



IEC's

# 2020

## CORPORATE SUSTAINABILITY REPORT



חברת החשמל



# 2020

## ESG Corporate Sustainability Report

IEC

## Corporate Sustainability Report 2020

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## About the Report

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IEC has been reporting its ESG performance since 2012; this report, which looks into the Company's activity in 2020, is the Company's ninth Corporate Social Responsibility Report. The report was written in accordance with GRI's SRS (Core option), 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 performance, and sets targets for future years.

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The purpose of the report is to present readers with the most relevant information about the Company's effect on various 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.

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The environmental data published in the report are taken from IEC's 2020 Environmental Report



The report underwent an external assurance by Good Vision - Corporate Responsibility Consultants Ltd. using two methodologies: the reporting principles as per GRI's SRS and its reporting guidance under the Core option, and the principles of AccountAbility's AA1000AS v3 assurance standard, under the Type 1 Moderate option. See Findings of external assurance assessment - on page 190



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# **ESG Corporate Sustainability Report**

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**IEC 2020**

## **Opening Remarks**



## Message from the Chief Executive Officer

**I am proud to present you the IEC's Ninth Corporate Sustainability Report, which summarizes a year of extensive activities on social issues, the environment and corporate governance, and is a testament to the Company's deep commitment to the issue of sustainability.**

Over the past year since the publication of the previous sustainability report, we at IEC, like the rest of society in Israel and worldwide, have faced the challenges posed by the ongoing complex reality of the Covid-19 virus.

At the same time, we carried on vigorously working to meet the milestones set for the electricity sector reform and to implement the organizational changes it caused, while fulfilling our main task - continuous, reliable and safe supply of electricity to the citizens of Israel.

In 2020, the Company implemented a number of important processes, and we can proudly state that we have successfully met all the organizational goals:

According to the outline for the reform, we began construction of two natural gas gas (combined cycle) plants at Orot Rabin in Hadera, using the most advanced technology available today that contributes to extensive savings in the use of natural gas and to protecting the environment. These plants will allow us to shutdown the operation of four coal-fired plants at the site, as part of the process for ceasing routine coal-fired production by 2025. We have also successfully completed the sale of the large Ramat Hovav power plant and within the defined time schedules - a feat that is expected to contribute to lowering of electricity prices in the future. As part of this, we were forced to part with some of our beloved workers - workers at the Ramat Hovav plant, workers who have moved over to Noga, the government system management company, and workers who took early retirement.

In 2020, the tremendous development momentum and upgrade of the Company's electricity grid and transformer system continued throughout the country to allow for the integration of large volumes of renewable energy. All this for achieving the government goals - 30% renewable energy - by 2030. During 2020, we connected to the grid renewable energy production facilities with

output of 300 megawatts, and more is on the way. We did this while adopting significant measures for supporting the government goals: moving forward with the smart meter deployment project, integrating control and monitoring systems into the grid and exploring means for storing energy. All these measures will boost the electricity sector in Israel and preserve the Company's ability to continue fulfilling its leading role in a changing world.

At the same time, we implemented initiatives for improving the level and quality of our services, understanding customer needs and integrating customer-focused technologies. We invested vast financial and human resources in developing a sharing and creative organizational climate, promoting gender equality and institutionalizing organizational innovation as one of the strategic changes in the transition to becoming an efficient business corporation operating in a competitive market.

The Covid-19 pandemic has especially highlighted our responsibility towards our stakeholders. Since the onset of the pandemic we have pursued a supportive Company policy, by being sensitive to our customers and suppliers' situations. We stopped disconnecting customers due to non-payment of debts and worked to create easier payment arrangements for customers who are interested. In addition, we have taken steps to facilitate small and medium-sized businesses - both as customers and as suppliers.

We also put the health of our workers at the forefront, taking exceptional and stringent protective measures for the essential workers who are crucial for maintaining regular power supply, with the understanding that the resilience of these workers is necessary for the resilience of the entire country. We set up systems for supporting and maintaining contact with our workers and pensioners who contracted the virus and for those in quarantine, as well as for their families, and we created an operational environment that enables remote work for the workers whose jobs allow it. The IEC was the first company in the country to begin Covid-19 testing of workers, in collaboration with the staff of Hadassah Ein Kerem Hospital, which instructed and supported the Company's medical system staff and employees who serve as MDA paramedics and volunteers and who, due

to the emergency, volunteered to back up the medical system staff, in addition to their day-to-day work.

I believe that with our excellent human resources we will complete every task that is placed on our shoulders and will face the challenges of tomorrow - national and business alike - with strength and resilience. Our human capital is a key factor to the continued growth and prosperity of the electricity sector, and we are working to continually nurture and develop our thousands of workers, including those dedicated workers from among populations that are under-represented in the employment market.

After almost a hundred years of operation, the IEC manages to combine a long and glorious tradition with ingenuity and an innovative vision for the future. We have once again proved the Company's willingness and ability to make profound changes, sometimes difficult and painful, while demonstrating professionalism, responsibility and technological leadership.

I have full confidence in the Company's ability to continue leading the energy economy in Israel, while supporting the government's goals for structural change in the electricity sector, improving air quality and developing a robust electricity grid that will absorb thousands of megawatts of green electricity to strengthen Israel's energy independence. We will continue to operate as an efficient and fair business corporation, and fulfill all our national obligations as a backbone of the economy.

I would like to thank the Company's Board of Directors for its leadership and guidance, and in particular Maj. Gen. (Res.) Yiftach Ron Tal, a true partner, who is retiring after a decade of dedicated and significant service, and wish him success in his new endeavors.



Best Regards,  
Ofer Bloch,  
The Company's CEO





Oren Helman  
VP Services,  
Marketing and Regulation



Einav Chashai  
Head of Resources,  
Regulation and  
ESG Management

## Message from VP Services, Marketing and Regulation & Head of Resources, Regulation and ESG Management

The historic process of reform of the electricity sector has brought with it significant structural changes in our Company, and in view of this a new vision and strategy was formulated for the Company, which promotes an organizational culture that focuses on service and innovation and is based on the values that guide us along our new path.

As part of this organizational change, contact with our key stakeholders has been brought together under the roof of the Services, Marketing and Regulation Division: customers, regulators, social and environmental organizations, community, investors and media.

At the same time, we recently transitioned into the sustainability sector, which allows us to shape the perception of sustainability in the Company, based on our ongoing discourse with our stakeholders, while striving to expand the dialog and cooperation with them, based on prevalent global trends.

At the time of publishing this report, we are guiding the Company in a comprehensive process for formulating a strategic sustainability plan.

As part of this, we are proud to present to you our 2020 Sustainability Report, which for us symbolizes a step up in transparency for the stakeholders. For the first time in many years, the Sustainability Report is drafted in accordance with the leading international GRI Standards, and was put through external assurance control. We did this due to our desire and responsibility to comply with the generally accepted standards in this field. This will allow us to express the current situation regarding our strengths as a company, alongside the areas that we still need to improve.

The scope for reporting required this year is at the core level, nonetheless we have chosen to expand beyond that and to give you a more comprehensive picture of our work.



Best Regards,  
Oren Helman,  
VP Services, Marketing and Regulation

We are proud to lead the change that the Company is going through with regard to sustainability, and we hope that you will find our work, as described in this Report, interesting, as it reflects the budding new spirit in the Company. The Report will also be published in English and will be accessible on the Company's website. It will be published annually with the aim of reflecting continuous improvement in our performance, with consistent and transparent accountability towards our stakeholders.

Einav Chashai,  
Head of Resources, Regulation and  
ESG Management



# Introduction

Snapshot - 2020 In Numbers

About the Report

Identifying Material Topics for Reporting

Vision and values

About the Israel Electric Corporation

Progress in implementing the electricity sector reform in 2020

The IEC - forward-looking

The IEC's sustainability strategy

Dialogue with Stakeholders

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**ESG Corporate Sustainability Report**  
**IEC 2020**

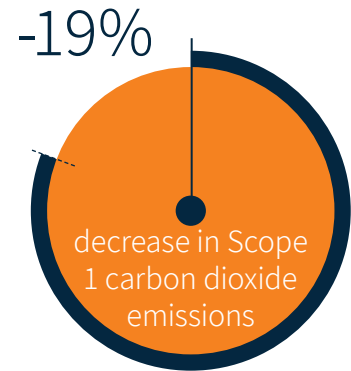
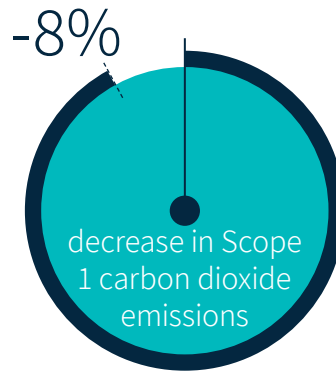
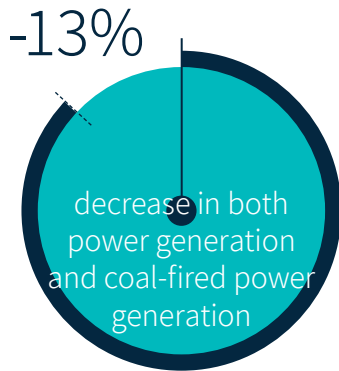
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## Snapshot - 2020 In Numbers

471 million NIS were invested in environmental facilities

emissions compared with previous years

● 2015 ● 2019 ● 2020



Equivalent to a saving of **2.2 million tons** carbon dioxide equivalent (CO<sub>2</sub>e)

Equivalent to a saving of **6.48 million tons** carbon dioxide equivalent (CO<sub>2</sub>e)

Connecting private power generation facilities powered by renewable energies with installed capacity of more than

**300** MW in 2020

A range of initiatives to protect biodiversity and aerial, aquatic and terrestrial ecosystems.

IEC was ranked eighth from among all companies from various sectors in the Israeli economy in BDI's **best employer ranking**.

The IEC was awarded the **highest score - "Platinum+"**<sup>1</sup> in the 2020 Maala Index for the eighth consecutive year (for its ESG activity in 2019)

<sup>1</sup> IEC has been ranked by the Maala Index since 2010 and was continuously awarded "Platinum+" score since 2013; the index assesses the implementation of ESG aspects in the corporations' core business



## ESG performance for 2020

**297,000**  
hours of professional training

The data also represents employees who participated in a number of training courses during the year.<sup>2</sup>

**11,483** employees



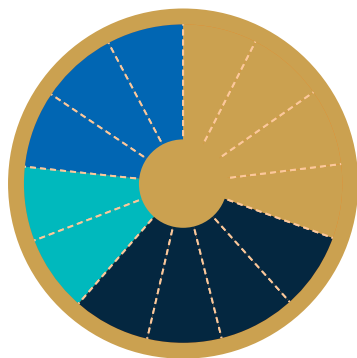
**30** hours on average  
the number of training  
hours per participant in  
training session<sup>3</sup>

**3.6** million NIS<sup>4</sup>  
total amount of investment  
in community educational  
programs

**12,500**  
number of active suppliers in the  
Company's suppliers pool

S - Society

**13** Board members



**23%** women on  
the Board

**2** external  
directors

**4** independent  
directors

G - Corporate Governance

2 Professional training hours were calculated by multiplying the number of participants in each course by the number of hours in each course for all professional training courses. Total amount of training hours was not adjusted to reflect the participation of those employees who participated in a number of different courses during the year

3 The training hours average was calculated in respect of all participants in training (not in respect of the total number of employees); it includes employees that were counted more than once and who participated in a number of courses over the year

4 The amounts invested in educational programs in the community reflect the data for 2020. However, the educational programs are actually carried out over the school year (September the previous year through to June of the reporting year), including expenses thereof, and most are multiannual. It should be pointed out that as a government company, IEC is precluded from providing sponsorships, donations and equivalents; therefore, the community outreach activity focuses on joint value for both the Company and the Community.

## Identifying Material Topics for Reporting

The materiality assessment is a process allowing the Company to identify and assess the most important topics for its various stakeholders. As a preliminary process for the preparation of its 2020 report, the Company assessed material sustainability-related topics arising from its activities; this was done in accordance with the process required under GRI's SRS. The process allows the Company to identify the most important ESG topics on which it needs to focus.

In order to maintain reporting continuity, the Company includes in the report topics that are not included in the list of material topics.

### The methodology used to identify the material topics

#### Mapping

The list of topics that were found material for reporting purposes in previous reports of the IEC were reviewed and revised in order to check

the topics' relevancy and expand the scope of reporting where necessary. Revision was done by way of sectoral review of the most material topics as reflected in corporate sustainability reports of five leading companies in the global energy sector.

22 topics which were relevant to the IEC were identified as part of the review of ESG topics.

#### Ranking and prioritizing the topics in accordance with stakeholders' expectations

Prioritizing the topics that were identified on the basis of an analysis, which includes:

- Assessing topics generally acceptable in the global energy sector
- Review by four international analytics entities that review the Company's ESG performance for investors
- Compliance with generally accepted reporting standards (GRI, SABS)

#### Ranking and prioritizing the topics in accordance with the IEC

Internal ranking of the topics by the IEC's Board of Directors and management and establishing a materiality matrix.

## 2020 Results:

The topics included in the materiality matrix are classified into environmental, social, and corporate governance topics and they are presented after taking into account the results obtained from external stakeholders' expectations (the matrix' horizontal axis), and the results obtained from the IEC internal rating (the matrix' horizontal axis).

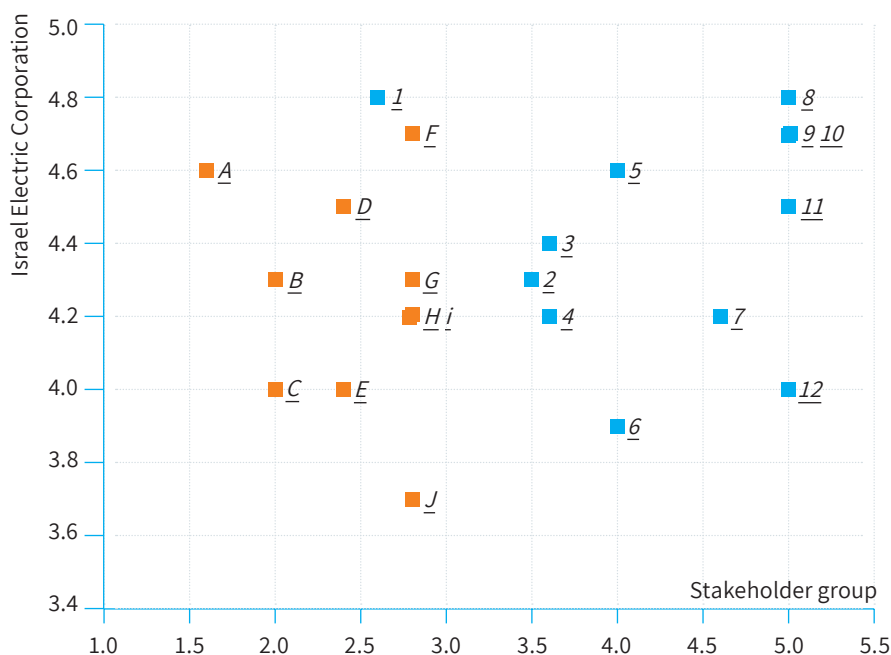
In view of the effect of the coronavirus pandemic on the activity of the IEC and its stakeholders, the materiality analysis also took in consideration

the effects of the pandemic; the topics whose importance was most affected (in the IEC and in other similar companies worldwide) are: occupational health and safety, innovation and digitization, and community outreach.

The material topics matrix presents the 22 topics that were assessed. At the end of the process - and based on the matrix' results - 13 topics that got the highest weighted score were selected from the list, and those topics were determined to be IEC's material topics.

	Material topic in the report	GRI Topic	Impact boundary
8	Polluting gas emissions	GRI 305: Emissions	
9	Occupational health and safety	GRI 403: Occupational Health and Safety	
10	Proper corporate governance and corruption prevention	GRI 205: Anti-corruption	
11	Supporting the transition to renewable energies	GRI 302: Energy	
12	Energy (management and own consumption)	GRI 302: Energy	
7	Community outreach	GRI 413: Local Communities	
5	Treatment of effluents, prevention of soil and water contamination	GRI 306: Effluents and Waste	
3	Terms of Employment	GRI 401: Employment	
		GRI 402: Labor-Management Relations	
2	Responsible supply-chain management	GRI 204: Procurement Practices	
3	Diversity and equal opportunity	GRI 405: Diversity and Equal Opportunity	
		GRI 406: Non-discrimination	
6	Reducing water use and effective water management	GRI 303: Water	
1	Accessibility and reliability of the power supply	Sector supplement	

Impact boundary: Within the organization In and outside the organization



מקרא לגרף זה:

נושאים מהותיים (לפי מספרם (בטבלה לעיל

נושאים שלא זוהו כמהותיים

- A
- B Contribution to reducing the cost of living
- C demand-side management
- D Compliance with environmental regulation
- E Promoting underprivileged populations
- F Preparing for emergencies
- G Customer health and safety
- H Indirect economic effects
- i Employee training and development
- J Conserving biodiversity

## Vision and values

The IEC leads the energy market in Israel as an efficient and fair business corporation, which is the backbone of the economy, using advanced technologies and accelerated development in a developing and competitive market.

We aspire to continue being the leading business corporation in the Israeli energy sector.

To this end, we aspire to be Israel's leading power supplier, an efficient and advanced power producer, and one of the world's leading and most advanced grid infrastructure companies(out of the Code of Ethics and Core Values document posted on the Company's website: <https://www.iec.co.il/about/Documents/KodE.pdf>)



## 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.

## Committed to customers' needs



### 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 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.

### Leading responsibly and reliably



#### **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 stakeholders.

### 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.

### 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.

## About the Israel Electric Corporation

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 IEC is a government company (as defined in the Government Companies Law) and a publicly-traded company and 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 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 Israel Electric Corporation Ltd. was founded in 1923; for the past 98 years it has been the only company in Israel that generates, transmits, distributes and supplies most of the electricity consumed in the State of Israel. 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.

Approximately 99.85% of the IEC's share capital is held by the State of Israel; its remaining issued

and paid-up capital is held by approximately 20 individuals (as of the Report's publication date).

### 2020 in numbers:

- The Company's assets totaled NIS 86.8 billion
- No. of employees was 11,483
- The Company's customers - approx. NIS 2.9 million. An approx. 56 thousand increase in the number of customers compared with the number of customers as of the end of 2019

## Customer segments

The Company classifies its customers in accordance with the following classifications:

- **Home sector**
- **Public-commercial sector** - including shops, shopping centers, various businesses, local authorities, public institutions and government agencies.
- **Industrial sector** - industrial facilities and private electricity producers
- **Water pumping** - the electricity consumed in order to supply drinking water and water for irrigation purposes across the country and for any other purpose.
- **Agriculture**
- **Jerusalem District Electricity Company (JEC)**
- **Palestinian Authority**
- **Infrastructure services**

## Structure of Holdings

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100%  
The National  
Coal Supply



30%  
IBC



50%  
Israel Electric  
Company  
Study Fund  
Management Co.  
Ltd.



