State of the Company's Affairs for 2022.

The Board of Directors' purview and activity - the Corporate Governance Code

The Corporate Governance Code (hereinafter: the "Code") was approved in 2012 and is updated from time to time.

The Code describes, among other things, the Board of Directors' roles and powers in accordance with the Companies Law, the Government Companies Law, guidance issued by the Government Companies Authority and by the Israel Securities Authority, including rules of conduct and ethical and legal provisions that the Board of Directors and management are bound by. The Code reflects the Company's managerial world view and values, regulates work-related interaction between management and the Board of Directors, and the Board of Directors' activities and its areas of responsibility and powers. The Code is based, inter alia, on the Companies Law, the Government-Owned Companies Law, and guidelines by the Government Companies Authority and the Israel Securities Authority.

The Code's highlights:

- Definition of the managerial framework and the principles underlying the work of the Board of Directors and its committees, its powers, roles and decision-making processes, including laying out of the Company's policy and supervising its execution by the CEO and management, and work-related interactions between them and the Board.
- The Code includes the key provisions of the laws relevant to the Company's activities and the regulations promulgated thereunder, the Company's Memorandum, Articles of Association and procedures, regulatory provisions and policy guidance pertaining to the work of the Board of Directors.
- The Code incorporates the director's rights and obligations, including: compliance with the provisions of the law, abiding by professional practices in the work environment, ethics, prevention of conflict of interests and benefits, prevention of taking advantage of the Company's opportunities, prevention of the use of insider information, maintaining confidentiality and the duty to report inappropriate behavior and/or concerns regarding a criminal offense.
- Defining the roles of the Chairman of the Board of Directors, the principal of which is to take action to promote the proper and efficient functioning of the Board and to comply with its obligations.
- The manner in which the Board of Directors functions, topics requiring the approval of the Board of Directors, the manner of passing resolutions and the dates on which they will be discussed, in accordance with the laws applicable to the Company and in accordance with its policy.
- The Code refers to the Board of Directors' activity at times of crisis or during extraordinary events, and to the requirement that the Board discusses the effectiveness of the steps it takes.
- Activity in the various Board of Directors committees – the powers of the committees and their composition.
- The work of the Board of Directors, the CEO and the management; the working interfaces between the Board of Directors and the management; reports by the CEO to the Board of Directors.

Appointment of directors

As a government company, the Company's directors, other than external directors, are appointed by the relevant ministers⁹⁰ after consulting the Committee for Reviewing Appointments in Government Companies,

⁹⁰ The appointed ministers as defined in the Government Companies Law, 1975, "the Minister of Finance together with the minister designated by this law as responsible for the company's affairs."

which operates under section 18B of the Government Companies Law, checking the competency the said Section requires that the competency and suitability of candidates to serve as directors, chairperson of a board of directors, and CEO in a government company.

Competency criteria when appointing directors

A director on behalf of the State in a government company is appointed by the relevant ministers following consultation with the Committee for Reviewing Appointments in Government Companies, whose composition and functions are set forth in the Government Companies Law.

In various provisions of the law and directives (including the Government Companies Law and the regulations by virtue of it, Attorney General's Directive 6.5000, "Appointments in Government Companies and Public Corporations" and Government Decision No. 3849 dated July 27, 2008, "Appointment of Directors in Government Companies, Government Subsidiaries and Mixed Companies - Continued Discussion"), terms of competency for serving as a director on behalf of the State were laid down (including with respect to a director who has a personal, business or political connection with any government minister, whereby the nomination of candidates with such ties shall not be a routine matter, but only in exceptional cases and when such appointments are appropriate beyond any doubt due to a highly unique and considerable contribution), qualifications to competency for serving as a director, duration of tenure, terms of service, provisions pertaining to expiry of directors' tenure and their suspension, provisions on conflicts of interest (among others, the prohibition of being in a state of suspected conflict of interest which also applies to the personal conflict of interest of the company officers and also to an institutional conflict of interest).

It has further been decided that the Head of the Government Companies Authority, following consultation with the minister responsible for the Company's affairs, may determine suitability criteria regarding directors who are not civil servants, relating to expertise and professional qualifications, taking into consideration, among others, the Company's area of business, the scope of its activity and the composition of its Board of Directors, which shall apply to up to one third (1/3) of the maximum number of directors at the Company. The aforesaid suitability conditions will be binding upon the ministers when coming to appoint directors. Accordingly, the Head of the Government Companies Authority determined that within a company shall serve: one director with at least 7 years experience and expertise in the financial field together with a relevant academic degree, one director who has served or still serves in a senior position (at least a VP) in a corporation with a financial scope of NIS 300 million or above, and one director who is an engineer in the Company's specific field of business, with 7 years of experience in his position.

Qualifications of the Board members

In accordance with the decision of the Company's Board of Directors, the minimum number of Company directors possessing accounting and financial expertise shall be 5, while taking into consideration, among others, the Company size, the type of its activity and the number of its Board members. The Company believes that this number will allow the Board of Directors to fulfill its duties as per the law and the Company's constitutional documents.

As of December 31, 2022, the Board of Directors had seven directors with experience in senior executive positions, of which, three had accounting and financial expertise. For more information on the directors' experience and education, refer to the consolidated annual report on the Company's website, Chapter D – Additional Information about the Corporation for 2022, page 9-10, Regulation 26 – the Corporation's Directors.⁹¹

⁹¹ <https://iecontent.iec.co.il/media/bhdiog0b/year2021.pdf>

Training on ESG-related issues for the Board of Directors

As part of their activity on the Company Board of Directors, the Board members undergo training on ESG aspects in order to enable them to contend with the changing challenges in the Company. Board members undergo various training sessions on ESG aspects, among others, training on cyber issues, climate and weather risks, diversity and inclusion, anti-embezzlement and fraud activity, as well as internal compliance.

A director's term in office

According to the Companies Law, a company director is appointed for a period of three years starting on the date on which his/her appointment came into effect. A director who has ceased to hold office can be reappointed after the ministers' approval. An external director in the Company is appointed for a period of three years, with the general meeting of the Company being allowed to appoint him/her for two further three-year periods.

Remuneration of directors

The compensation paid to directors from among the public is determined in accordance with the Company's classification based on the amounts specified in the Government Companies Regulations (Rules on Compensation and Expenses to a Director from Among the Public in Government Companies) 1994 (hereinafter: the "Government Compensation Regulations"), and the Company's classification for this purpose at the report date is 10(1).

As the Company is a publicly-traded company, the compensation of external directors is pursuant to the Companies Regulations (Rules Regarding Compensation and Expenses for External Directors), 2000.