100%  
Nativ HaOr -  
Orot Rabin Ltd.

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The subsidiary Nativ HaOr - Orot Rabin Ltd. was incorporated on March 15 2020 further to Government Resolution no. 4682 of September 3 2019, which approved the establishment of a government subsidiary whose objectives are the construction, operation and maintenance of the two power plants powered by combined cycle gas turbines (CCGTs) in the Orot Rabin site located in Hadera, as part of the reform.

## The Company's activity

The Company's activity is composed of five main areas of activity comprising the electricity chain, from power generation to supply of power to customers:

- 1) Power Generation Segment
- 2) Transmission and Transformation Segment
- 3) Transmission and Transformation Segment  
Distribution Segment
- 4) Supply Segment
- 5) System Management

### 1) Power Generation Segment:

The Company's activity in this field includes all the activity involving power generation in the Company's power generation sites. As of December 31 2020, the Company has 15 power generation sites, each containing one to a few power generation units.

Total Fifty two power generation units as per the table below

- \* In 2020, the Company generated 61% of the power generated in Israel in 2020 compared to 66% in 2019
- \* In December 2020, the power plant in Ramat Hovav was sold for NIS 4.2 billion.

### 2) Transmission and Transformation Segment:

The Company's activity in this field includes the transmission of power from the power generation sites using high voltage lines and extra-high voltage lines to the switching stations<sup>5</sup> and the substations<sup>6</sup>. Power generation also includes connection transformers which transfer the energy from extra high to

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

400 kV lines ----- 777.6 km  
 161 kV lines overhead ----- 4,747.7 km  
 115 kV lines ----- 1.5 km  
 161 kV line - underground ----- 147.9 km

In addition:

11 switching stations  
 149 (private) substations  
 and further 60 substations of private consumers

### 3) Distribution Segment:

Company's activity in this field 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 29,223 km of high voltage grid lines.
- Approximately 52,050 distribution transformers with a total capacity of approximately 25,962 MVA and approximately 39,121 km of low-voltage grid lines including cables connecting homes.

### 4) Supply Segment:

The Company's activity in this field includes the collection and service function, which is in charge of preparing and issuing bills, collection activities and consumer services, including customer call centers, customer facing services and customer file coordinators.

5 A switching station is a station that has 400 kW input voltage or which is connected to a power station with capacity exceeding 400 MW and has 161 kW voltage.

6 In accordance with Section 2 of the Electricity Sector Law, a "substation" is a transformation station that connects different types of power grids and which has transformers that decrease or increase high



### 5) System Management:

On December 1 2020 part of the system management activity was transferred from IEC to the System Management Company, as part of the reform in the electricity sector and the structural change. Through the publication date of this report, the Company's activity in this field included, among other things, the management of the electricity system in the generation and

transmission segments, and energy-transfer management and regulation from power plants through power grids or substations, as well as the management of power trading activities under competitive, equitable and optimal terms.

The IEC's power generation facilities by generation type:

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 diesel oil)	1,340	6
Industrial gas turbines	914	9
Jet gas turbines	504	16
Natural gas combined cycle (internal combustion and steam)	4,017	11
<b>Total</b>	<b>11,615</b>	<b>52</b>

### Implementation of quality standards and environmental management and control system

Company's units have been ISO 9001 Certified since 1997. In 2018-2019, due to organizational changes in the Company's units, some of the certification processes were delayed until the implementation of the changes is completed. In 2020, the certification process was renewed in respect of the units for which the reform process was completed.

The units that are certified as integrated management systems or are in the process of such certification are:

**The Power Generation and Energy Division** has Quality Management System certification (ISO 9001) and Environmental Management System certification (ISO 14001) for its division headquarters and various power generation sites of the Company.

### The Logistics and Assets Division

undergoes a process of integrated management systems certification for the following standards:

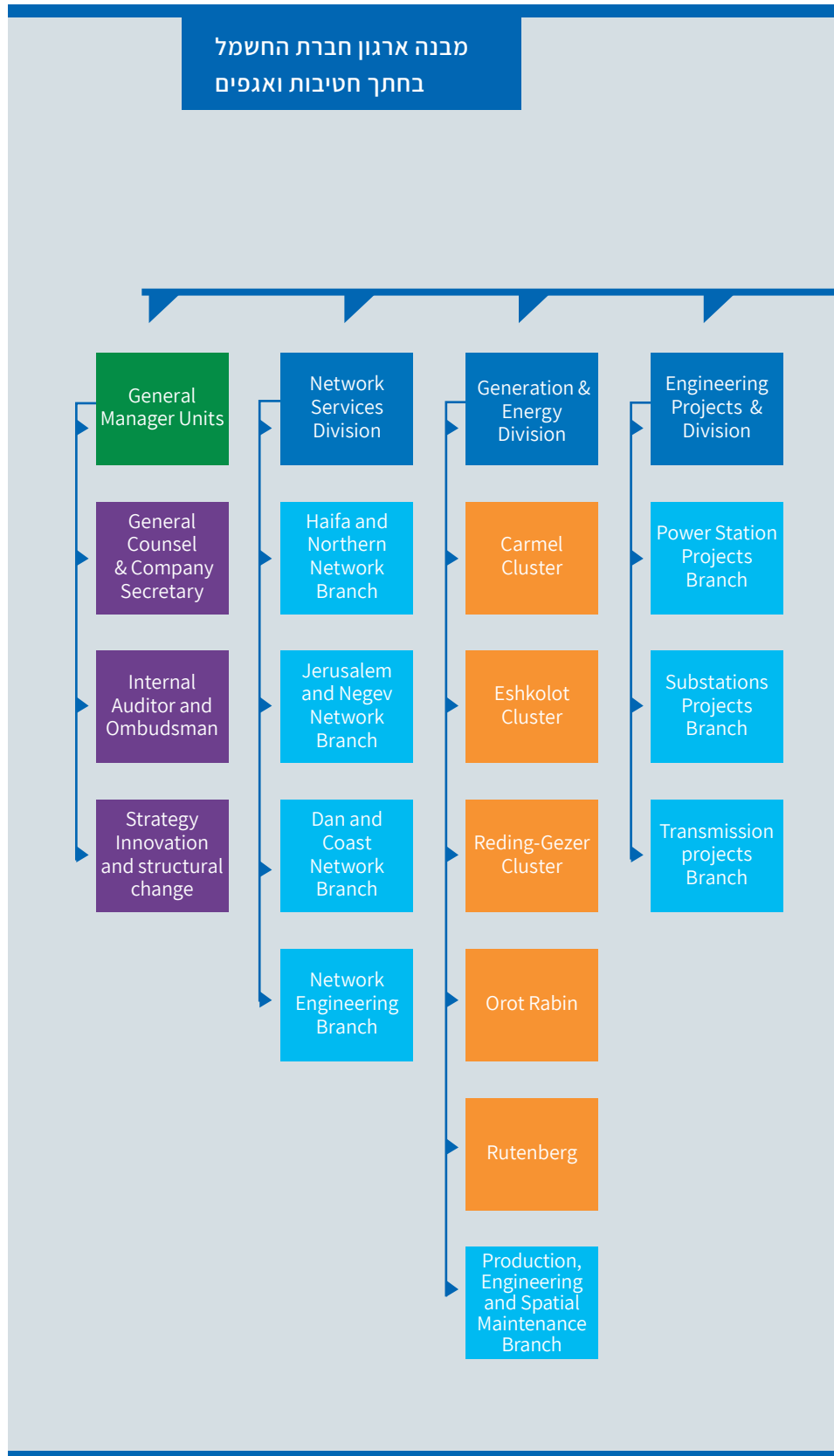
Quality Management System ( ISO 9001), Occupational Health and Safety Management System (ISO 45001), Environmental Management System (ISO 14001) and Israeli Standard SI 9301: Traffic Safety and Quality Management System.

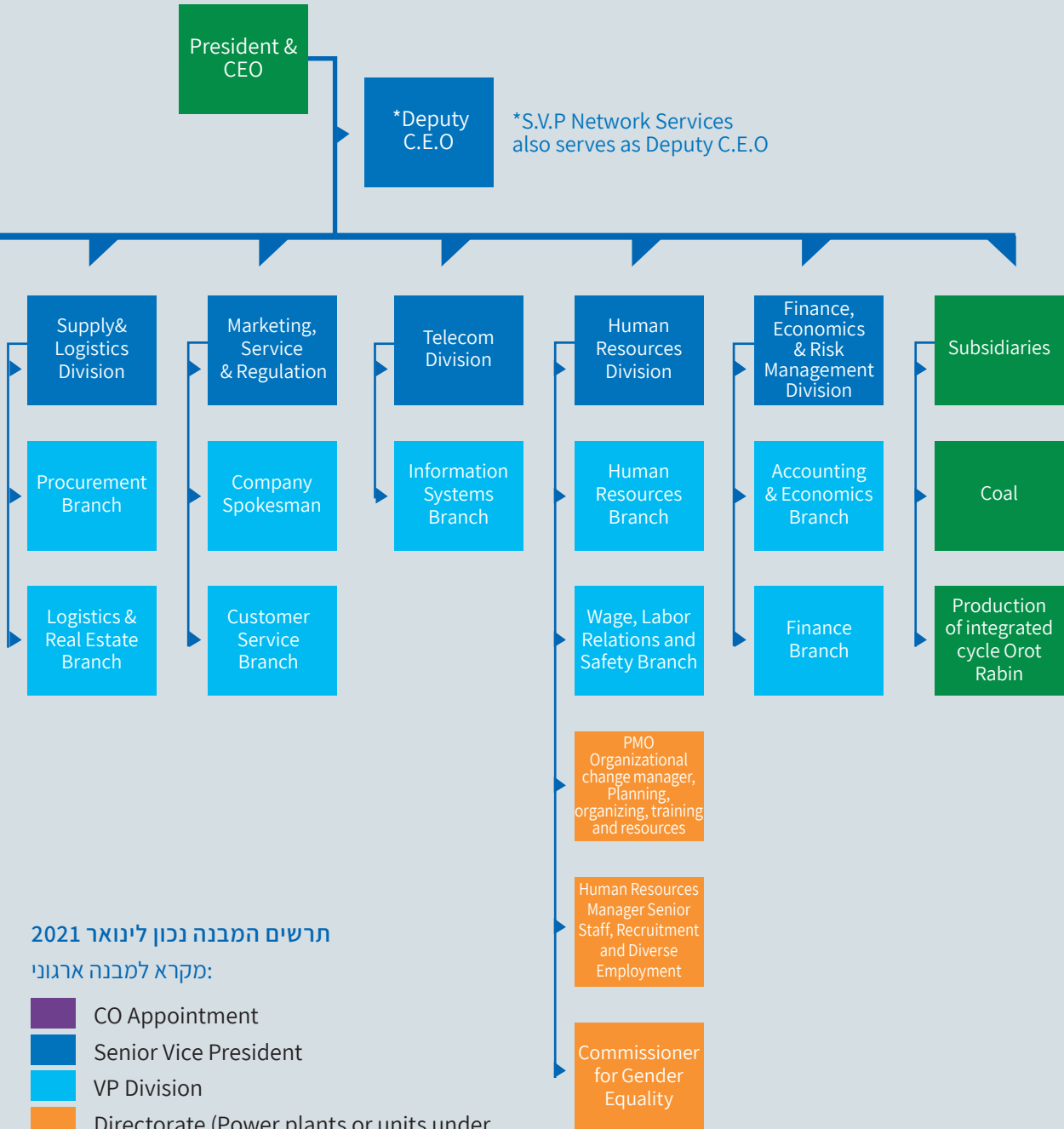
The Engineering Projects Division is in advanced integrated management systems certification process that is expected to be completed in 2021 for the following standards: Quality Management System (ISO 9001), Occupational Health and Safety Management System (ISO 45001) and Environmental Management System (ISO 14001).

The integrated management systems certification process of the Jerusalem and Negev Grid Department shall start in 2021.

**Business continuity - routine and emergency**

The importance of IEC’s operational continuity is heightened at times of emergency, bad weather, security conflicts or stress events such as the coronavirus pandemic. 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





**תרשים המבנה נכון לינואר 2021**

מקרא למבנה ארגוני:

- CO Appointment
- Senior Vice President
- VP Division
- Directorate (Power plants or units under VP at Division Manager level)
- Subsidiaries

5 Standard Headquarters and core divisions support  
3 Standard Core Divisions

employees to raise to the challenge. Over the years, the Company experienced and practiced many events that tested its preparedness to functioning at times of emergency, as well as its ability to address the needs of local authorities and residents in a range of scenarios. The Company practices emergency preparedness on a regular basis, including leading - twice a year, towards summer and towards winter - systemic emergency drills involving all of the Company's divisions, in collaboration with municipalities and emergency entities in Israel. In these drills, extreme weather scenarios and security scenarios are practiced. In the winter drill carried out in September 2020, a joint activity was conducted with HANAM (currently named Noga - the new government system operator, to which IEC's system management unit transitioned); the unit will assume responsibility for managing the electricity market, and is designed to become the Power Authority during emergency situations. The Company has security and firefighting functions, and search and rescue teams serving as first responders, including all the means required at times of emergency. 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 the delivery of essential information to the public. The Company acts to strengthen the collaboration and dialogue between its service centers and those of local authorities, not only at times of emergency but also in normal times in order to further improve the service rendered to joint customers. (see also "Emergency preparedness procedures in the Company" on page 119)

## Progress in implementing the electricity sector reform in 2020

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.

### The steps taken to implement the reform in 2020 include, among other things:

#### May 2020

In May 2020, the customer service units - the hotlines (103), the national accounts center and all call centers serving customers were transferred from the Customer Division to the Service, Marketing and Regulation Division. The Customer Division, whose name was changed to the Grid Services Division, includes the meters activity (reading, disconnecting, connecting, removal and replacement of meters), prevention of electricity theft, commercial services - orders, infrastructure, facility servicing and handling private power generators.

#### November 2020

In November 2020, a special collective agreement was signed between the Company and the employees' representatives, which increases by 200 employees the voluntary retirement target for 2021-2024 and sets social benefits, pension terms and bonuses to employees. This step is to be implemented in addition to the streamlining plan whereby the number of Company's permanent employees will be reduced by approx. 2,000 employees (1,803 employees as defined in the reform agreements and the 200 additional employees) over an 8-year period, from 2018 to 2025.

### March 2020

In March 2020, Nativ HaOr - a wholly-owned subsidiary of the Company - established, through the Company, two power plants powered by CCGTs in the Orot Rabin site, with installed capacity of 1,200 MW. The first CCGT is slated to become operational by June 2022; this will enable the refurbishment of coal-powered generation units 1-4 in the Orot Rabin site (the units will be kept for emergency purposes, such as supply disruptions due to shortage of back-up fuels), in accordance with the decision of the Minister of Energy on February 8, 2021, as of the righting of this report. The construction of the second combined cycle power plant shall start only after the Alon Tavor site is sold and a tender for the sale of the Ramat Hovav site is published. As part of this process, the sale of the generation site in Alon Tavor was completed in December 2019, and the sale of the generation site in Ramat Hovav was completed in December 2020, as described below.

In March 2020 IEC completed the process of consolidating its areas of activity into sub-districts, upon the setting up of the following three sub-districts - Hadera-Amakim, Galil-Golan and Ayalon. This step finalizes a process under which nine sub-districts were set up (the Beer Sheva and Negev sub-district, Dan sub-district, Jerusalem sub-district, Haifa and the North sub-district, the Sharon subdistrict and the Shfela and Gush Dan sub-district), in accordance with the outline for organizational change agreed between the Company's management and the employees' representatives.

### December 2020

In December 2020, the Company completed the sale of the Ramat Hovav site to Ramat Hovav Power Plant Limited Partnership in consideration for approx. NIS 4.3 billion; at the same time, the Company started promoting a procedure for the sale of the eastern part of the power plant in the Hagit East site that includes 2 CCTGs, in accordance with the Ministry of Energy's request to bring forward the time tables for the sale of the site.

In accordance with the reform, it was decided to segregate the system management activity from the IEC, and accordingly - in December 2020 part of the system management unit (the activity of the Technological Planning and Development Department and part of the activity of the Statistics and Market Research Department in the IEC, which comprise approx. 200 employees) was transferred to the System Management Company. As part of the preparations for implementing this step, in December 2019 a new transmission monitoring function started operating in the IEC, which is separate to the System Management Company. As part of the first stage, the transmission monitoring function started operating at reduced capacity and monitored only the transmission and the transformation systems; the second stage of the project (switching) started in August 2020, thereby completing the segregation of the operational activities between the IEC and the System Management Company in accordance with the model agreed upon.

## The IEC - forward-looking

Domestic and global trends indicate changes in the global energy sector. Recognizing the contribution of fossil fuels to global warming and the urgent need to take significant steps to reduce the use of such fuels are the call of the hour. As a forward-looking Company the IEC recognizes the dramatic and wide-reaching change humanity has to undergo in terms of its use of energy in order to limit global warming; such a change has already started taking place both globally and in the Israeli energy sector. In view of the above, the Company is leading significant steps that will help to change the existing paradigm: phasing out coal; accelerated development of the grid to integrate renewable energies and decentralized power generation by private power generators; promoting storage solutions; implementing smart command and control systems to optimize the management of the grid; assessing the use of hydrogen in power generation, and more. All this is undertaken by the Company in order to adapt itself to the shift in the energy sector, which entails a significant leap forward along its entire value chain.

## The renewing company strategy

As of the end of 2020, the Company completed the formulation of a comprehensive strategy until 2040. The strategy helps to pave the way for the Company's becoming a competitive and attractive business corporation in accordance with the reform in the electricity sector. As part of the strategy, targets have been set for each key area of activity, comprising the One Hundred Points Plan. The plan, which reflects the Company's strategy, defines trends, dictates courses of action for each of the Company's

divisions, and constitutes the basis for all short, medium and long-term work plans.

The strategic principles rely on the Company's vision and core values, and 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.

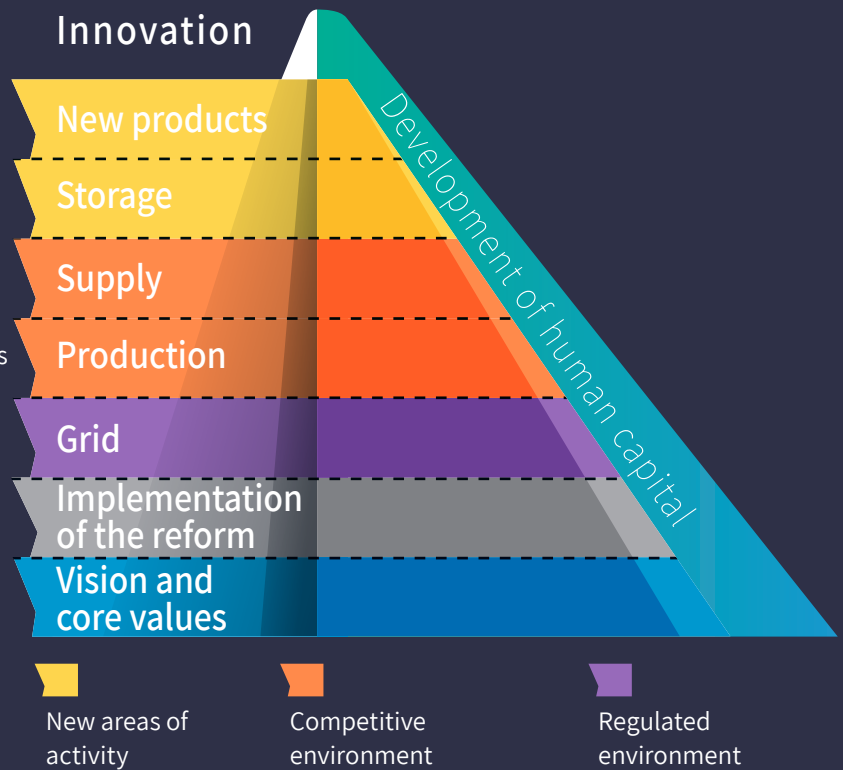
Furthermore, innovation constitutes a significant component of the renewing IEC strategy, and the Company acts to implement innovative practices across all its operations. The Company views innovation as a critical means to fulfill its goals; innovation functions as a means to expand the business thinking framework and the existing courses of action with the understanding that the courage to make changes is a precondition to moving forward.