Preventing conflict of interest in the Board of Directors

The Company's Board of Directors must avoid all conflicts of interests, pursuant to the law and pursuant to the Corporate Governance Code. Before they are appointed, each director signs an undertaking to avoid conflict of interests, and whenever they are in doubt regarding the above, the director undertakes to submit an inquiry with the Company's legal counsel, and in relevant cases a specific arrangement is made regarding the conflict of interests. The directors also fill out questionnaires to detect any conflict of interests, and the Company also regularly makes sure to detect and lawfully authorized transactions in which a director has or might have a vested interest, and has even adopted transaction authorization criteria according to Chapter 5 of Part 6 of the Companies Law.

Effectiveness of the Board of Directors' work

In July 2020, the results of an examination of the effectiveness of the Board of Directors' work were presented to the Board of Directors; the examination was carried out by an outside party, based on an examination model proposed by the Government Companies Authority. All suggested improvements were implemented in 2021.

Board of Directors' meetings

The Chairman of the Board of Directors, and in his absence a member of the Board, in coordination with the Board of Directors secretariat, determines each year, and no later than the middle of the month of January, the dates of the plenary sessions of the Board of Directors, via the Board of Directors secretary. In 2022, the Board of

Directors convened according to the Company's needs, and a total of 39 Board of Directors' meetings were held in plenary sessions with an average rate of attendance of 97%. The quorum for holding a Board of Directors meeting is three directors; such a meeting will not last more than 4 hours, except in exceptional cases and at the approval of the Chairman of the Board of Directors or the person overseeing the meeting.

An invitation to the Board of Directors meetings shall also be delivered to the Government Companies Authority, and it may send a representative to any meeting, who is entitled to participate in that meeting, and his status therein shall be as that of a director, but he shall not be counted as part of the quorum nor shall he have a voting right. Apart from the directors, the Company's CEO, Deputy CEO, CFO, Legal Counsel, Corporate Secretary and Board of Directors' Secretary, Internal Auditor and Company Spokesperson are also invited to the meetings. The Company's independent auditor is invited to all meetings of the Board of Directors and/or Board of Directors committees dealing with preparation, examination, analysis or approval of the financial statements, as well as meetings discussing material deficiencies or recommendations of the Audit Committee pertaining to deficiencies in the management of the Company's business or the role of the independent auditor. As a rule, consultants of the Board of Directors, according to the area of their expertise, may be invited to attend Board of Directors meetings addressing those issues of relevance to their function in the Company, and to participate only in that part of the meeting of relevance to them. At the end of Board of Directors meetings, the Chairman holds, at his discretion (including at the request of a director), a discussion attended only by directors.

Board of Directors' committees

The Board of Directors committees' authorities and each committee's respective composition were determined pursuant to the Companies Law, and membership thereof comprises external directors, independent directors and directors on behalf of the public, in accordance with statutory requirements.

Table 36: Audit Committee**Main powers, roles and purview of the committee**

To assess and examine defects in the Company's business management, the internal auditing, or in the implementation of Company procedures, and manner of addressing them.

To inspect the Company's operational efficiency along with the activity of the Company's Internal Audit Unit.

To assess and examine defects emerging in the internal auditing or in the implementation of Company procedures, and manners of addressing the detected defects.

To decide whether to approve actions and transactions requiring its approval by law, including in relation to conducting transactions by the Company with interested parties and the controlling shareholders therein.

To decide with regard to certain actions as to whether they are material actions or non-material actions, and regarding certain transactions, as to whether they are extraordinary transactions or non-extraordinary transactions, for the purpose of their approval under the Companies Law.

To determine with regard to the Company's transactions with a controlling shareholder or transactions of the Company with another individual in which the controlling shareholder has a vested interest, that there is an obligation to issue a tender, under the supervision of the Committee or whomever it shall determine for that purpose and in accordance with the standards it shall determine, or to decide that other proceedings shall be held, prior to engaging in such transactions.

To classify a Company transaction with a controlling shareholder as a non-negligible transaction, to determine the manner of its approval, including determining the types of said transactions that shall require the approval of the Audit Committee.

To make recommendations to the Board of Directors, on appointing and dismissing the internal auditor.

To supervise and examine the independent auditor's independence, impartiality, and the auditing work's effectiveness, in order to draw up recommendations for the Company Board of Directors on this matter. The Audit Committee must examine to see that there has been no restriction on the work of the independent auditor.

As requested by the Chairman of the Board of Directors, the Chairman of the Committee, the CEO, or the Internal Auditor – to discuss and evaluate any unusual issue that might come up at the Company.

To examine and authorize the propriety of the public process for hiring a relative, as defined in the Government Companies Regulations.

Annually, to make arrangements on how Company employee complaints of a defect in managing the Company's business are to be addressed, on integrity, and on how such employees who complained are to be protected, and to follow up on these arrangements' implementation.

To discuss and authorize the annual and multi-annual auditing plan.

Discussing audit reports and other reports which pointed out deficiencies which require handling. In addition, the Committee shall discuss the audit reports, which even if they have not raised any material findings, have indicated problems that need to be addressed at the Company's supervisory level.

To examine the Company's internal auditing function and the internal auditor's actions once a year and prior to filing the periodic report.

The Chairman of the Committee shall update the Chairman of the Board of Directors on any material issues arising from the audit reports. In addition, he shall also update the Board of Directors' plenum on the committee's activity at least twice a year.

To review the permits the Board of Directors issued for seniors to have other occupations, and to report to the Authority accordingly, every year.

Powers delegated by law.

The committee's composition (as of December 31, 2022):
Mr. Shlomo Arbiv (Chairman of the Committee)
Ms. Diana Halabi Hassoun
Ms. Dvora Hassid
Mr. Michael (Micky) Schneider
The committee's activity
In 2022, the Internal Audit provided the Board of Directors with 53 auditing reports and follow-up reports. The main ones submitted to the committee.
11 meetings held in 2022
% of attendance:
Mr. Shlomo Arbiv (Chairman) - 100%
Ms. Diana Halabi Hassoun – 33%
Ms. Dvora Sonia Hassid - 82%
Mr. Michael Schneider – 89%
Average attendance: 76%

Table 37: Budget, Financial Management and Risk Management Committee**Main powers, roles and purview of the committee****Budgeting and financial management:**

To consider the Company budget and discuss it.

To discuss loans, cash flows and capital raising (equity and debt).

To assess the Company's financial structure, including its debt structure.

Following up on the short-term and long-term surplus liquid holdings.

Reviewing the economic aspects of ventures, as the committee sees fit to.

To make recommendations to the Board of Directors on each of the aforementioned.

Risk Management:

To discuss the Company management's risk management policy and the measures in place to monitor it, and to recommend to the Board of Directors whether or not to approve it.