### Innovation unit

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 98 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 together with innovation agents in the various divisions, who serve as the divisions' "innovation leaders". The mission of the unit, working together with the innovation leaders, is to lead the Company into the "world of tomorrow" and implement new growth drivers, such as a smart grid, smart houses, decentralization of the power generation and supply processes, micro-grid systems, renewable energies, storage systems, smart

**The strategic principles:**

- The Company's entry into the areas of electric vehicle charging, smart home and energy efficiency in order to become a leading player and create value for consumers, subject to the policies and regulatory conditions
- Positioning as Israel's battery storage leader, while taking maximum advantage of the Company's grid infrastructure for national storage needs
- Striving to maximize the Company's market share under regulated market conditions, while preparing it for a competitive world, focusing on customers, streamlining and achieving equal competitive conditions
- Exploiting the Company's operations in the segment, as a regulated systemic player, striving to maximize efficiency and profitability, subject to the regulators' policies, while supporting a gradual change in the Company's business focus
- Promoting the Company's positioning and coping with the competitive challenges in the grid while improving supply reliability, meeting national development goals, promoting innovation and a smart grid that enables decentralized production, storage and electric vehicles, promoting operational efficiency and achieving regulatory profitability rates
- Implementing various reform measures according to the set schedule, while meeting financial strength and organizational efficiency goals
- Development and retention of human capital, by creating a leadership backbone and talent management, will position the Company as a leader across all segments of activity and help it meet the challenges of the changing business environment



**Successful implementation of the reform is the basis for realizing the Company's goals:**

Building business models and value propositions based on advanced technologies for end customers, while leveraging innovation to create a first-mover advantage within regulatory constraints

Implementation of advanced storage technologies and innovative tools for smart planning and management of storage on the grid, in an age of decentralized production, while taking advantage of storage on the grid

Creating an advanced digital customer experience while reducing costs and maximizing value from data

Leveraging technology to improve production efficiency, effectiveness and responsiveness while embracing the hydrogen economy and sustainability and air preventing pollution

Vastly improving capabilities of planning and construction asset on the grid, combined with smart load and demand management in light of the penetration of DERs, carrying out pre-scheduled maintenance work and AI- and data-based asset management

Promoting an innovation culture and new working methods and breaking through enterprise silos, managing the enterprise knowledge, improving work quality and employee safety

transmission and transformation pipelines, cyber security, smart urban transportation and other future trends. The purpose of the innovation unit is to link-up between challenges and solutions through development of collaborations and harnessing organizational capabilities to built, lead and accelerate innovation projects, while being creative, flexible and agile.

One of the key principles of innovation in the Company is collaboration and connectivity; to that end, the unit has in place “open innovation” processes and collaborations with academic entities, startups, funds, international investors and developers of technologies that offer relevant solutions to the IEC’s needs and challenges. Approximately 80 pilots were launched as a result of these collaborations during the two years since the unit was set up, and the area of research and development was launched in the Company. The unit also assesses investments in relevant companies.

Since it was set up, the unit has formulated the innovation strategy from which the Company derives the TOP10 - the pool of innovation targets, both at Company and at divisions levels. Furthermore, the Company formulated work methodologies that are based on existing best practices, in combination with the IEC’s unique characteristics and conditions. Alongside the above, the Company has set in motion a number of steps whose aim is to develop and implement a culture of innovation in the Company; this included, among other things, workshops aimed at expanding knowledge, the launch of the “Accelerator” - an organization-wide accelerator for innovation ventures, and holding dozens of events and competitions, the climax of which is Innovation Week held by the Company.

The objective of the innovation unit - positioning the IEC as a company with an organizational culture of entrepreneurship and innovation, like comparable companies across the world, which predicts and implements - within a short period of time - technological changes relating to its different areas of activity while establishing itself as an knowledge-led organization and implementing supportive digitization across the entire organization.

Overarching goals:

- 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



### **Key projects developed in the Company's divisions, in line with its strategic and innovation objectives:**

#### **Implementation of the reform supporting the renewable energy targets**

- Installation of sensors in the distribution grids in order to monitor and improve Company's capabilities in connection with loading power lines, output transformers and grid transformers.
- Using computer platforms that include AI capabilities for optimal management and integration of decentralized power generation sources in the grid. These platforms will help in the identification and analysis of failures in overhead and underground power lines, improve the reliability of supply to customers and power grids' capability to receive power generated by private power generators.
- Promoting smart electric transport, in order to reduce dependency on fossil fuels in transport.
- Developing energy storage facilities designed to allow compliance with renewable energy targets and ensure the reliability of supply in the future, including: reducing the load on transmission and the transformation systems, storing excess power generated during day time by solar energy facilities, addressing the need for additional power during evening hours and maintaining the stability of the frequency that might be interrupted due to fluctuations in solar facilities' power generation, which could disrupt the power supply).

#### **The smart grid**

- Integrating the storage systems into the transmission and distribution grids in order to improve the survivability and availability of the grid, reduce loads and provide backup at times of power cuts in the grid.
- Launching a pilot based on the Digital Twin technology that enables the creation of a "digital facility file" - a digital copy and computer modeling of facilities and grids for the purpose of monitoring various parameters and performing analyses to improve the process of planning, operation and equipment maintenance.
- Digital substation based on IEC61850 - constituting an international standard for automation of substations, supporting the smart grid, accelerating the construction of substations and reducing construction costs. The digital systems have many advantages over the older one, but their implementation poses challenges in terms of the implementation of defenses, time synchronization, cyber security, addressing the issues of recording of interruptions and metering, training personnel to use the new technology and installing digital equipment on the ground.  
In view of these challenges it was decided to execute the pilot for the implementation of the technology in a gradual manner and in a number of stages until the testing of an entire digital substation.

#### **The autonomous and digital employee**

- Using drones to execute tasks and maintenance and security patrols in Company's sites, which may lead to savings in terms of financial resources and manpower.

Furthermore, drones are extremely useful when it comes to work executed in nature reserves, agricultural plantations etc., since they make the use of helicopters and heavy equipment redundant.

- Assessing the use of digital technologies and wearable sensors in order to improve workers' safety on the ground.

Assessing the use of robots in performing dangerous tasks in the electricity grid.

- Building Information Modeling (BIM) is a methodology for 3D smart planning, allowing the modeling of the object's information and creating digital representation of the actual object and its characteristics in order to increase the efficiency of projects' planning and execution.

As of the end of 2020, BIM methodology software is being integrated into the substations planning segment in the transformation projects department, and employees are being given the relevant training. A pilot for the implementation of the software in selected power plants is expected to take place in 2022.

#### **Smart, sustainable production :**

- Using AI to analyze failures and forecast malfunctions in power generation units of power plants. This development will reduce the amount of time during which power generation units are inactive as well as the risk that the survivability of the power system will diminish.
- Preparing engineering and regulatory infrastructure for experiments in connection with generation, storage and burning of hydrogen in the power generation units. At

the same time, R&D projects are carried out through simulations and experiments for the burning of hydrogen and/or methane mixtures in gas turbines and steam boilers, in collaboration with the Technion.

#### **Circular economy :**

- Assessing the use of vegetable oils in the output and distribution transformers. These oils have low carbon footprint compared with the mineral oils currently in use.

#### **Biodiversity**

- Using remote sensing technology and LiDAR (laser scanning) modeling to monitor vegetation near power grids, and installing insulation and other means to protect birds from being electrocuted.

Furthermore - a pilot is being planned that will involve alerts being issued whenever people or endangered turtles enter stilling ponds, or whenever turtles are trapped in the filters of the coastal power plants.



## The “smart metering” project

The IEC promotes the smart metering project as part of the Ministry of Energy’s policy for the purpose of achieving the objectives of the reform in the electricity sector and creating the infrastructure for developing the electricity sector and opening the market for competition.

The “smart metering project” - an advanced electronic meter which allows continuous measurement of energy consumption and other electrical parameters, data storage and two-way communication; the project will gradually impact all of the Company’s areas of activity and will lead the electricity sector to an era where electricity supply is more reliable, available and efficient, and at the same time contribute greatly to the environment and the economy.

Smart metering is the cornerstone of the “smart grid”; one of the significant challenges the Israeli electricity sector currently faces is the transition from classic electricity systems where the flow of energy is unidirectional (from the power generation centers to the end customer) to “decentralized power generation” where many private power generators connect to the grid and transfer into the grid the energy they generate using different technologies. The 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.

In order to manage the power grid in its new format, the electricity sector needs a “smart” grid that will allow the integration of private power generators 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. Thus, for example, applying variable rates during different times of the day will drive changes in patterns of power consumption among consumers and will divert demand from times of the day when demand is high and electricity is expensive to times of the day when demand is lower and electricity is cheaper.



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 in real time; based on those data it will be possible to set dynamic tariffs. The deployment of “smart meters” is expected to have a positive effect on the entire electricity sector - the meters are expected to reduce overall power consumption, increase energy efficiency, cut the costs of meter reading and fuels, reduce power loss in the transmission and distribution system, reduce emissions of polluting gases and reduce 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.

By the end of 2020, approximately 101,000 remote metering points were installed in power plants and private power generation facilities as well as in the premises of customers with special agreements and domestic consumers. In February 2020, the Company’s Board of Directors approved the country-wide and gradual execution of the venture; the plan is to deploy about half a million “smart meters” by the end of 2023. At the same time, the Board of Directors has given Company’s management the power to work with the Israeli Electricity Authority in order to recognize the project’s costs and to launch procurement procedures and international public tenders for the period after 2024.

#### Looking ahead:

In 2021 the Company will start implementing the country-wide deployment of the smart meters and will launch dozens of tenders to consultants, contractors, equipment and system suppliers and companies performing end-to-end testing. In July 2021, the Company is expected to launch an international tender for country-wide deployment.

Furthermore, the Company will start installing smart meter equipment in grid transformers, and by the end of 2021 it plans to install smart meters in 1,000 transformers (in internal transformation stations and grid poles).

As from November 2021, the Company is expected to install only smart meters whenever the installation of a new meter will be required or when the power consumption capacity is increased; as from 2022, the Company will launch a process for the replacement of basic meters with smart meters by outsourcing the task to deployment contractors. In 2022, the Company plans to replace approx. 120 thousand meters and install approx. 83 thousand new meters (including increases of power consumption capacity), in order to deploy half a million smart meters by the end of 2023.

For further information about smart metering, see pages 55, 87.

## The IEC'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.

Further to the changes that the Company underwent in view of the changes in the Israeli and global electricity sectors, the Company expects to start - in 2021 - a process of revising its strategic sustainability strategy in line with the reform, the structural change and the Company's new strategy.

## The IEC and the Sustainable Development Goals (SDGs)

The Company'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 IEC'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.

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 IEC conducts extensive educational activities in line with its core business. Those activities focus mainly on educating people about informed and safe use of electricity, and about increasing energy efficiency:

- 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 Native 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 more information, see the Environment chapter on page 74).



#### SDG 7: Clean and affordable energy

The primary objective of the IEC 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 renewable energies (due to the regulations in place), it takes a range of steps to promote clean and green energy; (for more information, see the Environment chapter on page ???):

- Connecting renewable energy power generation facilities of private power generators to the grid.
- Reducing its operations in the coal-fired power generation segment, phasing-out coal-fired power generation facilities by 2025, and selling the combined cycle power plants as part of the agreements pertaining to the reform in the electricity sector.
- Extensive activities for the benefit of struggling customers in collaboration with the welfare authorities, local authorities and social organizations. Alongside those activities, the Company takes action to raise awareness - through a range of channels - for exhaustion of rights and informed use of electricity, with the aim of "not leaving anyone behind"; (for more information, see the Customers chapter on page 90).



## SDG 9: Industry, Innovation, and Infrastructure

Innovation has played a central role in the IEC's business strategy ever since it was established. 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 more information see page 30).

- The two combined cycle power plants being built in the Orot Rabin power plant are built using generation H-class
- combined cycle turbines; these turbines, which are among the most advanced turbines currently available globally, are characterized with very high levels of energy efficiency, which contributes towards the generation of power in a more environmentally friendly manner and at a lower cost.
- In 2020, the Company completed the last stage in the development of the smart metering management system as part of the Smart Metering on the Grid project, which is a major step in the implementation in the Company and the Israeli economy's strategy to implement a smart and advanced grid in Israel. As part of the project, the Company set up a metering management center, and as of the end of 2020, approximately 101 thousand remote metering points are installed in Israel, and the Company plans to reach approximately half a million installed remote metering points by the end of 2023; as from 2021, only smart meters will be installed.
- In September 2020, the Company entered into strategic collaboration with INFRALAB, the innovation laboratory of Shikun & Binui and Enel - the world's largest electricity and renewable energy infrastructure company.



## SDG 13: Climate Action

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

- Installing scrubbers that help to reduce sulfur dioxide levels, "primary measures" and catalytic installations to reduce nitric oxide levels, in order to reduce emissions.
- Reducing Company's operations in the coal-fired power generation segment and selling coal-fired power plants, alongside the transition to gas-fired power plants and accelerated integration in the grid of power generated using renewable energies.
- Power generation using combined cycle turbines, which increases energy efficiency in the process of power generation and reduces emissions of polluting gases. In 2021, NIS 1.4 billion will be allotted for the purpose of installing combined cycle turbines in the Orot Rabin site.
- Allocation of NIS 175 million for the construction of energy storage facilities in the transmission grid.



### SDG 15: Life on the earth

The Company's facilities are infrastructure facilities located in or in proximity to open and natural (undisturbed) areas, which sometimes



affects biodiversity due to the facilities' being located in those areas and due to related environmental effects derived from routine activities. 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 flora and fauna; (for more information, see the Environment chapter on page 71).

- 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 in chemical-free dyes that prevent (due to their composition) very small organisms from colonizing the systems, without compromising the quality of sea water.
- Protecting terrestrial biodiversity - steps to reduce the use of areas with high levels of biodiversity, and assessing alternative sites for building new facilities and power lines.
- The Sheltering Birds of Pray in Israel project - the Company collaborates with leading environmental organizations in Israel to prevent birds from being electrocuted and poisoned, and to protect, track and monitor the population of birds of pray in Israel.



## Dialogue with Stakeholders

We place great importance on being attentive to stakeholders' expectations of the Company and on dealing with the challenges and opportunities arising from the dialogue with stakeholders. We rely on open and transparent communication alongside inter-sectoral collaborations as a means to enhance trust, strengthen relationships, understand the needs and adapt our activity; these also serve as an opportunity to create "shared value" - business value alongside social and/or environmental value.

### The IEC's stakeholders

Set forth below are selected examples of key groups of stakeholders and the nature of the dialogue therewith in 2020. For more information regarding the dialogue with stakeholders, see throughout the Report.

#### Customers, local authorities and the general public:

The Company provides services to its customers through a range of channels:

- Meeting customers directly in physical customer service centers.
- The IEC's hotlines (103). Two types of surveys are conducted on an ongoing basis in order to measure customers' satisfaction from the activity of the IEC's hotlines (103):
  - \* Customer satisfaction survey - each quarter. In 2020 the survey was conducted starting on the second quarter;
  - \* "Customer experience" surveys are conducted shortly after the conversation with the customer using a dedicated system.
- Digital customer service channels, including: online chats, WhatsApp and text messages (during call centers' working hours). In addition, customers can use an automated chatbot that allows them to obtain information and solve issues accompanied by a virtual representative.
- The Company's website offers a customer self-service option through which customers can solve their issues or get answers for their queries 24/7. The website is in Hebrew and it is expected that its content will be translated into Arabic in 2021.
- The Company engages with customers through five social media channels: Facebook, LinkedIn, WhatsApp, Twitter and Instagram.
- 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.
- The "360 Degrees" IEC attitude surveys ("Barometer") are held once a year; those surveys target the entire population and are also conducted separately for each of the segments - households and business customers.
- The Company operates two visitor centers, which are open to the general public - at the Orot Rabin site and at the Heftziba site.

**Employees:**

- Holding assessment, feedback and development conversations with all employees.
- Conducting an internal survey that measures employees' satisfaction and engagement, and routine satisfaction surveys in significant milestones throughout the employee's life.
- During the coronavirus crisis and when social distancing measures were in place due to that crisis, the Company also had in place digital engagement channels, including: the Zoom platform that allowed engagement within the units and divisions, WhatsApp groups that were used to provide regular updates and more.
- Members of management and senior managers visit sites and meet employees directly.

**Suppliers :**

- Service center that serves as a one-stop shop for suppliers, covering all payment-related queries and other financial issues.
- A dedicated suppliers website, which is currently being upgraded to allow suppliers to ask a wider range of questions and obtain more information.
- Communicating Company's ESG values to all of its suppliers by way of requiring suppliers to sign a letter attached to the engagement documents.

**Regulators and government ministries :**

- Meetings and lectures for the exchange of knowledge and insights with representatives of government and municipal agencies, as well as scheduling strategic visits at the Company's

sites. In this context, joint projects aimed at addressing environmental, regulatory and social issues are promoted.

- In 2019, an objective academic research was published for the first time in collaboration with an external consulting firm and researchers from the Hebrew University, with the aim of conceptualizing, measuring and evaluating the strengths and weaknesses of the Company's relationship with the various regulators. The research serves as a managerial and strategic tool for improving the relationship and enhancing trust between the parties.

**Social, environmental and industrial organizations:**

- Focused and orderly discourse with social organizations led by dedicated Company organs in order to facilitate the exhaustion of citizens' rights as part of their relationship with the IEC, and in order to make information more available. In 2020, dozens of online lectures were held in collaboration with local authorities, as well as two large conferences and regular individual meetings with representatives of organizations and government agencies, in order to solve specific problems.
- The Company has a long-standing tradition of holding "round-table" discussions with environmental organizations to discuss various issues; the round table discussions are attended by various participants and at varying intervals, as and when relevant. Four "round table" discussions were held in 2020; the discussions were attended by representatives of large environmental organizations and were led by IEC's management.