To discuss rules of reporting to the Board of Directors, as proposed by the Company's management and to recommend to the Board of Directors whether or not to approve them.

To discuss at least once a year the Company's risk management setup, including a breakdown of the material risks to the Company, and determining the principles for identifying, assessing, monitoring, and controlling or mitigating these risks.

The Committee shall discuss the results of the Company's comprehensive risk survey, as soon as possible after it is completed, and shall bring its recommendations to the Board of Directors for discussion.

In view of the outcomes of the risk survey, and the assessment of the existing organizational groundwork, the Committee shall examine the existing Company risk management policy and shall discuss it and recommend to the Board of Directors to approve an updated risk management plan.

The risk survey shall be updated on a routine basis and at a frequency to be determined by the Board of Directors. In any event, the Committee should examine an update and examination of the risk survey should any unusual and material incidents occur, and to report on this to the Board of Directors.

The Committee shall recommend to the Board of Directors with regard to the amount of time required for conducting a new risk survey, According to the risk management policy (the last one was approved by the board of directors - 31.03.22), in accordance with the Government Companies Authority document on risk management dated 01.8.20, the company is obliged to carry out a comprehensive risk survey, once per At least 4 years. The above was reported to the Board of Directors on February 20, 2022, as part of the presentation of the said document.

- According to the decision of the board of directors dated 20.02.20:

The company's board of directors will hold a discussion at least once a year regarding the following topics:

- Determining the overall risk strategy, including determining the appetite for risk. ,

- Approval of the company policy document for risk management

- Supervision and control of the annual and multi-year work plans regarding risk management in the company (on February 4, 2021, the plenary of the board of directors determined that the issue will be carried out by the budget, financial management and risk management committee of the board of directors).

- Reporting on changes/developments/trends in risk centers in the company

- Having an effective risk management system.

The Committee shall monitor the Company's coverage under the appropriate insurance policies, and shall examine and approve the Company's contractual engagements with the insurance companies.

The items discussed in the Committee, at least on a quarterly basis:

Status of the Company's risk management activity.

Report on material materialization/failure events in the Company in the previous quarter.

Reporting on changes/developments/trends in the Company's risk focus areas. Major risks rated "high" or higher, including following up on the implementation of the risk mitigation plans.

The committee's composition (as of December 31, 2022):
Mr. Shlomo Arbiv (Chairman of the Committee)
Mr. Efraim Refael Henig
Ms. Anat Oren-Elad
Mr. Michael (Micky) Schneider
Mr. Nissim Alon
13 meetings held in 2022
% of attendance:
Mr. Shlomo Arbiv (Chairman) - 100%
Ms. Anat Oren-Elad - 85%
Mr. Nissim Alon – 100%
Mr. Efraim Henig – 85%
Mr. Michael Schneider – 100%
Average attendance: 94%

Table 38: Compensation Committee

Main powers, roles and purview of the committee
To recommend to the Board of Directors with regard to the Officer Compensation Policy.
To provide the Board of Directors with a recommendation, every three years, regarding extending the term of the compensation policy that was set for a period of more than three years.
To recommend to the Board of Directors with regard to revision of the Compensation Policy from time to time, and to examine its implementation.
To decide whether to approve transactions regarding the service and employment terms of officers requiring the approval of the Compensation Committee under the Law.
To give exemption from the requirement to obtain the General Meeting's approval for a transaction with a candidate to the office of Company CEO, in accordance with the Law.
Powers delegated by law.
The committee's composition (as of December 31, 2022):
Mr. Shlomo Arbiv (Chairman of the Committee)
Ms. Dvora Hassid
Mr. Michael (Micky) Schneider
8 meetings held in 2022
% of attendance:
Mr. Shlomo Arbiv (Chairman) - 100%
Ms. Dvora Hassid - 100%
Mr. Michael Schneider - 100%
All committee members were present at all committee meetings (100%)

Table 39: Corporate and Social Responsibility, Regulation, Environment and Tariff Committee

Main powers, roles and purview of the committee
The committee advises the Board of Directors, and does not have the power to pass resolutions. Setting, and as necessary, revising the Company's general corporate responsibility policy, on corporate governance, ethics, administrative compliance, environmental protection and the community; and any other subject that the chairman of the Board of Directors, the Board of Directors, or the Chairman of the Committee might ask the committee to discuss. Supervising the Company's compliance with the provisions of the law, procedures, circulars, guidance, government resolutions, etc. that may apply to it, including in the following areas: securities laws, companies laws, government companies laws, antitrust laws and environmental laws. Supervising the Company's internal regulation. Monitoring the implementation of the Code of Ethics and the Company's internal compliance programs and proposing changes therein as needed. Examination of the Corporate Governance Code. Discussing State Comptroller reports, to the extent that they concern corporate responsibility, without detracting from the Audit Committee's authorities, and in coordination with the Chair of the Audit Committee. Discussing the Company's corporate responsibility report and its ESG report. Outlining the principles of the Company's activity vis-à-vis ministries, regulators, enforcers, the courts, and other establishment entities, that have authority over the Company under the law. Supporting the Company in its activity with the Israeli Electricity Authority in order to formulate orderly work procedures that will enable obtaining tariff coverage as required.
The committee's composition (as of December 31, 2022):
Ms. Diana Halabi Hassoun (Chairperson of the Committee) Mr. Shlomo Arbiv Ms. Anat Oren-Elad
1 meeting held in 2022
% of attendance:
Ms. Diana Halabi Hassoun – 100% Mr. Shlomo Arbiv - 100% Ms. Anat Oren-Elad - 100% All committee members were present at all committee meetings (100%)

Table 40: Additional committees

	No. of meetings	% of attendance:
Engagements and Assets Committee	6	100%
Committee for Assessing Company's Preparedness for Emergencies	2	92.8%
Financial Statements Review Committee	8	100%
Strategy, Structural Change, Image and Innovation Committee	4	88.1%
Human Resources and Organization Committee	8	91.6%

Senior officers compensation

Officers' compensation policy

The senior officers' compensation policy is set in accordance with criteria set out in the Companies Law, and considerations such as: the Company's size, the nature of its activity, the Company's wish to retain the officers, and its being a government company subject to the provisions of the Government Companies Law and the regulations promulgated thereunder, and the provisions of the Government Companies Authority, which limit the Company's ability to operate independently on matters pertaining to salaries and benefits to its employees.

Amendment 20 to the Companies Law addresses the issue of regulating the terms of tenure and employment of officers in publicly-traded companies and debenture companies (as they are defined in the Companies Law) (hereinafter: the "Compensation Policy"). Accordingly, Section 267a of the Companies Law provides that the Board of Directors of a publicly-traded company or a private company that is a debenture company shall determine a Compensation Policy in the company that shall require authorization from the General Meeting. Nevertheless, the Companies Regulations (Relief Regarding the Obligation to Adopt a Remuneration Policy) 2013, applying to the Company, exempt a government company or a government subsidiary, under certain conditions set forth in the Regulations, from approving the Compensation Policy at the General Meeting. In addition, the Regulations enable the Compensation Committee or the Board of Directors of a government company not to set forth in its compensation policy issues set forth in Section A of the First Addendum A of the Companies Law in which there are provisions as set forth in Section B of the said Addendum, in relation to components of the compensation policy that were laid down in guideline by virtue of the Government Companies Law or were authorized by the Government Companies Authority by virtue of the said law, or that were prescribed in the collective terms of employment that were approved under Section 29 of the Budgetary Principles Law, and all in the manner that does not leave the Company with any discretion as to the scope or amount of the compensation in relation to those issues.

On November 18, 2021, the Company's Board of Directors reapproved the revised senior officers compensation policy, at the recommendation of the Compensation Committee of November 4, 2021 (hereinafter - the "Senior Officer Compensation Policy"). On February 3, 2022, the general meeting of shareholders authorized the senior officer compensation policy. There was no involvement of external consultants in the wording of the Compensation Policy. Within the approved senior officer compensation policy, the Company's goals and considerations and principles underlying the policy; the necessary approvals to authorize or revise the Company officers' terms of employment; parameters for examining the compensation terms; the Company officer compensation terms; compensation in connection with the termination of employment; the officer liability insurance clause; and bonus and incentive payments to the Company's senior employees, subject to the Government Companies Authority circular entitled "Principles for the Senior Employee Compensation and Incentives Model in Government Companies"; were revised, among other things.

In accordance with the Compensation Policy, the Board of Directors is authorized to approve for senior employees employed on a personal contract, compensation of up to one month's salary for each year of employment at the Company as a senior officer on a personal contract, based on considerations set forth in the Compensation Policy.

As of December 31, 2022, the Company employs 130 senior employees who are eligible to the aforesaid compensation; said employees are employed under a personal employment contract.

Compensation Measurements Linked to Sustainability Aspects

The senior officers compensation policy includes an annual compensation model that defines metrics and goals for managers holding positions of department managers or higher; the model is approved by the Board of Directors and the Government Companies Authority. Furthermore, based on the said model, the Company formulated a compensation model for managers holding positions of deputy department managers, which is approved by the CEO. The model determines a set of metrics, for which compensation is to be awarded based on their realization. Payment of the bonuses is approved annually by the Board of Directors Compensation Committee, the Board of Directors plenum and the Government Companies Authority.

Company indicators

The Company has a set of “Company Indicators” which are material metrics for which an overall score is given to the Company as a whole; the score impact all senior managers even if they are not directly in charge of executing them (Company Indicator scores are weighted into the overall score of each manager). The measurement for a specific organizational unit that is directly responsible for performance will also be affected by that unit’s senior managers’ score. For example, the metric relating to the number of minutes during which there was no supply of power is a “Company Metric” that represents the quality of the supply of the product from which all senior managers are affected; the direct responsibility for its execution lies with the VP Network Services. The Company’s other sustainability metrics include the “occupational safety metric”, the “employees with disabilities hiring metric”, etc.

Specific metrics for the area of practice

In addition to the “company metrics”, there are compensation metrics that only affect the managers in charge of the metric’s relevant areas. Examples of such metrics, related to sustainability:

- **The “satisfaction with the 103 service” metric** – the metric applies to the Vice President of the Service, Marketing, and Regulation Division, details:
 - The percentage of respondents stating that their satisfaction with the service was good/very good, according to the 103-call center customer satisfaction survey.
- **The set of gender equality metrics** - the metrics are binding on the officer in charge of gender equality, prevention of bullying and sexual harassment at the Company: Promoting gender equality; the percentage of hiring women in core professions and in core support professions; the promotion of women; prevention of sexual harassment and harassment.
- **Set of metrics relating to the development of human capital** - applies to the deputy manager of the development and organization consulting department.
 - Support for the shift to a business company; assimilation of corporate culture and a change plan (the issue of ethics is part of this metric); development of managers and implementing an overall company leadership model.
- **The proper corporate governance metric** - applies to the secretary of the Board of Directors, who assesses the Company’s compliance with relevant requirements applicable to the Board of Directors and the Company, such as: a discussion on management of corporate business without management attendance; external directors’ declaration as to a lack of any personal connections and the terms of their competency; a discussion in the Audit Committee attended by the internal auditor and the independent auditor; the amount of time for passing on recommendations of the Financial Statements Committee to the plenum (two days); the amount of time from sending the draft Financial Statements until the date of the meeting to approve them (10 days).
- **Occupational diversity metric** (hiring employees with disabilities) - is part of the the Company’s metrics and the metrics of the VP Human Resources.

Compensation of senior officers⁹²

The employment agreement of a Company officer is a personal employment agreement with a uniform wording dictated and required by the Government Companies Authority, pursuant to the Government Companies Authority Circular No. 2001/1, dated November 7, 2001 (hereinafter: the “Authority’s Circular on Senior Employees”) or an employment agreement with a personal contract for senior managers at the IEC that has been approved by the Government Companies Authority and the Commissioner of Wages and Labor Agreements at the Ministry of Finance. The wage of a Company officer is determined in accordance with the Company classification, which is decided at the Government Companies Classification Committee that was established by virtue of the government decision (hereinafter: the “Government Companies Classification Committee”), and this is updated once a year in accordance with the rise in the Consumer Price Index and subject to approval of the Company Board of Directors. As part of his work and pursuant to his employment agreement, and subsequent to obtaining the Company Board of Directors’ approval for this, along with the authorization of the Government Companies Authority, that officer is entitled to a company car for the purposes of his work, and the Company bears the cost of this use. In addition, he is also entitled to expenses for use of his telephone, per diem expenses for traveling, a clothing allowance, study fund, annual leave and convalescence pay. The Company officer shall cease to serve and his tenure shall expire pursuant to the grounds stipulated in the Government Companies Law and on the dates set forth therein. Pursuant to the Authority’s Circular on Senior Employees, there is a mandatory obligation to provide three months prior notice to a senior employee who is dismissed from his job or such notice must be given by a senior employee who voluntarily resigns from his position. The terms of tenure and employment of the company officers correspond with the Company’s Compensation Policy.