- As part of its engagement with representatives of the industrial sector, the Company holds a range of conferences and professional seminars. In 2020, the Company held three conferences in collaboration with the Israel Builders Association, and one conference in collaboration with the Israel Construction Center. The Company also held seminars and training sessions for members of Israel Builders Association and conventions and professional conferences for various groups in collaboration with the Israel Construction Center.

#### Community:

- Engagement and community outreach activities around strategic projects in the Rutenberg and Orot Rabin power plants.
- 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).

#### Academia:

- Lectures in various academic institutions on gender equality in general and in the IEC in particular.
- Relationships with various academic institutions as part of the HR Division's strategy to develop the Company's human capital.

#### Investors and their representatives :

- 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.
- Replying to investors' ESG analyses through a dedicated inter-divisional team, in order to increase transparency and enhance the ongoing relationship and discourse with investors and rating agencies.



# Chapter 1

# The Environment

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2020 in numbers

The IEC's policy for protecting the environment and managing environmental risks arising from its operations

Managing environmental protection at the IEC and its environmental management and control system

Investments in environmental protection

Compliance with environmental regulation

The Company's preparations for the climate crisis and mitigation of environmental impacts

Air Emissions and the IEC's Air Monitoring System

Use of Water Resources

Conserving biodiversity

Promoting a circular economy and waste treatment management

Solid waste treatment management

Promoting dialogue on environmental issues

Significant environmental protection measures along the power supply chain

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**ESG Corporate Sustainability Report**  
**IEC 2020**

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# The Environment

The Israel Electric Corporation is committed to working diligently to preserve the environment, by producing cleaner energy and striving for sustainable development.

0.5%

decrease in the volume of power generated using natural gas

5.6%

increase in the use of natural gas in 2020 compared to 2019

13%

decrease in the use of coal and coal-fired power generation in 2020 compared with 2019

## 2020 in numbers

Noteworthy data on the environment<sup>1</sup>

470 million NIS

The total investment in environmentally-friendly facilities

156 million NIS

Current costs (excluding depreciation) for complying with environmental regulatory requirements

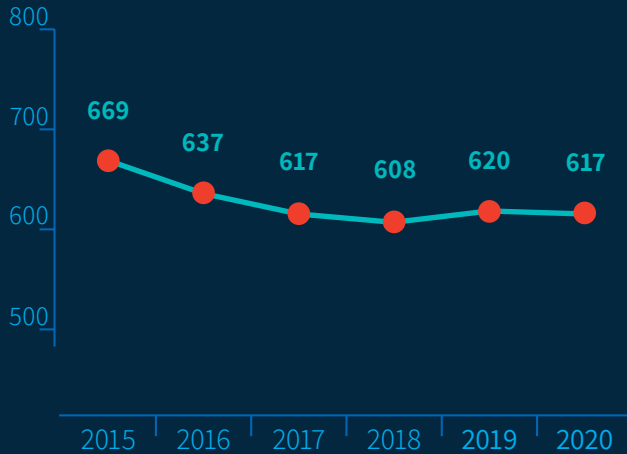
300 MWH

Connection of private renewable-energy generation facilities with installed generation capacity

<sup>1</sup> The IEC issues an environmental report once a year that reflects its performance and impact on the environment for that year. This document is available on the Company's website. For the environmental reports on the Israel Electric Corporation's website, visit: <https://www.iec.co.il/EN/IR/Documents/IEC-Environmental-Report-2020.pdf>

2020 compared with 2015

Emission intensity equivalent to carbon dioxide per gram of kWh generated



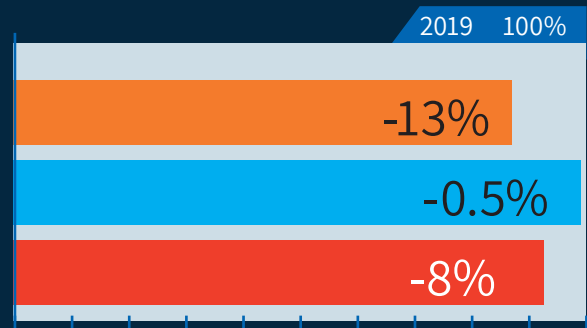
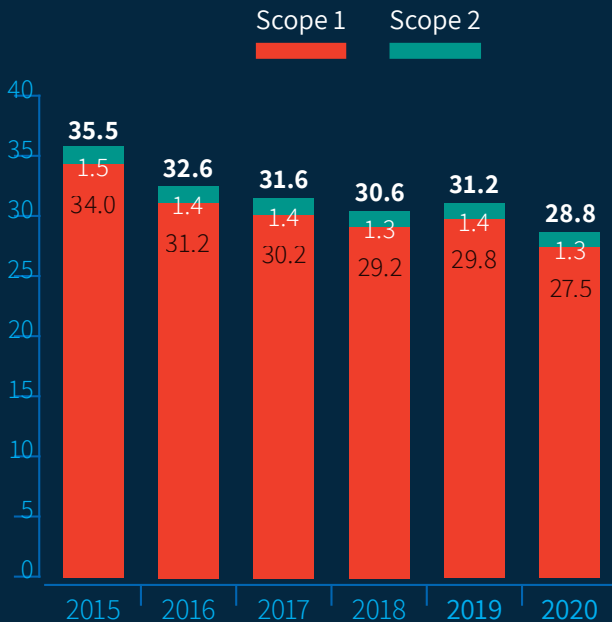
Intensity of air pollutant emissions per gram of kWh generated

Year	PM	SO2	NO2
2020	0.030	0.41	0.75
2019	0.028	0.45	0.75
2018	0.032	0.63	0.88
2017	0.038	0.77	0.92
2016	0.042	1.08	1.07
2015	0.046	1.34	1.32

Nitrogen oxides - NO2 ■  
 Sulfur dioxide - SO2 ■  
 Particulate matter - PM ■

2020 compared with 2019

The IEC's carbon footprint million ton CO2 equivalent (Scopes 1 & 2)



decrease in Scope 1 carbon dioxide emissions [tons/year] **8%**  
 equivalent to a saving of 2.2 million tons of carbon dioxide equivalent (CO2e).

- decrease in the use of coal and coal-fired power generation ■
- decrease in the volume of power generated using natural gas ■
- decrease in Scope 1 carbon dioxide emissions ■

## The IEC's policy for protecting the environment and managing environmental risks arising from its operations

The IEC considers itself responsible for and committed to adopting measures for preserving the environment and reducing hazards along the electricity chain. The Company operates according to a long-term and forward-looking environmental sustainability vision and mitigates, as far as is possible, the environmental impacts of its operations - with the aim of preventing hazards. The Company is working to adopt leading environmental standards, to use raw materials wisely and to reduce pollutant emissions at source. Furthermore, the Company acts in accordance with international environmental conventions (such as the Barcelona Convention to prevent pollution of the Mediterranean from on-shore sources), strengthens cooperation with environmental organizations and promotes dialogue with relevant interested parties.

The Company acts in accordance with the principles of the Environment Protection Policy that were first approved in 1997, and that are revised from time to time.

## The principles of the Environmental Protection Policy include:

### A. Integrating environmental considerations across all areas of activity, including in decision-making processes:

- A-1) Integration of environmental considerations in the preparation of the Company's development plans.
- A-2) Preparation of environmental guidelines for key projects and operations.
- A-3) Integrating mandatory environmental parameters in the Company's purchase tenders.

### 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:

- B-1) Adopting best available techniques (BAT<sup>2</sup>)
- B-2) Using high quality, environmentally-friendly fuels - first and foremost natural gas that is considered a cleaner source of energy than other fuels.
- B-3) Using control measures and installing facilities for preventing and reducing environmental impact, for example: installing facilities for reducing sulfur dioxide (FGD) emissions and for reducing nitrogen oxide (SCR) emissions in coal-fired power plants.
- B-4) Adopting the prudent avoidance principle for anything related to the reduction of electromagnetic fields across the power

2 By its very nature, the IEC places great importance on the planning and operating of its facilities in accordance with the principles of sustainable development. This, by adopting the best available technologies (BAT), in terms of benefit to the environment and cost-effectiveness, while ensuring that it continuously reduces its environmental impacts, including air emissions.



- transmission and distribution network.
- B-5) Using environmentally friendly materials.
- B-6) Performing ongoing monitoring and control of the environmental impact on land, air, water and sea.
- B-7) Transferring monitoring data in real time and information transparency.
- B-8) Assimilating quality standards and environmental management and control system - ISO 14001.

#### **C. Adopting leading proven environment standards:**

- C-1) Appointing working teams to promote multi-annual work plans and their execution in accordance with the Company's strategic Environmental Policy.
- C-2) Monitoring domestic and international legislation and regulation and examining future trends.
- C-3) Participating and collaborating in processes for advancing environmental regulation and legislation.
- C-4) A well-organized system for managing the Company's environmental protection function by the Company's management, which operates through hierarchical supervision and includes, among other things, hiring of needed and relevant staff, allocating the required budgets and drafting of applicable procedures.

#### **D. Intelligent use of natural resources and raw materials: land, air, water and fuels:**

- D-1) Maintaining air quality by reducing pollutant emissions.
- D-2) Saving land usage when planning and constructing new facilities, optimal utilization of space at existing sites and integrating infrastructure.

- D-3) Ongoing fuel-saving activities.
- D-4) Saving and integrating water resources.

#### **E. Reducing and recycling waste and by-products:**

- E-1) Waste management at the Company and at the sites (reducing the creation of waste, recycling and disposal of waste, circular economy).
- E-2) Promoting uses for by-products: gypsum, coal ash.
- E-3) Promoting reuse of on-site treated effluents and concentrates, and use of brackish water from an external source

#### **F. Combining landscape, spatial and environmental considerations in the design of new facilities and maintenance of existing facilities:**

- F-1) Continuously working to improve and develop the appearance of existing facilities.
- F-2) Construction of new generation, transmission and transformer facilities, taking into account the structure of the landscape and the environment.
- F-3) Including a landscape architect in the planning of new projects from the outset, in order to ensure appropriate attention is given to nature and the landscape.
- F-4) Restoring the landscape and natural environment as part of completing a project.

#### **G. Conducting an open and transparent dialogue with the public regarding plans that have environmental implications:**

- G-1) Ensuring the transparency of information to the public with regard to activities with environmental consequences.
- G-2) Sharing and maintaining dialogue with the public with respect to planning procedures,

concerning the location and licensing of projects.

- G-3) Creating cooperation and coordination with the environmental entities at the national, district and local level, with the aim of reaching agreement through an ongoing work process.
- G-4) Tightening and nurturing the existing relationships with environmental organizations.
- G-5) Maintaining contact with environmental-public and private associations.
- G-6) Publishing periodic environmental reports.

**H. Reducing greenhouse gas emissions, in the spirit of the international conventions to which the State of Israel is party, by increasing the efficiency of power plants, expanding the use of environmentally friendly fuels and energy sources, and encouraging saving of electricity:**

- H-1) Integrating natural gas, which is considered a cleaner energy source than other fuels, as the main fuel used by the existing power plants - which contributes to reducing pollutant emissions, including reducing greenhouse gas emissions.
- H-2) Establishing high-efficiency generation facilities such as combined cycle technology power plants, based on natural gas as the main fuel. These plants have extremely low pollutant emissions, including of greenhouse gases.
- H-3) Promoting activities for energy efficiency, both at IEC sites and by advising the Company's customers regarding energy saving and wise use of electricity. These activities contribute to reducing the demand for power and thus to reducing the consumption of fuels used for generating power, and as a result - to reducing pollutant emissions, including of greenhouse gases.

**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:**

- I-1) Assisting the State of Israel in complying with its commitments under international environmental conventions.
- I-2) Promoting and executing projects in the renewable energy sector, subject to the regulatory restrictions that apply to the IEC.
- I-3) Developing relationships with electric companies abroad.
- I-4) Allocating budgets for research and development regarding environmental issues.
- I-5) Monitoring new technologies and their implementation.
- I-6) Promoting environmental innovation by supporting and guiding environmental research.
- I-7) Collaborating with research and academic institutions.

**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:**

- J-1) Assimilating the environmental policy principles as part of the IEC organizational culture.
- J-2) Fostering awareness and commitment among the Company's employees to environmental issues and to the Company's activities and goals in this field.
- J-3) Integrating environmental issues in courses in the Company's training system.
- J-4) Initiating conferences, tours of power plants, seminars and activities on the Company's website.

## Managing environmental protection at the IEC and its environmental management and control system

Management of environmental protection at the Company is based 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 IEC has a management committee for the environment, headed by the VP for engineering projects, one of whose duties it is 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 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 acts in accordance with the principles of the Environment Protection Policy that was first approved in 1997, and that is revised from time to time.

Environmental protection is an integral part of the operation, maintenance, and planning and development of IEC facilities. The Company's operations are subject to extensive regulation on this issue. 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.

### ISO Standards

The Company has units that have certification for integrated management systems, as set out below:

**The Power Production and Energy Division** has Quality Management System certification (ISO 9001) and Environmental Management System certification (ISO 14001) for the division system and the Company's various power generation sites.

**The Logistics and Assets Division** undergoes integrated management systems certification for the following standards: Quality Management System (ISO 9001), Occupational Health and Safety Management System (ISO 45001), Environmental Quality Management System (ISO 14001) and Traffic Safety and Quality Management System (ISO 9301).

**The Engineering Projects Division** is in the process of obtaining advanced integrated management system certification for the following standards: Quality Management System (ISO 9001), Occupational Health and Safety Management System (ISO 45001) and Environmental Quality Management System (ISO 14001).





## Investments in environmental protection

The total investment in environmentally-friendly facilities in 2020 amounted to NIS 470 million, of which NIS 444 million is the amount invested in environmental protection in the generation segment (including installation of measures for reducing air emissions at the Rutenberg and Orot Rabin power plants, such as initial means, eliminators and setting up of selective catalytic reduction facilities) and an additional amount of NIS 27 million for special projects. In addition to the foregoing investments, in 2020 the Company spent, as part of the costs of operating the power plants and fuel related expenses, an amount of NIS 154 million in order to comply with the requirements arising from environmental protection in the generation system (and in addition to NIS 2 million not attributed to the generation system). The Company estimates that most of the environmental costs incurred by the Company in 2020 were invested in future prevention and reduction of environmental damage, and the rest was invested in repairing and rehabilitating the environment.

**Table 1: Breakdown of the Company's environmental costs and investments in the environmental protection** (NIS 1 million, current prices deducted from remeasurement) - twelve months ended on December 31.

2020	Approx. 470	Approx. 156
2019	Approx. 465	Approx. 142
2018	Approx. 610	Approx. 82
2017	Approx. 765	Approx. 88
2016	Approx. 765	Approx. 105
2015	Approx. 956	Approx. 89

 Total investment in environmental facilities  
 Operating costs (excluding depreciation)



## 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. In the Company's opinion, this trend is expected to continue and become even more stringent in the coming years, in accordance with environmental awareness and international requirements, as well as, among other things, based on customary practice in Western countries.

The environmental laws applicable to the Company's operations are, inter alia:

- Prevention of Sea Pollution from Land-Based Sources Law
- Hazardous Substances Law
- Protection of the Coastal Environment Law
- Clean Air Law
- Prevention of Hazards from Asbestos and Harmful Dust Law
- Freedom of Information Law
- Non-Ionizing Radiation Law
- Energy Sources Law
- Protection of the Environment (Environmental Emissions and Transfers -

- Reporting and Registers Requirements) Law
- Various bylaws

The IEC 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.

The Company acts in accordance with an environmental vision, out of a sense of responsibility for the environment, from a long-term and forward-looking perspective, to minimize the environmental ramifications arising from its operations and to prevent hazards that may result from its activities.

Failure to comply with the provisions of the environmental laws 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 publication of this Report, it substantially complies with the essential legal provisions with respect to the environment. Furthermore, the Company holds the environmental licenses required for its activities and where they are missing, it works to obtain them

## The Company's preparations for the climate crisis and mitigation of environmental impacts

### Formulation of long term ESG goals:

The IEC is in the process of formulating an ESG strategy, which will include measurable, short-term and long-term quantitative goals for its main areas of environmental impact. The Company's long-term ESG strategic goals will be included in the Company's Corporate Governance Report for 2021.

### Shutting down the Orot Rabin coal-fired generation units 1-4 and maintaining for emergencies<sup>3</sup>:

pursuant to the decision of the Minister of Energy on February 8, 2021, as at the time of writing this Report (the units will be kept for emergency situations, such as, supply disruptions due to backup fuel shortages).

### Construction of efficient generation units:

To complete the construction of two high efficiency natural gas generation units (using combined cycle gas turbine technology (CCGT H)) at the Orot Rabin site. The first CCGT unit will begin operating in the second half of 2022; this will enable routine operation of generation units 1-4 at the Orot Rabin site to be shut down, and releasing them for maintenance. This will lead to a reduction in the intensity of IEC's greenhouse gas emissions and improved energy efficiency.

3 By its very nature, the IEC places great importance on the planning and operating of its facilities in accordance with the principles of sustainable development. This, by adopting the best available technologies (BAT), in terms of benefit to the environment and cost-effectiveness, while ensuring that it continuously reduces its environmental impacts, including air emissions.

### Converting coal-fired generation units to gas:

The Company is working to push forward its project for converting 6 carbon generation units to gas in order to complete the gradual conversion to use of natural gas by 2025 and no later than 2026, in accordance with the policy issued by the Minister of Energy on this subject. As part of the five-year budget approved by the Board of Directors in December 2020, the Company allocated an amount of NIS 1,095 million to converting to gas, based on a preliminary assessment. In 2021, an amount of NIS 114 million was allocated for converting to gas. The Company is preparing to switch from coal to gas for Unit 1 at the Rutenberg power plant by June 15, 2022, in accordance with the approved plan.

### Advancing the project to reduce emissions:

Advancing the selective catalytic reduction project (SCR) to reduce emissions at the Rutenberg units 1-2 at a total investment of NIS 830 million (of which NIS 760 million was invested by December 31, 2020), and promoting the SCR project for the Rutenberg units 3-4 at a total investment of NIS 1,137 million (of which NIS 823 million was invested by December 31, 2020).

### Environmental investments:

In 2021, the Company allocated, within the framework of routine operating and development budgets, a total of amount of NIS 679 million (less remeasurement and depreciation) for the purpose of complying with environmental protection requirements, including waste treatment, activities for the protection of animals

and plants, the air, soil, groundwater and surface water, treatment of sewage, protection against radiation and noise reduction.

**Promoting the smart meters project:**

By the end of 2020, 101,000 remote smart metering points were installed in power plants and private power generation facilities as well as in the premises of customers under special agreements and domestic consumers. In February 2020, the Company's Board of Directors approved the country-wide and gradual execution of the venture; the plan is to deploy about half a million "smart meters" by the end of 2023. As from November 2021, the Company will install only smart meters whenever the installation of a new meter will be required or when the power consumption capacity is increased, and will begin replacing basic meters with smart meters from March 2022 by outsourcing to deployment contractors. The purpose of this venture is to prepare the energy/electricity sector for coping with challenges such as: the use of electric vehicles and regulation for private producers (mainly from renewable energies) and for benefiting the environment (efficiency in the use of electricity that affects reduction of production and therefore reduction of emissions), for the Company and its customers. For further information regarding smart meters, see pages 35-36, 55, 87.