As of December 31, 2022, one senior officer, Mr. Mr. Shlomo (Shlomi) Tsarfati, has one ordinary share in the Company. The senior officer compensation policy also includes a clawback clause, that entails a demand that the paid compensation will be returned if the engagement is terminated under circumstances in which the officer’s rights to severance pay can be lawfully revoked; or in circumstances in which the officer participated in conduct that caused the Company unusual harm through unlawful activity, a violation of the fiduciary duty, a violation of or disregard for the Company’s policies, rules, and procedures, deliberately or out of gross negligence. In addition, the Compensation Policy does not include a negative incentive mechanism (malus clause).

The ratio of the Company’s highest paid employee’s gross wages to the gross median wages for the other Company employees in 2022 is 3.13, compared with 3.58 in 2021.

⁹² For more information, see the periodic report for 2022, under Chapter D – Additional Information about the Corporation, page 5, article 21(a)1: Senior Officer Compensation

Shareholders' meeting

Voting by shareholders

According to the Company's Articles of Association, votes are cast in shareholders' meetings, by show of hands or on a poll (the Company is exempted from Companies Regulations with regard to voting slips and position notices, whereby shareholders may vote through a voting slip); therefore, shareholders who wish to take part in the meeting must be physically present in the meeting or appoint a representative on their behalf within the time tables set in the Articles of Association. In view of the Company's ownership structure and the expedients incorporated in the regulations regarding transactions with a controlling shareholder, which exempt the Company from the requirement to bring certain resolutions for approval by the General Meeting, some topics do not reach the General Meeting.

Equal voting rights - one share one vote

In order to prevent a gap between the voting rights and the rights conferred by ownership of capital, the State of Israel adopted the "one share one vote" rule, whereby an Israeli company may only issue shares with identical voting rights. The rule was adopted in an amendment to the Securities Law and incorporated in Section 46B of this law, required to maintain equal voting rights in publicly-traded companies. This principle was also incorporated in Section 66 to the Company's Articles of Association.

The Necessary Rate of Shareholders for Gathering an "Extraordinary General Meeting"

An extraordinary meeting is a general meeting of shareholders that is not an annual meeting.

Pursuant to Section 63(b) to the Companies Law, the Board of Directors of a publicly-traded company shall convene an extraordinary meeting when it decides to do so, and when any of the following demand the convening of such a meeting:

- Two directors or a quarter of the serving directors.
- One or more shareholders holding at least 5% of the Company's issued capital and at least 1% of its voting rights; or one or more shareholders holding at least 5% of the Company's voting rights.

Convening shareholders' meetings

The Necessary Rate of Shareholders for Passing a Resolution at Shareholder Meetings

The majority required to pass resolutions in an annual general meeting is a simple majority of all the votes of shareholders participating in the vote, without taking into account abstaining votes.

In an extraordinary general meeting, the majority required depends on the proposed resolution on the agenda:

- **Simple majority** - the approval of some resolutions requires a simple majority of the shareholders participating in the vote, without taking into account abstaining votes.
- **Special majority** - the approval of some resolutions requires a majority of the votes cast by the shareholders participating and voting with respect to the resolution, so long as one of the following conditions are fulfilled:
- The count of the majority votes at the General Meeting shall include at least a majority of all the votes of shareholders who are not controlling shareholders in the Company or parties with vested interest in approval of the resolution, who are taking part in the vote; in the count of all votes of the shareholders, with abstentions not being taken into account.
- The total number of votes against among the shareholders stipulated in condition A above shall not exceed two percent of all voting rights in the Company.

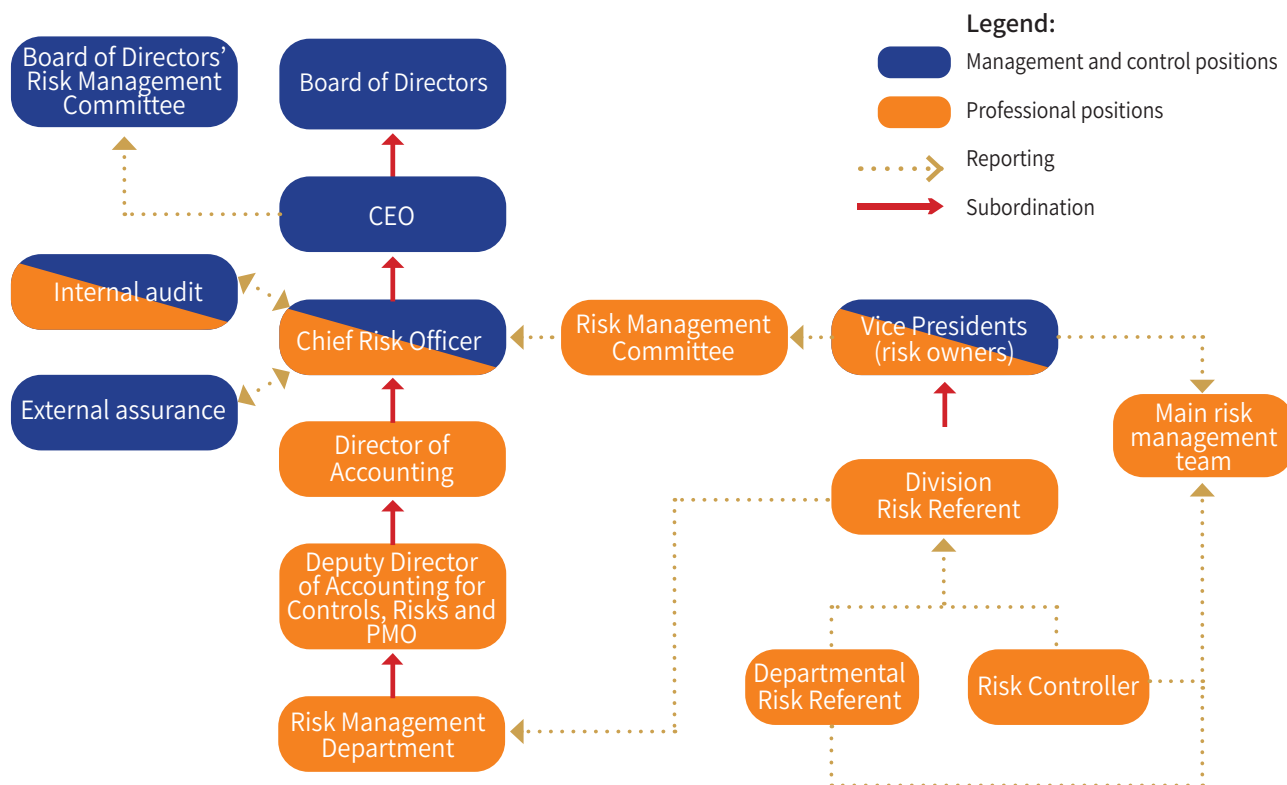
Due to the Company's ownership structure, shareholders taking part in the vote who are not controlling shareholders of the Company or do not have a vested interest constitute approx. 0.15%; therefore, even if all shareholders object a resolution, the resolution will be passed since condition b. is fulfilled whereby the total number of objecting votes shall not exceed 2%.

Restrictions on taking legal action

In accordance with the statutory provisions that apply to the Company by virtue of its nature and its operations, including the statutory provisions that apply to it as a government-owned company and as an essential service provider, the Company is limited in performing some legal actions, including the actions appearing in section 11 of the Government Companies Law, that require permission from the government.

Risk management in the Company⁹³

Chart 15: Structure of the Company's risk management function



(*) The Risk Management Department is part of the Accounting Division, which is subordinate to the CFO.

(**) The Company has some 40 employees, who in addition to their formal title, serve as risk controllers and referents who participate in the process. In addition to them, dozens of employees are members of the different risk management teams. The risk management activity is carried out using the SAP-GRC automated system.

Risks are an inherent part of the Company's business environment and its work and management processes, and they are affected both by external and internal factors. The Company's risks are divided into strategic risks, operational risks, financial risks, and compliance and regulation risks. The Company operates in accordance with the Government Companies Authority Circular No. 2020-13-1 on corporate risk management in government companies and government subsidiaries, published on January 8, 2020, and as part of this the Company has drafted a risk management policy that is validated and approved by the Board of Directors on an annual basis.

93 For more information on the Company's risk management, refer to the 2022 financial statements on the Company's website, Part A.

The risk management policy's goals include, among other things:

- Mitigating risk to reach the Company's operational, financial, strategic, and other goals; and minimizing losses resulting from failure events that the Company is exposed to – all, while meeting the Company's risk appetite limits.
- Early detection of the risks that might affect the Company's goals as soon as possible, by mapping the relationship between the Company's or the divisions' goals and risks that might diminish them, while implementing work plans to mitigate them.
- Implementing an effective risk management culture among managers, to increase awareness of risk management in decision-making processes, including improving the follow-up and control of risk mitigation processes.

These are the main actions the Company is taking:

- Regular reports to the management and to the Board of Directors Budget, Financial Management, and Risk Management Committee, as well as annual reports to the Plenum of the Board of Directors.
- Oversight of all risk management subjects in the Company, through a risk management committee, headed by the Chief Risk Officer.
- Periodic risk surveys.
- Identifying new risks according to the goals and examining their ramifications for the Company, including setting a policy on handling them.
- Setting the Company's risk appetite to enable appropriate business conduct so as to attain the Company objectives.
- Preparing work plans to lower the risk level and/or integrate controls/preventative actions and integrating them into the Company's activity.
- Using an automated risk management IT system.
- Ensuring business continuity for critical processes in case of disruptions such as a state of emergency and/or an emergency. In addition, in order to manage the risk optimally, a new base risk of climate change was defined - extreme weather events under the risk of natural disasters and emergency management.

The Company conducts a comprehensive risk survey pursuant to the Government Companies Authority risk management circular (once every 4 years). For each main risk category defined in the risk survey a risk owner is appointed who is responsible for that risk management across the entire Company. On December 5, 2019, the Plenum of the Board of Directors authorized a comprehensive risk survey, according to the instructions in the Companies Authority's circular. Furthermore, the Company engages in an ongoing risk assessment process, among other things, based on actions taken to mitigate the risks - this activity is carried out using the SAP-GRC automated system.

The Company Board of Directors appointed the Senior Vice-President of Finance, Economics and Risk Management as the Company's Chief Risk Officer. Furthermore, a Board of Directors Budget, Financial Management and Risk Management Committee was appointed that deals with risk management. Pursuant to the provisions of the Government Companies Authority Risk Management Circular, the Company's VP Risk Management Committee convenes twice a year headed by the Chief Risk Officer and attended also by the CEO. A quarterly meeting is also held at the Board of Directors Budget, Financial Management and Risk Management Committee. In addition, once every two years, the risk owners of those risks rated as high and very high present the risk portfolios at the Board of Directors Budget, Financial Management and Risk Management Committee. Furthermore, once a year the risk management status is presented to the Board of Directors.

For more information about risk management in the Company, see the Company's 2022 annual report, Part A - Description of the Company's Business.

Preparedness for business continuity during emergencies ⁹⁴

The importance of Company's operational continuity is heightened at times of emergency, bad weather, security conflicts or stress events such as the coronavirus pandemic and earthquakes. In such periods, the collaboration and coordination between all emergency agencies in Israel are critical, and the Company must harness its capabilities, many years of experience and the uncompromising dedication of its employees to raise to the challenge.

According to the circular by the Government Companies Authority on risk management, published on January 8, 2020, the purpose of the business continuity function is to make sure it is possible to perform some actions or restore the Company's operations when required in cases of disruptions, such as states of emergency and/or emergencies. Within this, business continuity plans were drafted, set by the Vice Presidents.

The management team members are in charge of identifying critical processes whose continuity is vital; prepare work plans to handle scenarios that might interrupt their continuous operation until business returns to the usual; and drill and inform the relevant task forces, including securing the necessary resources for performance. The Company emphasizes reinforcing awareness of the existence and recency of the business continuity management policy, including drills on restoring critical processes, both in the framework of the Company's drills to prepare for the summer and winter, and individually.

The Company's preparations for an emergency and the highlights of the "Strategic Plan to Create Awareness and Emergency Preparedness" were first presented and authorized at a Board of Directors session held on August 14, 2013. The issue is presented before the Board of Directors at least annually, and the last update of the plan's status was presented to the Board of Directors on November 3, 2022. The plan is based on instructions by the Government Companies Authority, as set out in the Companies Authority's circular on the subject, dated July 11, 2012. The plan includes the Company's policy and objectives for continued operational continuity and the Company's activity on the topic of preparations for an emergency.

The Company has a number of procedures to arrange its preparations for an emergency, including:

- "The Company's preparations for a chemical warfare agent attack" procedure;
- "Handling an emergency incident at substations and switching stations" procedure;
- "Administering first aid and evacuating employees from the Company premises" procedure;
- "The Company's preparations for a state of emergency/crisis/stress" procedure;
- "Preparation for and handling of an earthquake and/or tsunami incident" procedure.

⁹⁴ Other resources on the subject of the Company's emergency preparedness: the annual report for 2022, Part A – Description of Company Operations, pages 104-107 (regulation and new legislation, preparedness for and management of safety events, natural disasters, and emergency events, explosions and fires, data protection and cybersecurity, and telecommunication systems' availability); Part B – Report of the Board of Directors on the State of the Company's Affairs," page 5, Section A.1.C.3.

The Company bought an insurance policy to cover damages and indirect expenses resulting from natural disasters, fires, explosions, pollution, and mechanical impact.