**Development for the purpose of integrating renewable energies in the electrical grid:**

the Company is formulating a long-term development plan for the electricity grid, for

2030, in accordance with the government's goals that were revised in July 2020: to increase renewable energy power production goals to 30% by 2030.

**Storage:**

Moving forward with the construction of 10 storage facilities at sub-plants. The Company has allocated an amount of NIS 175 million for the issue.

**Electric transportation:**

Adapting the transmission and delivery grid for the introduction of electric vehicles.

**Reducing the Company's overall energy consumption:**

Meeting the target of 10% reduction in the Company's total energy consumption for 2021, compared to the base year 2019.

**Waste:**

Reduction in 2022 of 2% in the volume of non-hazardous waste for landfill, and at the same time, increase of 2% in the volume of non-hazardous waste for recycling (in tons, compared to 2020 and subject to the availability of waste recycling infrastructure and sites throughout the country).

**Transportation fuels:**

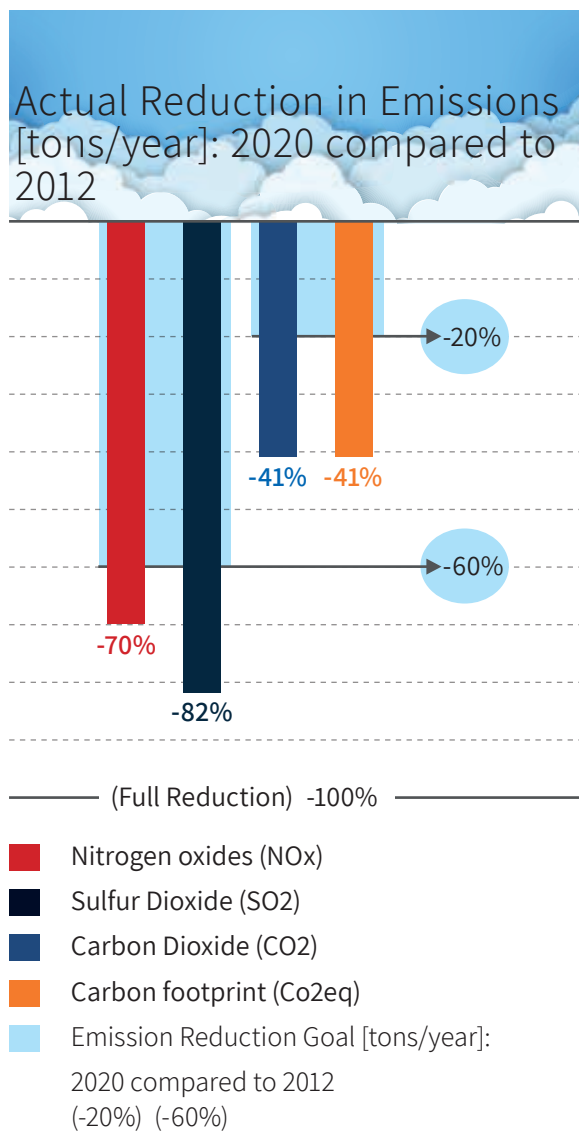
Reduction of 4.5% in fuel consumption for transport in 2022 (gasoline consumption in liters for administrative vehicles) compared to the base year 2019.

**Dialogue with interested parties:**

Continuing ongoing discourse with environmental organizations. Taking the initiative

to ensure that the Company becomes a leader and partner in the development of renewable energy and storage of energy in Israel.

**Table 2: Comparison between actual environmental performance in reducing air emission and the goals set for 2020<sup>4</sup>**



### Climate crisis and reduction of greenhouse gas emissions

Under the IEC's environmental policy, the Company works to reduce GHG emissions and to deal with the climate crisis, in the spirit of the international conventions to which the State of Israel and government decisions are subject, as published from time to time. Table 2 shows that with regard to the intensity of carbon dioxide emissions in 2020 (gr per kWh produced), since 2012 the IEC has reduced the intensity of carbon dioxide emissions by 18%, and with regard to the intensity of carbon dioxide emissions in 2020 (gr per kWh produced), since 2015 the intensity of carbon dioxide emissions has decreased by 8%.

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. "Voluntary Mechanism" project for registering and reporting GHG emissions. This system, established by the Ministry of Environmental Protection, allows reporting companies to be partners in the formulation of reporting regulations, as well as for gathering and processing the necessary information for reporting.

4 The goals for 2020 have been made public since the ESG Report for 2017 was published



**Table 3: Intensity of carbon dioxide emissions per kWh produced for the years 2010-2020**

The carbon emission intensity data show the greenhouse gas emissions per unit of output. The table below presents the specific emissions in gr of carbon dioxide equivalent (Co2e) per kWh produced, and gr of carbon dioxide per kWh produced.

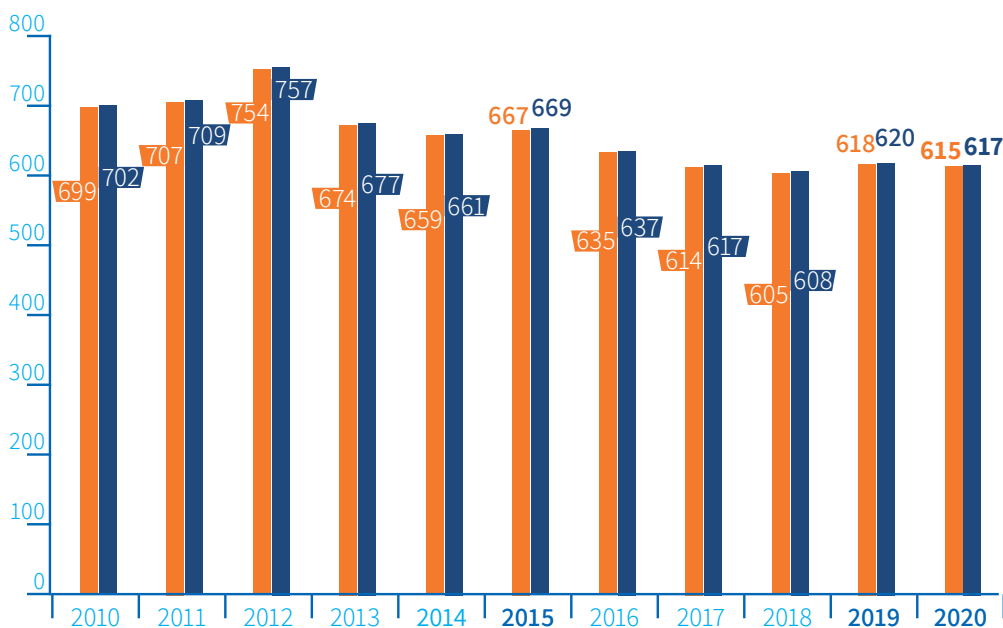
In 2020, there has been a further decrease of 0.5% in the intensity of carbon dioxide emissions per kWh produced compared to 2019<sup>5</sup>.

The reduction in the intensity of greenhouse gas emissions 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.

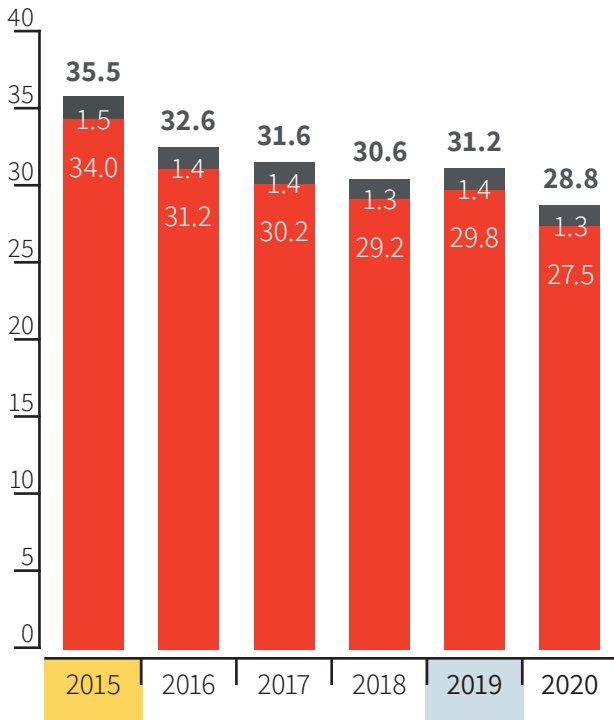
5 The increase in 2012 in emissions intensity is due to the natural gas supply crisis from Egypt, and the increase in 2018-2019 is due to temporary shortages of natural gas.

**Table 3: Intensity of carbon dioxide (emissions per kWh produced)**

■ CO2 emissions (gr/kWh produced)
 ■ CO2eq missions (gr/kWh produced)



**Table 4: IEC Carbon Footprint (Scope 1 + 2 in units of one million tons are equivalent to one million metric tons CO2 eq) in 2020 compared with 2015**



IEC Carbon Footprint

Scope1 Scope 2

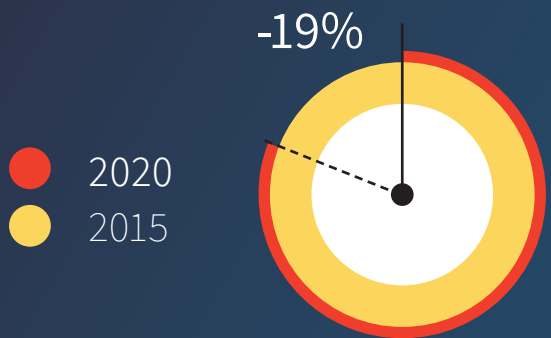


(one million tons are equivalent to one million metric tons CO2 eq)

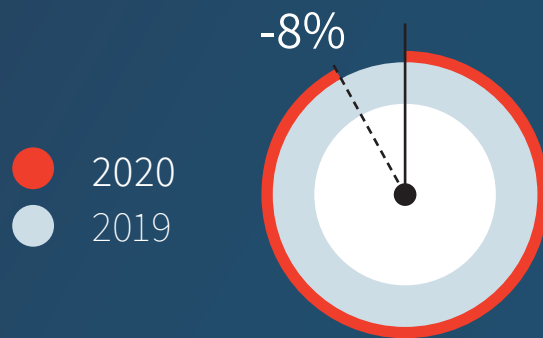
**Scope 1** - direct emissions of IEC greenhouse gases, mainly in the production segment as a result of firing fuels for generating power.

**Scope 2** - indirect emissions of greenhouse gases as a result of the power consumed for internal use by the IEC.

Decrease CO2 emissions in Scope 1 in 2020 compared to 2019 and 2015



equivalent to a saving of **6.48** million tons of CO2



equivalent to a saving of **2.2** million tons of CO2

## Reduction in the use of coal and transition to natural gas

**The goals of the government and the Ministry of Energy are to cease the routine use of coal for generating power by 2026<sup>6</sup>.**

The IEC has a significant role in implementing this goal, which is expected to significantly reduce greenhouse gas emissions. Therefore, the Company will be required in the coming years to convert coal-fired units to gas with a capacity of 3,400 MW in the four production units at the Rutenberg power plant, and in units 5-6 at the Orot Rabin power plant. This is in addition to the modifications made in the coal-fired units 1-4 at Orot Rabin power plant; as of the middle of 2022, these units will be preserved for back-up and will only be operated in emergencies that will be defined in the emissions permit and/or for

maintenance and ensuring operating capacity. The units will be replaced by two natural gas production units located at the Orot Rabin site, with 1,200 MWh capacity, using combined cycle technology, as stipulated in the reform agreement.

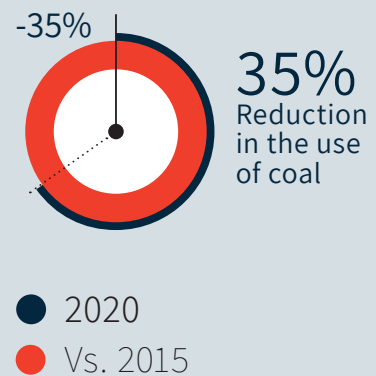
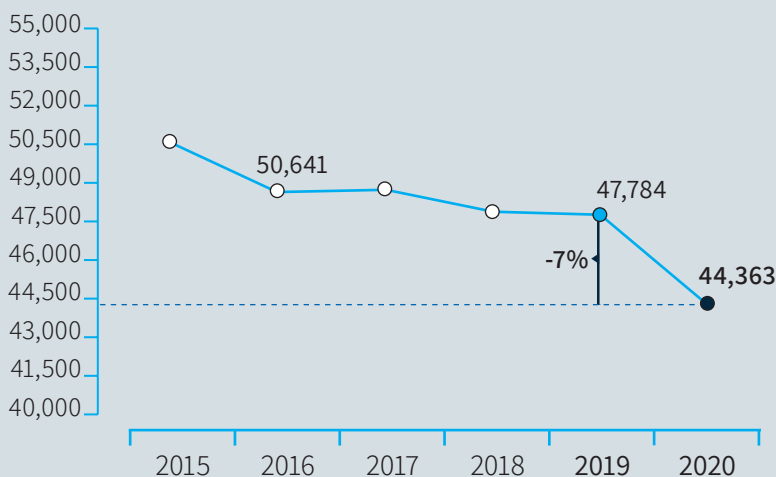
**In 2020, coal-fired power production was reduced by 35% compared to production in 2015.**

### Production using natural gas in combined cycle power plants (CCGT)

CCGT is a combination of industrial gas turbines and steam turbine. In the first stage, after burning the fuel (natural gas), the exhaust gases are pumped to operate gas turbines, which are connected to a generator that generates electricity. After the turbines are turned on, the residual heat from the exhaust gases is not emitted into the air but is used to create steam and propels another turbine - steam. This turbine is also connected to a generator, which actually produces an additional amount of electricity without any additional fuel. Thus, the technology makes it possible to increase

6 From Government Decision 465 dated November 24, 2019, Policy to Cease Routine Use of Coal in the Production Segment of the Electricity Economy by 2026". The units will be maintained for emergency situations such as disruptions in the supply of electricity as a result of shortages of backup fuels

**Table 5: IEC Power Generation Data for 2010 - 2020 [MWh thousands]**



the production of power without increasing the amount of fuel consumed, and as a result, the amount of air emissions, and considerably increases energy efficiency (compared to a coal-fired power plant).

As of the end of 2020, the Company has 11 CCGT power plants at the Hagit, Eshkol Gezer, Tzafit and Haifa power plants which together constitute over a third of the Company's production capacity - 4,017 MWh out of a total production capacity of 11,615 MWh. This is after, as part of implementing the reform agreement, the IEC sold the Alon Tavor power plant in 2019, and the Ramat Hovav power plant in 2020.

In 2020, the Company began construction of two additional CCGT units for generating power from natural gas at the Orot Rabin site in Hadera, with a capacity of 1,200 MWh, using H technology for high energy efficiency, which will replace

production in the Rabin 1-4 coal-fired units. The first of the two CCGT units will begin operating in the second half of 2022, simultaneously with preservation<sup>7</sup> of the four coal-fired production units at the Orot Rabin site.

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, as described below in the chapter.

In 2020, coal-fired power production decreased by 35% compared to 2015, and compared to

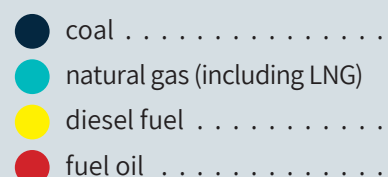
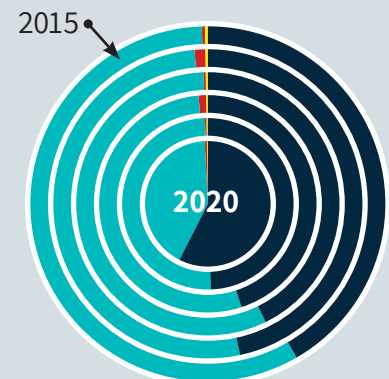
7 Further information concerning the preservation of the coal-fired production units 1-4 at Orot Rabin power plant and the decision of the Minister of Energy in this regard on February 8, 2021: in the IEC financial statements for 2020, in the Notes to the Consolidated Financial Statements as at December 31, 2020, in Note 1G3.

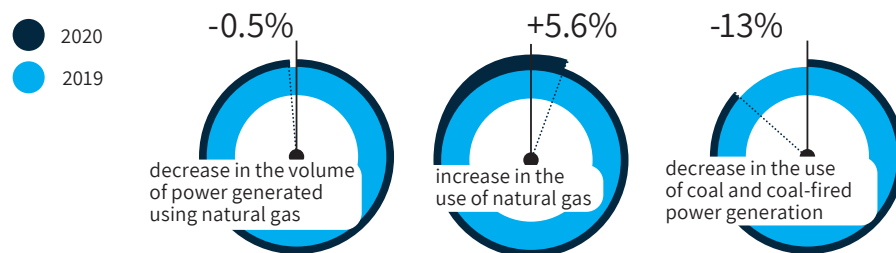
**Table 6: Data regarding the fuel mix for the generation of electricity in the years 2012 - 2020**

The table below presents a breakdown of the rate of production in percentages according to the types of fuels used in the production segment to produce electricity:

	coal	natural gas	liquid gas LNG	diesel fuel	fuel oil
<b>2020</b>	<b>42.7%</b>	<b>50.9%</b>	<b>6.0%</b>	<b>0.3%</b>	<b>0.1%</b>
2019	45.8%	45.1%	8.0%	1.0%	0.1%
2018	43.0%	49.1%	7.4%	0.4%	0.1%
2017	45.2%	48.5%	5.0%	1.1%	0.2%
2016	49.6%	46.3%	3.6%	0.4%	0.1%
2015	57.6%	40.3%	1.3%	0.7%	0.1%
2014	58.2%	41.1%	0.6%	0.1%	0
2013	56.2%	36.5%	4.1%	2.6%	0.6%
2012	63.4%	14.3%	0	15.2%	7.1%

התפלגות הייצור לפי סוגי דלקים  
תצוגה לפי מעגלי השנים





2019, there was a decrease of 13% in the volume of coal used<sup>8</sup> and in the production of electricity using coal<sup>9</sup>.

At the same time, there was an increase of 5.6%<sup>10</sup> in the use of natural gas (according to the data presented in Table 7 below), parallel to a decrease of 0.5%<sup>11</sup> in the volume of power generated using natural gas in 2020, compared with 2019. The difference between the data (increase in use of natural gas compared to the decrease in production using gas) is due to differences in the nature of operating and loading of production units during the year, which is determined in accordance with the requirements of the system management unit.

The entity who decides on a mix of power plants activated at any time is the system management unit (which in 2021 was transferred to Noga - a new government company established for the purpose of managing the power generation system in Israel) which, as of the date of the report is inside IEC, and operates the production units in accordance with environmental restrictions, the cost fuel per kWh produced and taking into account operational constraints; however, subject to the regulation applicable to the Company, that is regulated, among other things, in the Electricity Authority decisions and standards for the Company's operations that it publishes, decisions of the Minister of Energy and the Ministry of Environmental Protection regulation.