A steering committee, headed by the Vice President of the Operations and Logistics Division, to address earthquakes and tsunamis, that has three subordinate subcommittees, is planning and performing the Company's preparedness for these events, to minimize and mitigate casualties and damage to facilities from such events and minimize the rehabilitation time following such an event.

The steering committee has set a multiannual work plan to handle earthquakes and tsunamis, including seismic surveys in some Company sites and an analysis of different scenarios, through which, the "Achilles' heels" that might be compromised are identified. Based on the analysis of these scenarios, recommendations are made to reinforce and anchor different electricity system components, and their implementation is included in the different subcommittees' work plans. The Board of Directors has also appointed a subcommittee to support and control of the Company's emergency preparedness, that engages in this activity. The Company reports of its activity on the subject to the National Earthquake Preparedness Committee.

Because of the essential services the Company provides to the State of Israel and its residents, it might be at risk and be a target of hostile actions against its facilities, including cyber operations. For this reason, the Company extensively guards its facilities and receives instructions from authorized parties on different security issues, including the National Emergency Management Authority (NEMA), the Israel National Cyber Directorate, the Ministry of Defense, the Israel Police Force, the Home Front Command, and others. As for the electricity production, the Company has assessed this threat, and it is taking precautions concerning employees in its facilities.

The insurance policies the Company acquires normally exclude terrorism and warfare damage, which are covered through a special fund provided by the State of Israel to compensate against terrorism and warfare damage, under the Property Tax and Benefits Fund Law.

The Company participated in revising the "Response Plan to a Warfare Scenario" based on an aggregated reference scenario that comprises multiple scenarios, received from the National Emergency Management Authority (NEMA). The plan was approved by the Ministry of Energy's Director General and a response plan based on it will be formed by the Power Authority (the government-owned company Noga) together with the IEC. With the Ministry of Energy, the Israeli Electricity Authority, the Ministry of Defense, and the Home Front Command, the Company is improving physical protection at critical points to the electricity sector; it is also closely cooperating with the Ministry of Energy, the Aerial Defense System and the Ministry of Defense, to gain the ability to actively protect critical Company sites. Within this project, interception systems will be deployed in selected Company sites.

The Israeli electricity sector is considered an electric "desert island". For this reason, the Company makes sure to keep a store of fuels, material, and equipment, to handle emergencies and operational failures, and it is topping up its strategic emergency reserve for the electricity sector to use in accordance with Cabinet Resolution No. 116B. The Company is also working to increase redundancy in the electricity sector, and among other things, it will work to convert coal-fired production units to using natural gas and to retain the coal-fired units at the Orot Rabin Power Plant.

The Company is working with the Ministry of Energy's Emergency, Safety, Information, And Cyber Department and the national authorities; putting together scenarios and defining plans to address them; preparing emergency plans and procedures; setting the emergency service levels; making sure to lock down the

emergency manpower; making sure to reinforce operational continuity in the electricity sector; operating an organizational and a personal robustness function; training and drilling employees and systems in different scenarios; and drawing lessons and conclusions from actual events and drills and following up on their implementation. The Company is also playing a part in national drills, Ministry of Energy drills and drills initiated by other ministries, designated authorities, the Home Front Command and the Israel Police Force, at the national level and at the local/district level. The Company also carries out two national drills a year, to prepare for the summer and the winter (details below – “Extreme Weather Event Risk Management”).

The Company’s control and command systems are constantly being upgraded and updated, to improve the snapshot composition capabilities. Within this, a system was developed to manage events, make assessments and compose snapshots; the main operational headquarters and the substitute operational headquarters for the CEO were established; and new emergency headquarters were established for the VPs. The Company is revising the relevant emergency procedures, and it is working with other parties in the electricity sector, such as the Power Authority (a designated Ministry of Energy authority, in charge of the electricity sector’s operational continuity during emergencies) and the Ministry of Energy, to set common procedures for the essential national enterprises and essential enterprises at the Company according to the new organizational structure, and the Power Authority carries out inspections of the defined Company enterprises.

The Company has security and fire safety functions, and search and rescue teams serving as first responders, including all the means required at times of emergency. The Company is maintaining a capable independent rescue function, including procuring suitable equipment and performing relevant training, and it is maintaining a relationship and a collaboration with first respondents (Fire and Rescue, Magen David Adom, the Israel Police Force), to improve the first response to natural disasters. Furthermore, the Company makes preparations for business continuity in relation to its computer and communications systems, the office of the spokesperson for the Company and information to the public.

The Israel Electric Corporation realized the changes from the reform in the electricity sector, including reassigning the responsibility for the Power Authority, which is in charge of operational continuity during emergencies, from the IEC to Noga, the government-owned electricity system management company, and it is practicing and drilling its emergency operations under the changed circumstances following the reform in the electricity sector. Within this, the Company vacated the emergency operation headquarters in the system management facilities that were assigned to the Noga Company within the reform agreements, and built two new operational headquarters for use in emergencies.

Extreme Weather Risk Management

The Company is preparing for its continued functional continuity during extreme weather events. The Company divisions conduct preparatory actions, including:

- Preparations for higher peak demand than is forecast.
- Maintenance of private substation units.
- Maintenance of transmission and distribution lines in accordance with the work plan
- Pruning and trimming trees and other vegetation
- Updating division-wide procedures on setting up headquarters during states of emergency and ensuring their operational readiness.

The Company also established an upper-level steering committee headed by the CEO, for the Company's preparedness for extreme weather events resulting from the climate crisis and global warming. The committee defined the risks that follow from climate change, including extreme precipitation, heavy snowfall, strong wind, floods, extreme sandstorms or dust storms, mud avalanches, extreme thunderstorms and heat waves and cold waves. The Company is cooperating with professional entities to predict weather events, in order to anticipate these events' frequency and severity in the future.

Moreover, together with the Center for Military Analyses-Rafael (CEMA), the Company defined and built scenarios for a variety of climatic phenomena (such as gale force winds, heat waves and cold waves, extreme precipitation, flooding and floods) and acts to analyze and build response plans to these scenarios. Beyond that, a new basis risk was defined for extreme weather incidents in the Company's automated system that is used for risk management with the aim of contending with and managing the risk in the optimum manner.

Every year, the Company carries out two national preparedness drills for the summer and the winter (the summer preparedness drill was completed in May 2022, and the winter preparedness drill was completed in September 2022). Before these drills, all of the Company's auxiliary IT systems and control systems are checked, and the divisional and departmental operational headquarters' preparedness is examined. The drills address the need to improve preparedness, including the need for critical processes' functional continuity. After each drill, a methodical process was carried out to draw conclusions, and the conclusions' implementation is followed up on. The Company also participates in national drills, General Staff drills, Ministry of Energy drills, and other ministries' and infrastructure entities' drills. The Company is developing a simulator system and innovative drill in order to improve the preparedness of its workforce for emergency incidents.