8 The use of natural gas is calculated in Terra-Joule (TJ) units, the source of data for calculation and for Table 7: in the IEC Environmental Report for 2020, Table 3. <https://www.iec.co.il/EN/IR/Documents/IEC-Environmental-Report-2020.pdf>

9 Data Source: Table 22 in the IEC Environmental Report for 2020 (power production using natural gas in thousand megawatts per hour units MWH\*1000)

10 The use of natural gas is calculated in Terra-Joule (TJ) units, the source of data for calculation and for Table 7: in the IEC Environmental Report for 2020, Table 3

11 Data Source: Table 23 in the IEC Environmental Report for 2020 (power production using natural gas in thousand megawatts per hour units MWH\*1000)

**Table 7: Total IEC energy consumption in 2015 through 2020 (in TJ)**

	Coal	Natural gas including LNG	Fuel oil	diesel fuel		Gasoline*	Self-consumption of power		Total
				Gasoil	Transportation		power plants	managed and other sites	
<b>2020</b>	<b>180,003</b>	<b>189,980</b>	<b>494</b>	<b>1,297</b>	<b>422</b>	<b>76</b>	<b>6,294</b>	<b>216</b>	<b>378,782</b>
2019	207,504	179,981	760	4,625	365	118	6,614	216	400,183
2018	194,994	194,975	864	2,370	347	123	6,501	216	400,390
2017	205,001	185,002	1,025	4,906	287	115	6,666	216	403,218
2016	226,216	168,770	781	1,939	331	132	6,802	231	405,202
2015	266,804	148,803	704	3,881	357	116	6,909	360	427,934

\*Transportation diesel fuel and Gasoline for the Company's vehicle fleet only

## Promotion of renewable energies

The IEC is committed to complying with the national target of 30% production from renewable energy by 2030. Although the IEC is prohibited from generating electricity from renewable energies due to the regulatory restrictions that apply to it<sup>12</sup>, we are working to implement the government goals by connecting renewable energy production facilities of private producers to the electricity grid. The private producers sell the surplus electricity that they produce to the IEC, and thus, through a growing electricity distribution network, more "green" electricity reaches all electricity consumers.

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, the Company published, in accordance with the guidelines of the Electricity Authority, a large number of feasibility studies regarding various initiatives in the sector, and also updated the master plans accordingly.

### 2020 Data:

The installed capacity of power generation facilities from renewable energies in 2020

12 From the 2020 Financial Statements, part in Notes to the Financial Statements, Note 1, Section E.1.B.4.: "The Company or production subsidiary may not establish, replace, operate, plan, reinforce or engage in the development of power plants in Israel, whether independently or as a contractor for a third party, and may not engage in the production of power, including as part of microgeneration or renewable energies in Israel. This section will apply throughout the years of the reform as well as after the reform."

amounted to 2,335 MWh (including small photovoltaic facilities and net usage systems), which constitute 12% of the total installed capacity in the electricity sector (IEC and private producers).

The energy produced using renewable energies in 2020 amounted to 4,152 (thousands MWh) which constitute 6% of the total energy produced in the electricity sector (IEC and private producers).

In 2020, the IEC connected private production facilities using renewable energies with an installed production capacity of 300 MWh<sup>13</sup>.

Since the transition from centralized production to decentralized production, in addition to the increased production capacity in the country requires that the transmission lines and distribution grid be increased and renewed, we invest many resources for accelerating the development of these systems:

### Development in the Transmission and Transformation Segment

We are pushing forward plans to upgrade and establish 400 kW and 161 kW lines and to upgrade the transformer capacity, to adjust the transmission and transformer system to the electricity economy needs, in view of the government goals regarding renewable energy,

13 For further reading, see the IEC's financial statements for 2020, p. 10 in the table: 300 MWh represents the difference between installed capacity of 2023 MWh from renewable energies in 2019 compared to 2335 MWh in 2020.

as upgrading and developing them will allow extensive absorption of private producers, including renewable energies, and integrating them in ultra-high voltage. In addition, we acquired a computerized Transmission Management System - TMS due to the removal of the current management system unit from the IEC, which will be put into use in 2023 and will upgrade operational and control capacity of the transmission systems under the Company's responsibility.

#### Development in the Distribution Segment

The Company is also advancing a development plan for the distribution grid that will support expansion of the integration of private production in the high and low voltage systems.

In 2019, the Electricity Authority issued a new standard defining an identical connection process for all production facilities that connect into the distribution grid, and new technical guidelines for the integration of photovoltaic production facilities into the distribution grid. In view of the Electricity Authority announcements, the Company acted to make important adjustments and to write procedures regarding the various issues: Commercial, Planning, Operation, Facility Testing, and Execution (Part B) So as to enable compliance with the goals set by the Ministry of Energy. Accordingly, at the beginning of 2020, the Distribution Engineering sector held two conferences on preparations for the absorption of photovoltaic production plants into the distribution grid, in order to inform those in the Company working on the updating of this issue and to review the relevant procedures that were formulated.

#### Looking forward

##### Development for the purpose of integrating renewable energies in the electricity grid

The Company is formulating a long-term development plan for the electricity grid, for 2030, in accordance with the government's goals that were revised in July 2020: Increasing renewable energy electricity production goals to 30% by 2030, including the addition of technologies designed to manage and control the running of the renewable energies production plants and to maintain the stability of the power grid in an era of decentralized production, in order to ensure reliability and quality of power supply to all customers:

- The IEC is working to accelerate energy storage ventures to support the capacity to integrate renewable energy sources into large-scale power production. The increase in the scope of production using renewable energies increases the need and the feasibility for integrating storage facilities. The dynamics of renewable energy produced by decentralized producers entering and exiting the grid forces the Company to face challenges involved in maintaining frequency stability in the system (frequency stability is essential for the reliable supply of electricity). The storage facilities will help support the stabilization and moderation of the impact of the renewable energy plants on the ability to maintain stable frequency in the electrical grid and the sustainability and reliability of the electricity supply.
- In addition, storage facilities will ensure a supply and demand in real time, for example, the storage facilities will make it possible to deal with surplus production of power from photovoltaic facilities during daytime hours

(in excess of demand), by storing the excess power generated, and supplying it from the storage facilities in the evening when the demand for electricity increases<sup>14</sup>.

- Acquiring an advanced distribution management system (ADMS) for managing the grid (high and low voltage) that will enable management of large-scale decentralized production and provide an appropriate response for the anticipated development needs of the energy economy.
- Formulating and promoting processes with the Electricity Authority to establish dedicated regulations for improving, absorbing and smart management of the facilities, from both economic and engineering aspects.

### Renewable Energies at the IEC Plants

As part of the efforts to realize the potential of energy efficiency at the IEC, we intend to embark on a pilot project of establishing PV facilities (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.

In the first phase, two pilot facilities with capacity of up to 50 kWh will be erected on the roof of the Jerusalem District building and on the roof of the logistics warehouse in Ashdod, for self-consumption only, where the energy that is generated will not feed into the national electricity grid. Subject to the success of this

pilot, we will consider the possibility of adding additional facilities. In 2021, subject to the approval of the authorities, the IEC will publish the specifications and begin execution of the pilot

### Improving Energy Efficiency at IEC Sites

We have mobilized to assist in achieving the government goals with regard to energy efficiency and reduction of greenhouse gas emissions. In this context, in recent years we carried out various measures for improving energy efficiency within the Company's sites, including:

- 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.
- Promoting the establishment of green roofs

From a systemic approach and with the aim of obtaining maximum cooperation, removing barriers, and raising awareness among employees and managers to the importance of this issue and enabling uniform reporting to the Company's management, an administrative unit was established for promoting energy efficiency projects that encompasses all the entities in the Company that deal with this issue. This unit works in collaboration with work teams from the planning section of the Engineering Projects Division; from the transmission and transformer section of the Grid Engineering Division; teams from customer services responsible for the administrative buildings, and teams from the

14 [https://www.gov.il/BlobFolder/reports/storage\\_of\\_renewable\\_energy\\_as\\_alternative\\_to\\_peaker\\_power\\_plants\\_june\\_2020/he/climate\\_change\\_and\\_energy\\_efficiency\\_storage\\_of\\_renewable\\_energy\\_as\\_alternative\\_to\\_peaker\\_power\\_plants\\_june\\_2020.pdf](https://www.gov.il/BlobFolder/reports/storage_of_renewable_energy_as_alternative_to_peaker_power_plants_june_2020/he/climate_change_and_energy_efficiency_storage_of_renewable_energy_as_alternative_to_peaker_power_plants_june_2020.pdf)



production sites under the responsibility of the Production, Spatial Engineering and Maintenance Department.

The unit operates in accordance with the National Energy Efficiency Plan for 2014 to 2019, which set an energy efficiency improvement goal for electricity consumption of 4.97% compared to 2013, which was set as the base year. For the purpose of collecting data regarding electricity consumption at the Company's sites, meters were installed in 2013, or a consumption assessment was conducted based on a consumer survey and how places where meters have not yet been installed operate.

In 2019, the first five-year plan ended, during which operating systems were installed in production facilities such as Fouling Thickness and Reflectivity (FTR) systems to optimize the soot blowers at the Orot Rabin and Rutenberg power plants sites, and compressors and sewage drainage systems were upgraded. In addition, light fixtures and operational and office air conditioning systems were replaced with higher energy efficiency systems, motion detectors were installed, as well as energy meters in pumps, etc.

By 2019, about NIS 27.2 million had been invested in various projects and improved energy efficiency of 3.48% was achieved in electricity consumption compared to the base year 2013, which constitutes a cumulative saving of NIS 68.5 million. The cumulative savings from the reduction in CO<sub>2</sub> emissions translated to a financial saving of NIS 7,488 thousand<sup>15</sup>.

<sup>15</sup> The calculation is performed according to the UN's CDM mechanism, based on USD 20 per ton CO<sub>2</sub>.

At the end of 2019, a new five-year plan for 2020 to 2024 was approved and a goal was set for improvement of energy efficiency of 4.65% in electricity consumption compared to the base year 2013, at total investment of NIS 23.7 million, which is expected to result in a cumulative saving of NIS 25.9 million.

## Transportation and Travel

We work to consistently improve the transportation sector and minimize travel in the Company. This, among other things, is to reduce pollutant and greenhouse gas emissions, reduce congestion on the roads and to assimilate and increase awareness among our employees of wise, economical and environmentally friendly use of resources.

### As part of this, the following actions are taken

- Encouraging use of hybrid vehicle and expanding them in the Company's fleet. Hybrid vehicles are also included as options to choose from in the list of vehicles available to employees for leasing.
- Offering means of getting to work other than by private car and encouraging travel by public transport.
- Use of video conference systems for meetings to reduce travel.
- Launching an information and awareness raising campaign regarding the matter of air pressure for tires, which leads, among other things, to fuel consumption savings.
- Training for employees on economical, smart and ecological driving.
- Publishing comparable information for the owners of the Company's vehicles regarding fuel consumption and driving behavior,

in order to raise awareness of smart and economical use of the vehicle.

In 2020, the volume of gasoline used for the Company's vehicle fleet was 2,206 thousand liters. This figure represents a decrease of 36% in consumption compared to 2019, due to the extensive switch to using hybrid vehicles. The volume of diesel fuel used for the vehicle fleet was 11,594 thousand liters, which is a 15.5% increase in consumption compared to 2019. This is due to the Projects Division new projects and the Grid Services Division working around the clock, and accordingly there was an increase in the number of work vehicles used by these Divisions.

#### Looking forward to 2021-2022:

Introducing the use of electric vehicles from 2022 in accordance with the trend of penetration into the Israeli market, in order to reduce fuel consumption, and minimize air pollution and greenhouse gas emissions



## Air Emissions and the IEC's Air Monitoring System

The IEC established and operates an air quality monitoring system, through which 28 air quality and meteorological monitoring stations operated in 2020. The monitoring system is part of the Ministry of Environmental Protection's national air monitoring network under the Clean Air Law, in which the Association of Cities for the Environment (Haifa, Hadera, Ashdod and Ashkelon) and the Ministry of Environmental Protection and the Israel Electric Corp participate. During 2020, the process for upgrading the monitoring devices, structures and infrastructure at all existing monitoring stations continued, to ensure the reliability and availability of the data.

The IEC's air monitoring laboratory is certified under the ISO 17025 for monitoring and calibration of instruments and systems for monitoring environmental air quality.

Below are the air pollutants<sup>16</sup> that were measured at the IEC monitoring stations in 2020:

- Sulfur Dioxide (SO<sub>2</sub>)
- Nitrogen oxides (NO<sub>x</sub>)
- Nitrogen Dioxide (NO<sub>2</sub>)
- Ozone (O<sub>3</sub>)
- Fine airborne particulate matter

Measurements are also made of wind direction and speed, and other meteorological parameters at a number of sites.

<sup>16</sup> Further information and expansion regarding other air pollutants can be found in the environmental air monitoring reports on the IEC website at \_\_\_\_\_

Findings of the air quality measurements obtained from IEC monitoring stations in 2020 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 (Air Quality Standards) (Temporary Order), 2011. This trend is in line with the downward trend of emissions in the Company's power generation units. With regard to other air pollutants, in 2020 the various monitoring stations of the IEC recorded occasional concentrations of nitrogen oxides, nitrogen dioxide, ozone and particulate matter, which were relatively high and sometimes even higher than the air quality standards. This trend is in line with the downward trend of emissions in the Company's power generation units.

With regard to other air pollutants, in 2020 the various monitoring stations of the IEC recorded occasional concentrations of nitrogen oxides, nitrogen dioxide, ozone and particulate matter, which were relatively high and sometimes even higher than the air quality standards. These cases appear to have been unrelated, or at least not directly related, to emissions from power plants. High concentrations of nitrogen oxides and nitrogen dioxide are associated with transportation, high concentrations of ozone are attributed to photochemical processes in the atmosphere. And high concentrations of airborne particulate matter were measured during dust and sandstorms that came from distant desert sources.

## System for Monitoring and Sampling Pollutant Emissions from the Stacks of Power Generation Units

In accordance with 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. The data is transmitted online and in real time to officials at the Ministry of Environmental Protection. Various operational data are also transmitted.

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 sampling is also used to calibrate the continuous air pollutant monitoring systems, which are installed in the stack.

Sampling is performed by the Laboratory for Sampling Pollutants at Source, at the IEC's Department of Environmental Monitoring and Hygiene, which is ISO 17025 certified for sampling pollutants and calibrating the continuous monitoring systems in the stack.

## Emissions of major air pollutants

Greenhouse gases are emitted into the atmosphere during the power generating process and as a result of burning fuel, mainly Carbon dioxide (CO<sub>2</sub>), as set out above in Tables 3 and 4, together with other types of gases. The main ones being:

- Sulfur Dioxide (SO<sub>2</sub>)
- Nitrogen oxides (NO<sub>x</sub>)
- Particulate matter (PM)

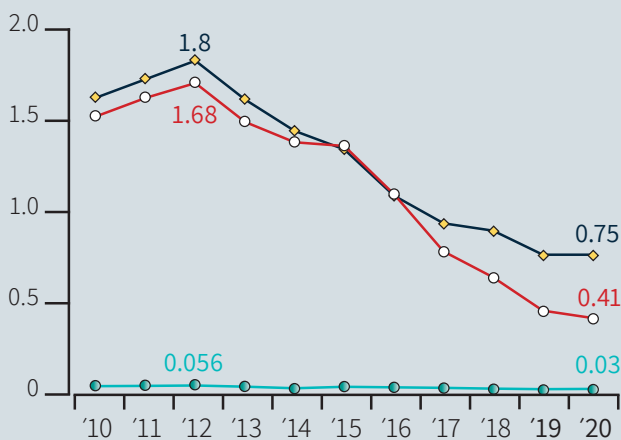
The continuous reduction trend of air emissions is due to a number of major factors:

(See Table 4 for greenhouse gas emissions and Table 8 for additional pollutant emissions)

- The transition of power production from coal and liquid fuels to natural gas, which contributed to a significant reduction in air pollutants and greenhouse gas emissions.
- Expansion of the use of very low sulfur content natural gas.
- Completion of the emission reduction project at the Orot Rabin site.
- Promotion 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 low sulfur liquid fuel for backup only.

**Table 8: Data on air pollutant emissions resulting from burning of fuels for power production by IEC in 2010 - 2020**  
[gm/kWh produced]<sup>17</sup>

Table 8 reflects a decrease of 58% in emissions of nitrogen oxides and a decrease of 76% in sulfur dioxide emissions between 2012 and 2020, as a result of the emission reduction projects at the coal-fired power plants.



Particulate matter (PM) ◆  
 Sulfur Dioxide (SO<sub>2</sub>), Nitrogen oxides (NO<sub>x</sub>) ○  
 emissions (gm/kWh)

For a complete table including greenhouse gas emissions, see the appendices to the chapter on the Environment on page 234

<sup>17</sup> Absolute emissions data is presented in the appendix A and the IEC's Environmental Report <https://www.iec.co.il/EN/IR/Documents/IEC-Environmental-Report-2020.pdf>

## Project to reduce air emissions from coal-fired production units at the Orot Rabin and Rutenberg sites

In recent years, the IEC has installed facilities for reducing emissions<sup>18</sup> at the Orot Rabin site in Hadera, and is in the final stages of completing installation of all emission reduction facilities at the Rutenberg site in Ashkelon.

This was a complex project that took several years to establish at a cost of NIS 7 billion (this amount does not include interest during installation).

As of the date of this Report and based on the emissions permits issued for coal-fired units, units 5-6 at Orot Rabin and units 1-2 and 4 at Rutenberg are operating successfully with the emission reduction facilities and are in compliance with the emissions levels set in the

emissions permits. Unit 3 in Rothenberg is in the final stages of completing the installation of additional measures to reduce nitrogen oxides (the rest of the reduction measures were already installed in this unit since the it became operational).

The projects at the Orot Rabin power plant in Hadera and Rutenberg site in Ashkelon include an update of all existing systems in these units (initial measures), installation of flue gas desulfurization (FGD) plants, and selective catalytic reduction (SCR) systems for further reduction of nitrogen oxide emissions. Running of the SCR system involves gases emitted through the flue into which a catalyst is injected causing a chemical reaction for decomposing nitrogen oxides into inert atmospheric nitrogen that is not environmentally harmful.

The operation of the FGD plant is based on the adsorption of the sulfur dioxide into limestone dissolved in water. Due to the "wet" absorption process, the remaining gases are saturated with

<sup>18</sup> For further information on the emissions reduction project see the 2020 Financial Report, Part A, Description of the Company's Business", Section 7.7.3



This plume is not smoke, rather steam, and **the plume is in fact a testament to the success of the process and that the eliminators are working properly.**

water vapor, so when operating the eliminators, a white plume can be seen coming out of the flue, which is the result of the wet gas emissions and low temperature.

This plume is not smoke, rather steam, and the plume is in fact a testament to the success of the process and that the eliminators are working properly.

When connecting the FGD plants, the plant could not be adapted and connected to the existing stacks at the sites, so new stacks were erected at these sites. The new stacks are used for production units 5-6 at Orot Rabin and units 1-2 at Rothenberg (units 3-4 at Rothenberg have had a similar plant since they were constructed).