Claims and legal proceedings

For complete information about claims and legal proceedings, including the subject of the claim and the status of the proceedings, see the Company's financial statements for 2022, Chapter C - Consolidated Annual Financial Statements, Note 35 - Agreements, Claims, Contingent Liabilities, and Labor Disputes.

Compliance with laws and regulations

Fines paid on ESG-related issues

Due to the failure to appoint a chairman of the board of directors for the company for over 60 days⁹⁵, on December 18, 2022, the company received a letter of demand for financial sanctions according to section 52h of the Securities Law (2018), in which the Securities Authority informed the company of its decision to impose a financial sanction on the company in the amount of NIS 900,000 (after reduction).

On January 18, 2023, the company paid the financial sanction under protest and at the same time filed an administrative petition against the Securities Authority's decision, and this, among other things, because the decision did not take into account the position of the Government Companies Authority and the fact that the reason for the threat The appointment of the chairman of the board of directors is rooted in factors external to the company and not due to the company's failure, because the candidates for the position of chairman of the company's board of directors are proposed and determined by the ministers and not by the electricity company.

⁹⁵ As detailed above, as of August 1, 2021, there is no Chairman of the Board of Directors in the company.

A hearing on the petition was held on July 24, 2023, and at the end of it, a decision was made according to which by September 13, 2023, the Securities Authority will update whether it is willing to reduce the amount of the sanction in accordance with Regulation 2 (4) to the Securities Regulations (Reduction of Financial Sanctions) 2011, and in what amount, and the electric company will update whether it agrees to this or requests a decision on the petition. On August 27, 2023, the Securities Authority gave the company a proposal to reduce the financial sanction, which was rejected by the company. As of this date, the court's decision on the petition has not yet been made⁹⁶.

⁹⁶ For more details about the petition, see section C3 of the board of directors' report on the state of the corporation's affairs for the period that ended on September 30, 2023.

Corporate Sustainability Report ESG

External Assurance Statement Index GRI



External Assurance Statement

Background

Good Vision - Corporate Responsibility Consultants Ltd., of the Fahn Kanne Group, was commissioned by the IEC to perform external assurance regarding its ESG Report for 2022.

The company was established in 2002 and has undertaken more than 100 consultation jobs in all spheres of ESG. The company is certified by the British Accountability organization to perform external assurance for corporate responsibility reports.

This external assurance, which is limited in nature, was performed in August to October of 2023 for a fee and in a manner as objective and professional as possible, based on information provided by the IEC. The company is not affiliated with and its business is not dependent on the IEC. For proper disclosure purposes, it should be noted that several years ago the company assisted and advised the IEC regarding ESG issues.

This is the third time that Good Vision performed external assurance for the IEC. The company's consultants who deal with ethics, corporate governance, community involvement and the environment took part in the process. The external assurance findings are intended for publication among all IEC stakeholders (internal and external).

Methodology

This external assurance process is based on two methodologies for reviewing the compliance of the report with the mandatory reporting requirements: GRI reporting principles, and principles of external assurance based on Accountability's AA1000AS V3 standard, at the Type 1 Moderate level, which aims to test the reliability of the report.

Work process

The reporting adequacy of the IEC's Sustainability Report for 2022 was tested by reviewing and analyzing documents that record relevant data and work processes, as well as several rounds of questioning and clarifications with IEC officials about how the data is collected and presented in accordance with generally accepted principles. In this context, it is important to note that the work was carried out with the cooperation of and transparency by the IEC staff. Furthermore, a significant part of the assurance findings forwarded to the IEC had already, while writing this report, been corrected and appear in the report.

The review included compliance of the report with, among other things, the following principles:

- **Inclusivity** - reviewing the extent to which the report provides comprehensive information to all stakeholders and gives them the option to respond.
- **Materiality** - reviewing the extent of reporting on significant sustainability issues for various stakeholders.
- **Responsiveness** - reviewing the extent of transparency in reporting the material topics and their impacts.
- **Impact** - review of the indicators used to enable monitoring of the Company's broad impacts.

At the end of the external assurance process, a detailed report was submitted to the Company, presenting the main issues of the process, and including an extensive explanation of findings and recommendations, a summary of which appears at the end of this External Assurance Statement.

Findings

According to the external assurance process, the process as described above and based on the material given to us, we can conclude that the IEC's Sustainability Report for 2022 complies with the GRI's reporting requirements and meets Accountability's reporting principles.



AA1000
Licensed Report
000-13/V3-HIC4R

As part of the external assurance process, we found that the report addresses material topics as required by the GRI. We believe that the report presents the data comprehensively and clearly, and extensively describes the Company's sustainability and ESG activities. In our opinion, the report was written reliably while basing on relevant data and documents.

Nonetheless, we recommend that the following topics be expanded and/or be reported in the next report:

Recommendations for Future Reports

- Reducing the size of the report for convenience and accessibility purposes.
- Reporting climate risks according to TCFD recommendations.
- Strict measurement of the impact of environmental and social projects and pilots performed by the Company and on reporting the measured results.
- Ensuring that numerical data are presented in a manner that is in line with their presentation in the Company's previous reports. In case of changes or differences in the data, the reason should be specified.



Ivri Verbin, CEO
Good Vision - Corporate Responsibility Consultants
October 2023

GRI Content Index

Israel Electric Corporation has reported in accordance with the GRI Standards for the period of 1.1.2022-31.12.2022

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* Page 65 | Gases Emissions from Air Conditioning Systems, Including Gases harmful to the Stratospheric Ozone Layer
<https://iecontent.iec.co.il/media/0cpnmu3/iec-environmental-report-2022.pdf>

* * Page 28 | Use of Materials, Energy Consumption, and Energy Efficiency
<https://iecontent.iec.co.il/media/0cpnmu3/iec-environmental-report-2022.pdf>

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* Chapter 4 | Recycling waste and by-products
<https://iecontent.iec.co.il/media/0cpnmu3/iec-environmental-report-2022.pdf>

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Cyber and Data Security (topic added by the company)

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304-3	Habitats protected or restored	IEC Environmental Report 2022 **
304-4	IUCN Red List species and national conservation list species with habitats in areas affected by operations	IEC Environmental Report 2022 **

* Chapter 3 | Water and effluents
<https://iecontent.iec.co.il/media/0cpnmui3/iec-environmental-report-2022.pdf>

** Chapter 6 | Biodiversity
<https://iecontent.iec.co.il/media/0cpnmui3/iec-environmental-report-2022.pdf>

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Corporate Sustainability Report ESG



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