A by-product of the sulfur oxide elimination process is gypsum of the appropriate quality for the cement and construction industry to which it is directed and for the manufacture of gypsum dry-wall.

As this project comes to completion, which is a significant milestone in the IEC's environmental investment, and parallel to the development of the natural gas reservoirs and the gas transmission system in Israel, the IEC is embarking on another project that aims to further reduce significant emissions: the project to convert the large coal-fired units to natural gas as the main fuel, and for maintaining the coal firing capacity for emergencies and natural gas shortages only. Once this project is complete, the State of Israel will benefit from further reduction in emissions and the integration of the State of Israel's obligations under the Paris Agreements, while maintaining a reliable and available power supply for Israeli residents that is, at the same time, cleaner and more environmentally friendly.

## Use of Water Resources

The IEC adopts measures for the smart use of water consumption at its sites. This, among other things, by improving and monitoring processes and increasing the recycling of effluents<sup>19</sup>.

Furthermore, we make extensive use of brackish water resources, independent sources as well as external sources, and act to improve and monitor processes and increase the recycling of effluents, including:

- Use of industrial effluents and borehole water in the emission reducing plants. This water is used as a substitute for fresh water in the FDG eliminators.
- Use of sanitation effluents from an external source for the cooling towers at the Gezer CCGT power plant.
- Use of purified sanitation effluents and drainage water to irrigate garden areas.

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 Lake Kinneret (the national carrier), desalinated seawater, desalinated brackish water and surface water from various sources.

In 2020 there was a decrease of 24.6%<sup>20</sup> compared to 2019, in total water consumption by

19 For further information regarding the Company's water consumption see the Company's website, in the IEC Environmental Report for 2020 in the chapter on "Wise use of water resources".

20 Data Source: Environmental Report for 2020 on the Company's website, table 33 Breakdown of Data of the Consumption of Water for all kinds in the IEC for the years 2013-2020

the IEC (excluding seawater used for cooling at the coastal power plants).

Information regarding the treatment of water and wastewater at the Company, seawater consumption for cooling and the discharge of treated effluents into the sea, can be found in Appendix A – Environmental Data and in Environmental Report for 2020: <https://www.iec.co.il/EN/IR/Documents/IEC-Environmental-Report-2020.pdf>

## Conserving biodiversity

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Because the Company's plants are infrastructure facilities that are located in or close to open and natural (undisturbed) areas, it does sometimes have impact on the biodiversity. Such impact stems from the actual location in the open field and from the accompanying environmental impacts caused by the day-to-day operating of the facilities. This causes two main types of impact:

### Marine impacts

Coastal power plants use seawater to cool the steam that drives the turbines in the power generation 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. In light of this, we make sure to locate and monitor the biodiversity in the area around the outlets.

Because the water-cooling systems pump large amounts of seawater, tiny sea organisms that are not trapped in the filters are also pumped. These organisms include meroplankton (the young stage of marine life) planktonic creatures that find a place to settle in the walls of the water-cooling system, as well as other planktonic creatures that constitute food for those that have settled on the walls of the system and contribute to accelerating their development.

Marine creatures that develop on top of artificial bodies are known as marine fouling and they cause many operational problems, primarily damage to power production efficiency and

blockages that could lead to downtime of the production units. In order to prevent such settlement and accumulation of marine fouling inside the cooling systems, it is necessary to add low concentrations of substances for preventing settlement to the seawater (the concentrations are dictated by the Ministry of Environmental Protection), and the IEC is working to reduce the use of such substances.

In addition, the Company paints the water-cooling systems with silicone anti-fouling paints, which by their very nature prevent settlement without changing or damaging the quality of the seawater. These paints are used in most of the coastal power plant units.

### Terrestrial impacts

As part of the IEC's commitment to reducing its environmental impact, the Company incorporates landscape architects in the design of our new projects. This is to ensure appropriate attention is given to nature and landscape, saving land use and optimizing utilization of the space.

Due to the scope of the operation and the wide deployment of the Company's infrastructure, the IEC owns thousands of kilometers of power lines, of varying voltage, spread across the country. Some of the lines are in close proximity to or close by dedicated nature reserves, and in some cases also run through them. Furthermore, among the many of the Company's facilities those that are located in or nearby open areas have an impact on terrestrial biodiversity.

In view of this, the Company has adopted the following measures for managing its impact on the terrestrial biodiversity:

- Actions for managing and improving the interaction with biodiversity (when exploring alternative locations for new facilities and power lines, the need to reduce traversing areas of rich biodiversity is taken into account, in order to minimize the impact on these areas.)
- Conducting ecological surveys as part of environmental impact surveys, and integrating the commitments in outline plans
- Increasing internal organizational awareness
- Spreading Wings Project - Adopting Eagles and Birds of Prey
- Collaborating with the Society for the Protection of Nature, the Nature and Parks Authority and the Ministry of Environmental Protection, as part of the public appeal to assimilate biodiversity considerations in companies.

As part of the environmental impact surveys and environmental documents issued with regard to IEC projects, the impact on nature and landscape has been reviewed for many years.

In recent years, parallel to global development regarding the need to preserve biodiversity, the issues reviewed in this aspect have been expanded. Increasing and expanding the ecological review make it possible to improve the link between the existing and the planned IEC facilities and biodiversity.





## Spreading Wings

**Spreading Wings - is a joint project of the IEC, Nature and Parks Authority and the Society for the Protection of Nature in Israel, which aims to protect the population of birds of prey in Israel.**

As the largest industrial company in the country, and as one that sees itself as committed to the environment and the community in which it operates, the IEC joined the main nature organizations in the country, the Nature and Parks Authority and the Society for the Protection of Nature in Israel - in a joint effort to save the birds of prey in Israel. The project, which was launched in 1996, initially focused only on the eagle population, however, in view of its success, it was soon decided to expand to include the treatment and rescue of other species of birds of prey.

As part of the project, an applied study was conducted for the development of measures to protect electric poles, which were found to be the main source of electrocution among large birds.

Such incidents caused disruptions in the electrical grid and caused damage to the customers. As such, the reliability of power supply was impaired and the IEC suffered operational, financial and image damages.

Due to these findings, a joint program was formed to protect the large birds, as part of which IEC engineers, in collaboration with Raychem and the professional staff of the Spreading Wings project, developed protective measures against electrocution, which were adapted for high-voltage and ultra-high-

voltage pylons. The development of the various protection means included simulation using trained eagles from acclimatization and breeding centers, which produced, among other things, a unique and first ever development worldwide for protecting ultra-high-voltage pylons.

The protection measures include installation of sleeves made of insulated material on the pylons, installation of spikes that prevent the birds of prey from landing on sensitive spots on the pylons, and installation of broad platforms at the top of the pylons, allowing the birds of prey to land safely without touching the cables.

The IEC installs the protection measures on between 100 and 150 electric pylons every year, based on work plans prepared in collaboration with the Nature and Parks Authority and the Society for the Protection of Nature in Israel. In 2020 only 60 pylons were protected due to Covid pandemic constraints.

Since the project kicked off until 2020, some 3,000 high-voltage pylons were protected against such electrocution, and these have almost completely eradicated the electrocution of eagles, which in the past was one of the main causes of death of this population.

In 2020, a geographic model was presented for mapping susceptible areas for the electrification of hawk eagles, the population of which in Israel is currently in severe danger of extinction. The model, the outcome of the collaboration between the three organizations, is intended for estimating the number of pylons required for protecting the existing power lines, as well as for marking out susceptible areas for future planning

of power lines. The model will be used by the IEC as a planning tool when preparing work plans for protecting electricity pylons against electrocution of the birds, starting in 2021.

Apart from protecting against electrocution, the project deals with broader aspects of conservation and protection of birds of prey in Israel. This conservation interaction is adopting proactive measures to expand the breeding core, to monitor the endangered bird-or-prey species and to minimize poisoning. This is done by providing good quality food for eagles and maintaining feeding stations, purchasing GPS transmitters and monitoring of telemetry data, importing eagles from abroad, educational activities, PR and increasing public awareness of the importance of conserving birds of prey, in general and eagles in particular.

In recent years, thanks to the funding of the project, 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 telemetry 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. For example, when the transmitter detects that a particular bird is not moving or has landed on the ground, an inspector from the Nature and Parks Authority can be sent to the area to observe the bird. A dedicated steering committee coordinates the collaboration between the organizations and approves work plans and annual budget. This is done under an agreement that is renewed every

three years. Furthermore, this collaboration was extended for another area of protection for birds colliding into power lines, following the first pilot of its kind in Israel, which began in 2016, to minimize the potential for birds colliding into power lines. As a result of the findings of the pilot that ended in 2018, areas of high potential for collision were mapped.

At the same time, with the understanding that the damage caused to birds due to the Company's operations must be reduced, the IEC is preparing to employ consultation services regarding avian ecology, which will help in building geographical models for areas potentially harmful to birds, formulating guidelines for planning and establishing power lines and work plans on this issue.



## 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.

In light of this, the Company is working on circular economy initiatives, including:

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.

1. Since 1998, the entire volume of coal dust produced by the IEC is supplied for industrial and agricultural uses. The main uses of coal dust are in the production of cement and concrete, similar to the prevalent and preferred use in most developed countries of the world. Environmentally, the use of coal dust as a raw material for the production of cement and concrete reduces the damage to the environment and open areas resulting from quarrying of raw materials that are replaced by coal dust (especially sand for construction, which is in increasing shortage in Israel). In addition, the use of coal dust for the production of cement (crushing) and concrete contributes to reduction of CO<sub>2</sub> emissions in the cement industry. A description of the uses of coal dust is presented in the appendices

to the Environment Appendix A in Table 16 on page 236. The useful contribution of coal dust in reducing CO<sub>2</sub> emissions in the cement industry, revised estimate for reducing CO<sub>2</sub> emissions due to the use of coal dust in 2020: 235,000 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.

2. Gas emissions from production units 1-4 at Rutenberg and production units 5, 6 at Orot Rabin pass through flue gas desulfurization (FGD) facilities. The gas emissions from coal burning boiler pass through the FGD system and are washed in a limestone suspension. In the plant a chemical reaction is created between the SO<sub>2</sub> and the calcium carbonate (CaCO<sub>3</sub>), forming gypsum (CaSO<sub>4</sub>.2H<sub>2</sub>O) as a byproduct of the process. The resulting gypsum is of a similar quality to that of natural gypsum, and is therefore suitable for use as a substitute for quarrying gypsum. This saves mining of natural resource as well as the costs and environmental hazards associated with quarrying. In Israel, the gypsum is mostly supplied for use in the cement industry as a casting inhibitor, and in addition, small amounts of are used as a soil-improving material in agriculture.

Further information on the uses of coal dust can be found in Appendix A – Environmental Data And Environmental Report for 2020 from page 73: <https://www.iec.co.il/EN/IR/Documents/IEC-Environmental-Report-2020.pdf>

## Solid waste treatment management

The IEC treats waste generated as a result of its day-to-day operations by adopting the Total Waste Management approach, with various actions along the entire waste formation chain (prevention, reduction, collection and treatment), in order to reduce the environmental impact of the waste<sup>21</sup>.

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.

**Table 9: Treatment of Solid Waste 2018-2020**

Total	Waste treated (tons)			
<b>19,993</b>	<b>8,777</b>	<b>2,704</b>	<b>8,512</b>	<b>2020</b>
20,727	9,904	3,605	7,217	2019
21,441	8,027	3,944	9,470	2018





Solid/Hazardous waste sent for landfill   
 Solid waste sent for recovery   
 Hazardous waste sent for disposal   
 Solid/Hazardous waste sent for recycling 

Table 10:  
Hazardous  
Waste  
2020

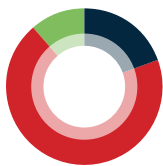


Table 9:  
Solid Waste  
2020



21 Further information about the IEC's waste treatment is available on the Company's website, in the IEC Report - Environmental Report for 2020 in chapters Solid Waste and Hazardous Materials and Hazardous Waste.

## Hazardous Materials and Hazardous Waste

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

The IEC works to reduce the potential risk arising from the use of hazardous materials that are associated with the power generation chain. As part of this, efforts are being made to reduce consumption of hazardous materials at source (Source Reduction) in the production processes, to replace materials with lower risk materials, to find environmentally friendly substitutes, to train workers on this issue, to find alternative solutions for landfill of hazardous waste, to expand the types of hazardous waste that needs dedicated treatment, etc. As part of its obligation under any law, the IEC disposes of hazardous waste at authorized sites.

As part of its obligation under any law, the IEC disposes of hazardous waste at authorized sites.

**Table 10: Treatment of hazardous waste (excluding industrial effluents) in 2015-2020 by type of treatment [tons]**

Total	Hazardous treated (tons)			
<b>6,105</b>	<b>690</b>	<b>4,224</b>	<b>1,191</b>	<b>2020</b>
4,573	1,500	2,922	151	2019
8,566	5,462	3,047	57	2018
5,245	454	3,908	883	2017
4,515	2,871	1,595	49	2016
16,263	13,458	2,792	12	2015

Further information regarding the treatment of hazardous waste can be found on the Company's website, in the Company's Environmental Report for 2020, starting on page 77: <https://www.iec.co.il/EN/IR/Documents/IEC-Environmental-Report-2020.pdf>

## Promoting dialogue on environmental issues

### Contact with environmental organizations

The IEC acts to create an open, transparent and mutual communications channel based on shared values with its key stakeholders. As such, the Company maintains a fruitful and long-standing dialogue with environmental organizations and attaches much importance on maintaining and conserving this relationship. The cooperation between the environmental organizations and the IEC is carried out in a number of channels, and among other things, the Company conducts round table discussions and special meetings with environmental organizations on various issues. This tradition of round table discussions began several years ago, as part of which a number of discussions were held on environmental issues related to the IEC's operations.

Because of the importance we attach to such dialogue with environmental organizations, the meetings are usually led by the CEO, and the Company's senior management takes part in them. Meetings on the specific topics are headed by the Company's senior professionals.

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.

In 2020, a number of meetings were held with environmental organizations, and among the issues discussed at these meetings were the shutting down of production units at Orot Rabin, the system for reducing ammonia emissions

into the sea, renewable energy and storage of energy, as well as various issues raised by the environmental organizations that were addressed by the Company's professional staff.

Furthermore, in 2020 extensive discussions were held regarding the coal stations at Rutenberg and Orot Rabin, with the aim of establishing good neighborly relations, increasing the stakeholders trust in the power plant operations and disclosing the positive actions and measures implemented at these plants.

With regard to the matter of dialogue with the community, see Chapter 4: Community activities at the IEC.

### Dialogue with employees to raise environmental awareness

The IEC works to raise awareness of the environment and sustainability, and conducts activities for its employees on various levels, including:

Development and implementation of curricula on the topic of the environment for Company employees and managers, in order to raise awareness of this subject and to impart knowledge. Every year, hundreds of employees participate in various training courses on environmental issues.

Green-Blue-Orange Competition - the CEO's Award for the Environmental Competition an internal organizational competition aimed at recognizing the organizational units and employees who excel in environmental protection. The competition encourages assimilation and internalization of environmental protection and sustainability issues among

employees, as well as taking personal responsibility for the issue, initiating and causing significant measurable improvement regarding the environment and intelligent use of resources in the work environment and in the broader circles of home and family.

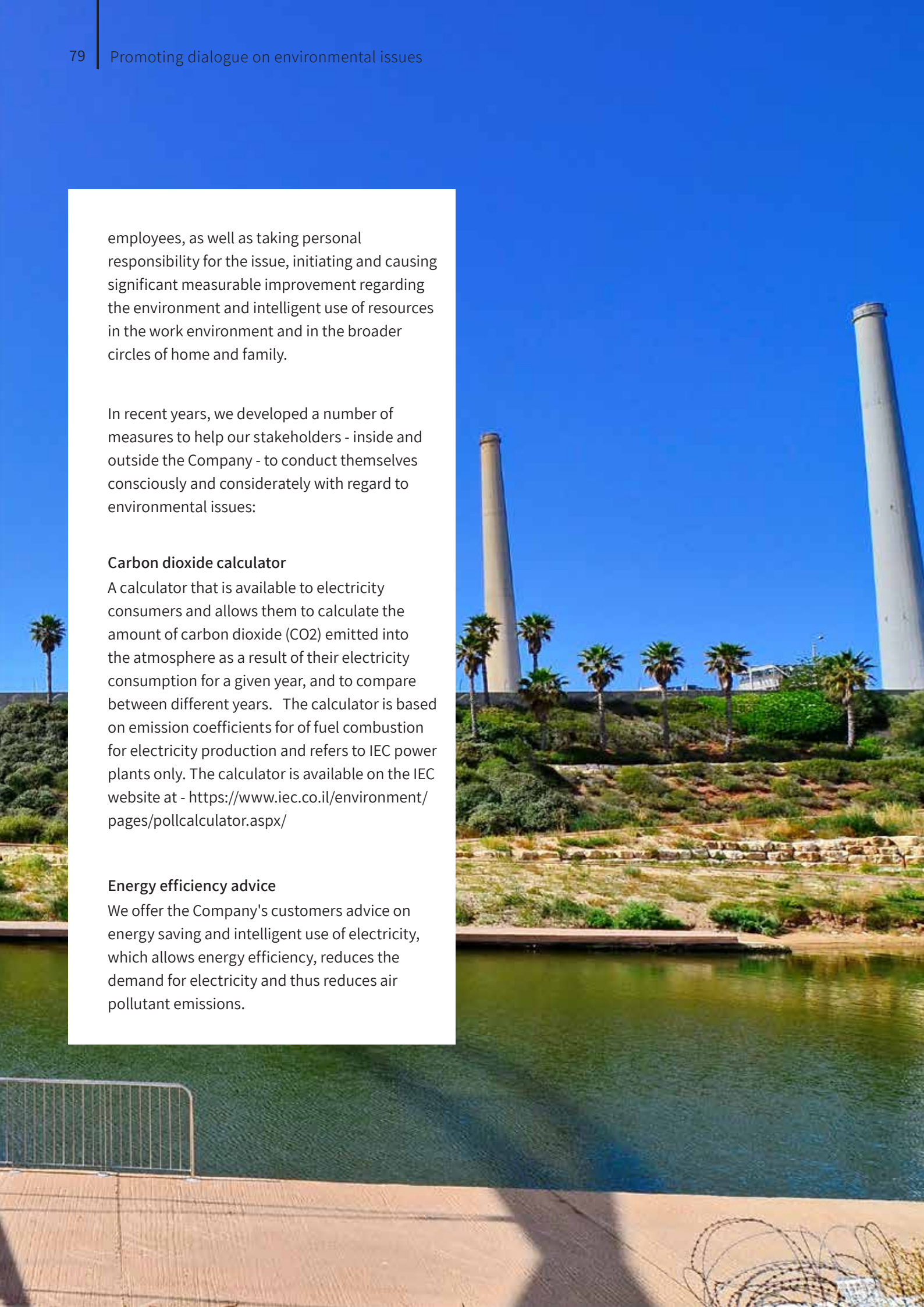
In recent years, we developed a number of measures to help our stakeholders - inside and outside the Company - to conduct themselves consciously and considerately with regard to environmental issues:

#### **Carbon dioxide calculator**

A calculator that is available to electricity consumers and allows them to calculate the amount of carbon dioxide (CO<sub>2</sub>) emitted into the atmosphere as a result of their electricity consumption for a given year, and to compare between different years. The calculator is based on emission coefficients for of fuel combustion for electricity production and refers to IEC power plants only. The calculator is available on the IEC website at - <https://www.iec.co.il/environment/pages/pollcalculator.aspx/>

#### **Energy efficiency advice**

We offer the Company's customers advice on energy saving and intelligent use of electricity, which allows energy efficiency, reduces the demand for electricity and thus reduces air pollutant emissions.



**Significant environmental protection measures along the power supply chain**

**Electricity sector reform**

**Reduction of emissions**

**Production Segment**

- Sale of 5 IEC power plants to independent power producers (IPP)
- Establishment of 2 gas-fired power plants
- Transferring the management of the power system to Noga, the new independent government company

- Integration of photovoltaic (PV) installations of private producers in the electricity sector
- Installation of eliminators at the Company's power plants, to reduce air emissions
- Increasing the use of natural gas and reducing the use of coal
- Combined cycle power generation (CCGT)

**Transmission and Transformer Segment**

- Investment in the development of a smart transmission grid

- Advancing the smart grid
- Intensive development of the electricity grid, to enable integration of renewable energies into the grid. In 2020 an amount of NIS 1,411 million was invested in the development of the transmission and transformer segment.
- Energy Storage

**Supply Segment**

- Fully opening of competition for large-scale customers that consume high voltage, extra high voltage and ultra-high voltage power\*<sup>1</sup>
- Gradual opening of competition for domestic customers\*<sup>2</sup>
- Offering a range of value-added services\*<sup>3</sup>

- Development of cyber services, Smart Home services and energy efficiency services

**Distribution Segment**

- Smart Meters Project

\*1: IEC will remain as the default supplier, but will not be permitted to compete  
 \*2: IEC will be permitted to compete only if its share of domestic customers falls below 60% of the total low voltage customers  
 \*3: From the day on which the number of customers of the Company falls below 75% of the total number of customers in the low voltage supply segment



## Performance in 2020

In 2020, coal-fired power production was reduced by 35% compared to 2015

Establishment of 2 CCGT units in 2020

In 2020 a cogeneration CCGT plant with 148 MWh capacity and a 300 MWh capacity storage unit began commercial operation and were connected to the transmission system. As of the date of publication of this Report, 31 independent production units began commercial operation and were connected to the transmission system (including the Orot Yosef power plant at Ramat Hovav - that was sold) with capacity of 6,163 MWh high and ultra-high voltage, from independent production, of which 414 MWh are from photovoltaic plants and 272 MWh from thermosolar plants.

Allocation of NIS 175 million for the construction of storage installations

As of 2020, 101,000 remote meters have been installed in Israel

## Promoting circular economy

Coal dust produced as a by-product of the coal combustion process is transferred for industrial use, for the purposes of building infrastructure and for agriculture

Gypsum produced by the process for reducing emissions from coal combustion is transferred for use in the cement industry and for agricultural purposes

Sale and delivery of recyclable materials, including metals, used oils, paper waste, cardboard, electronic waste, coal dust, coal and gypsum.

## Objectives

The Company is working in accordance with the government's goal - to cease the use of coal for power production by 2026

In February 2019, the Ministry of Energy approved the development plan for the transmission and transformer system, which is expected to be completed by 2022. In 2021, NIS 1,685 million is expected to be invested, in addition to the budget invested in 2020. These budgets are mainly intended for the construction, development and upgrading of transmission lines, substations and high-voltage stations.

The Company's goal is to install half a million remote meters by the end of 2023

## Environmental incidents in 2020:

In 2020, 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, and a number of procedures are being carried out on this issue.

- On June 6, 2020, a letter of warning was received from the Ministry of Environmental Protection before taking action in respect of allegations of violation of the emissions permit at the Haifa site, claiming that the plasma cutting facility at the logistics site at the Haifa power plant was allegedly operated without a stack. The Company replied to the foregoing warning letter and as of the date of publication of the Report, the Ministry of Environmental Protection's response to the Company's claims has not yet been received.
- On June 30, 2020, the Rutenberg site received a letter of warning regarding the violation of the Clean Air Law, alleging failure to report a malfunction, as required in the emissions permit. The Company submitted clarifications on its behalf regarding this issue. As of the date of this Report, no response has been received from the Ministry of Environmental Protection on this matter.
- In 2020, a number of workers were summoned by the Ministry of Environmental Protection for investigation into alleged damage to the coastal environment, due to sand removal work carried out near the fence of the Orot Rabin plant.





## Chapter 2

# Committed to Our Customers

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Restructuring of the service function

Dialogue with our customers

Special activity for customers struggling in the Covid-19 period

Reliability of the power supply

Protecting information privacy

Customer health and safety

Advertising and marketing ethics

CEO General Award for customer service improvement

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# Customers

## Committed to Our Customers

High quality and available service is one of IEC's core values. Understanding the needs of our diverse customer base and addressing those needs in a swift and professional manner are at the core of our activity. This value has enterprise-wide implications for all aspects of the Company's activities.

IEC strives to provide value to its customers, combining personal, responsible and human service with technological innovation. Alongside ongoing dialogue in the diverse channels available to customers, we implement innovative measures to improve customer experience and satisfaction with the service. In this context, we use digital tools and artificial intelligence capabilities - both in the interface between customers and the Company's service centers, and in providing tools for customers to perform operations and receive information independently. With regard to power supply, the Company is the provider of an essential service, and supplies power in accordance with the provisions of the law and regulations applicable to it.

## Restructuring of the service function

In 2020, comprehensive restructuring of the service was carried out in IEC to support compliance with the goals of the electricity market reform. The customer service units, including the 103 hotlines, the national accounts center and service centers, were transferred from the Customer Division (whose name was changed to the Network Services Division) to the Service, Marketing and Regulation Division. In April 2020, the Company hired a new service department manager. The purpose of such measures, as well as others, is to develop the professionalism of the Company in the customer-oriented service area, as an organizational value, with emphasis on understanding the customers' needs, along with integration of advanced technologies and IT systems customized to this concept.



## Looking ahead

### Preparations for competition in the supply of power to customers –

In accordance with the Government's resolution under the reform, power supply will gradually be opened to competition for large business customers and low-voltage consumers. Thus, households will be able to choose the entity selling them power at lower prices than the government rate.

To prepare for competition, when the time comes, in December 2020 IEC issued a tender to replace electricity meters with digital meters with an independent communication network, which allow reading the electricity consumption of households in real time and remotely. The information will be open to new power suppliers, who will be able to offer customers power at a reduced rate. The Company intends to commence conversion of the meters in summer 2021 after selecting the winning bidder, and to complete the conversion of a million meters within three years. The effective date of the regulation on the part of the Electricity Authority, aims for the fourth quarter of 2021.

In January 2021, at the time of drafting this report, IEC held the first conference for those interested in examining the sale electricity directly to households as independent suppliers.

In September 2021, a first supply pilot was launched in Israel, in which approximately 35 thousand households equipped with a smart meter have the option of disconnecting from IEC and buying electricity at a reduced price from companies approved by the Electricity Authority.

### Advantages to customers of the smart meter:

- Enables contactless reading of electricity consumption
- Ability to read the meter on different dates as necessary at the customer's request
- Allows continuous measurement of electricity consumption in a given period (quarter hourly)
- Enables the use of advanced digital electricity consumption (and electricity production) management tools and efficient energy consumption
- Allows the use of differential and dynamic rates
- Allows the customer to generate periodic reports, analyses and comparisons
- Allows the systems administrator accurate control and optimal forecasts regarding the use and production of electricity

### Benefits for the entire economy

smart metering allows the promotion of Ministry of Energy goals, such as:

- Opening competition in the supply segment
- Integration of renewable energy in the grid
- Integration of electric cars
- Decentralized production by gas
- Implementation of energy storage solutions
- Smart demand-side management (DSM)
- Efficient Energy Consumption
- Key milestone in implementation of a smart network

### Added value services

As soon as the number of customers of the Company falls below 75% of all customers in the low-voltage supply segment, the Company will be able to provide cyber services to all customers. In addition, the Company will be able to provide additional services, such as “smart home” and efficient energy consumption to low-voltage consumers only (the matter will be defined in the supply license granted to the Company after expiration of the general license currently in its possession).

“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.

## Dialogue with our customers

### The Company provides services to its customers through a range of channels:

- Digital customer service channels, including: online chats, WhatsApp and text message service (during call centers’ operating hours). A chatbot that allows performing - automatically with the guidance of a virtual representative - actions such as reporting meter readings, reporting and clarification of power cuts, etc.
- Meeting customers directly in physical customer service centers and service points of several local authorities.
- Customer callback service
- The IEC’s hotlines (103)
- The Company’s website offers a customer self-service option through which customers can solve their issues or get answers for their queries 24/7. The website is in Hebrew, and it is expected to be translated into Arabic in 2021. The range of options on the website include an online inquiry and service form, to which a response is received within a few days.
- The Company engages with customers through five social media channels: Facebook, LinkedIn, WhatsApp, Twitter and Instagram.
- 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 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.

- The Company operates two visitor centers, which are open to the general public - at the “Orot Rabin” site and the “Heftziba” site (additional information in the “Community Activity in IEC” chapter, page 159).

### customer surveys:

The Company is conducting various customer surveys, such as:

Two types of surveys are conducted on an ongoing basis in order to measure customers’ satisfaction from the activity of the IEC’s hotlines (103):

1. Telephone satisfaction surveys, which are conducted every quarter and whose findings are presented to the management. In 2020 the survey was conducted starting on the second quarter, due to replacement of the survey company. In total, during the year 5100 telephone calls were made (1700 per quarter), when the sampling distribution is proportional to the geographic centers.
2. “Customer experience” survey, digital surveys are conducted continuously immediately before the end of the call, through a designated system.

**In 2020, the customer satisfaction rate from the service at the 103 call center was 80%**

#### Public service surveys

Every year, an ongoing telephone survey is conducted, whose results are reviewed quarterly.

The survey is conducted among customers who visited the Company’s public service branches or scheduled a telephone call from the public service offices. For each quarterly survey, 1100 customers were sampled. In 2020 - in view of Covid-19, the survey was held in the last quarter of the year.

**In 2020, the satisfaction rate of customers who visited the company's service centers was 84%**

#### The “360 Degrees” IEC attitude surveys (“Barometer”)

are held once a year; those surveys target the entire population and are also conducted separately for each of the segments - households and business customers.

### Looking ahead

In 2022, the Company plans to 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.

## Dialogue to exhaust rights and service to disadvantaged populations

IEC is a business with a social outlook, among other things, due to being a government company. From this derives our commitment to provide professional, receptive and caring service to our customers - with emphasis on customers struggling to pay their electricity bill and belonging to economically disadvantaged populations.

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

From an understanding of the social and business value entailed in providing information to customers on exhaustion of rights and how to exercise them with the Company, in 2016 we launched widespread activity that included lectures, conferences and meetings to convey information and tools to exhaust rights, to various parties, and particularly to employees of social services divisions of local authorities nationwide, and to customers using the welfare services of the authorities. Among other things, designated lectures are provided in Russian and Arabic. In addition, we strive to lead a better electricity consumption culture, and as part of the lectures, information is also provided on safe use of electricity, recommendations for saving

and prudent use of electricity, and efficient electricity consumption in the home.

In 2020, due to the Covid-19 restrictions, the activity was adapted to an online platform and 15 Zoom lectures were held in collaboration with local authorities (due to the Covid-19, no physical fairs were held on exhausting the rights of customers). This was in order to provide access, to the welfare officials and the general public, to information concerning their rights vis-a-vis IEC. Furthermore, during the year an online conference took place that was attended by 30 heads of social organizations, and the Company CEO and chairman, and another conference attended by IEC executives and 25 directors and representatives of senior citizen organizations. This was over and above individual meetings with representatives of organizations and government agencies, in order to solve specific problems.

## Looking forward to 2021-2022:

**Assistance fund for struggling customers<sup>1</sup>** - IEC acceded to the call of the Corporations Authority to promote projects with “shared value” - social value for customers and in parallel, business value for the Company, and initiated a financial assistance fund to assist customers who have fallen into debt with electricity payments. The fund will be managed by a committee headed by a public figure in the field of law and of treatment and assistance to disadvantaged populations, and with the participation of parties in and outside IEC. This committee will determine who is entitled to receive assistance from the fund for partial or full payment of the debt to IEC.

In addition to the social value to the customers and relief to them, the fund will assist the Company in reducing collection costs and the high costs involved in disconnections and reconnections. The hope 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 strengthen the customer's self-perception: from a customer in debt to a paying customer. In addition, customers who receive assistance from the fund will be asked to participate in enrichment courses for efficient energy consumption and prudent use of electricity.

**Launch of a new website** in 2021, which is customer oriented and will provide an advanced, convenient and current digital experience, as well as access to the actions that are very necessary to the end customer. The website will be adjusted to the renewing uniform graphic language of IEC, and will also be available for browsing and execution of transactions by mobile phone. The updated site will improve the customer experience, and may also reduce inquiries to the service centers, decrease loads and allow IEC to provide better service.

**Integrated service station pilot: physical branch with remote representatives** - The pilot that commenced at the time of drafting the report, in February 2021, allows a creative solution to providing service to customers who struggle to receive service online, and need guidance and training from the Company's employees to complete processes and receive information. The integrated service station was established at a branch in Nahariya and the actions performed there are physical, but its staffing is remote through video chat with human representatives. This allows a human representative, although remotely, to guide the customer receiving the service by remote control. In addition, it is possible, at the station, to receive service in various languages, in order to reach the entire population.

1 As of the publication date of this report, the assistance fund has been approved by the Company's Board of Directors and has not yet started operating.

## Special activity for customers struggling in the Covid-19 period

The Covid-19 period intensified social needs and distress, mainly among groups that were disadvantaged even before the crisis. In addition, staying home became necessary, electricity became an even more essential product than usual, and consumption increased because the entire family made extensive use of electrical products and PCs for studies, work, etc.

Throughout the period, the continuous contact we routinely maintain with social organizations and welfare divisions of local authorities intensified, and dozens of requests were received daily for assistance to disadvantaged populations. In addition, the designated contact persons appointed to communication with the community held ongoing dialogue with the Ministry of Welfare, Ministry of Social Equality and the National Insurance Institute.

## Solutions offered to customers struggling in the Covid-19 period:

- Relief and special arrangements to business customers that encountered difficulties.
- Flexible arrangement - The option of receiving the electricity bill monthly and paying monthly (a solution also offered routinely).
- Prepayment meter. This is a leading solution for customers who struggle also under normal conditions. This method allows customers to control and plan their electricity consumption in advance, and avoid accumulating debts. In the Covid-19 period, thousands of purchase codes without immediate payment were distributed, for customers struggling to purchase a prepaid meter recharging code.
- Avoiding disconnection - Customers in debt struggling to pay their electricity bill continued to receive regular power supply.
- Debt restructuring - Providing the option of spreading electricity bill payments, while canceling accrued interest, on bills from 2020. In May 2021, another interest cancellation campaign was conducted in the period between January 1, 2020 and April 30, 2021.
- Telephone appointment scheduling - Throughout the period, there was no in-person public service, but it was possible to schedule an appointment with a service representative and receive a telephone response at the specific time scheduled. This was in addition to the communication channels with the Company, including the IEC hotline (103), the Company website, email, app, chat, fax and text.



## Reliability of the power supply

We at IEC make efforts 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, and the use of technological means, such as helicopters, drones and rescue teams, which assist us in locating sensitive areas and servicing them as quickly as possible before a fault forms.

However, sometimes unscheduled power cuts occur. The length of time during which no power is supplied to a customer due to a regional power cut is referred to as “System Average Interruption Duration”. This index relates to supply interruptions due to interruptions in the high voltage network and in the transmission and transformer segment, and not supply interruptions due to exceptional events.

### Supply interruption minutes in 2012-2020 (less storm and extreme weather events)

The Company carries out ongoing monitoring of the electricity quality characteristics, analysis of exceptional events in the electricity grid and multiannual statistics of the electricity quality characteristics. This is all in order to ensure IEC’s compliance with standards and the criteria relevant to monitoring the quality of electricity.

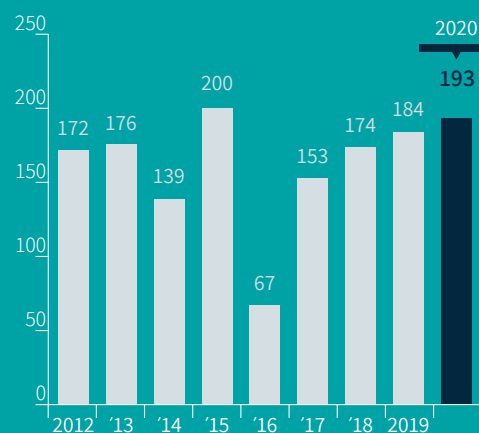
IEC works to improve supply reliability indexes in a short-term program, and for 2021 a goal of 175 supply interruption minutes was set. In addition, the Company is working to prepare a long-term program until 2030.

In the IEC website, we made available to customers the portal of power cuts in which the customer may be updated on power cuts at their home or property, in their personal area at: <https://eoutages.iec.co.il/home>

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

The Electricity Authority set the following criteria to regulate the interaction between IEC and its customers, and setting out the “duties and rights” between the parties - including indexes and goals in the power supply reliability area - in terms of: initiated power cuts, renewal of power supply, frequency shedding and damage to electrical appliances.

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



The 193 supply interruption minutes in 2020 is an estimated figure at the time of finalizing the 2020 financial report. From the 2020 financial Report, Part A, Description of the Company’s Business”, Page 58, Section 9.11.2

## Protecting information privacy

IEC makes sure to maintain and prevent invasion of the privacy of customers, and operates according to the provisions of the Protection of Privacy Law, 1981 and the deriving regulations. The Company has a privacy protection procedure approved by the Company CEO, dealing with various areas of responsibility for privacy protection. The procedure sets out the rules for protecting computerized information and cyber in the ICT unit (excluding cyber warfare) of the Company, in order to protect the information which they contain. Moreover, the procedure sets out means of ensuring the protection of information systems containing personal information, such as conducting risk surveys and penetration tests, access authorization management, etc.

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.

Furthermore, the Company website contains a privacy policy that is available to users and sets out information about information management and the particulars collected by the Company, including information collected automatically. Customers who do not wish personal information

about them to be collected, sent or disclosed in any manner may remove their details from the digital service options. Every customer may review the information kept in the Company's database according to the Privacy Protection Law, 1981, and apply to the Company to correct or delete information if necessary.

## Information security and cyber security

At IEC, as a national infrastructure company, it is of utmost and strategic importance to manage the information security system, since hacking incidents or attacks may lead to impairment of regular power supply in the country and a breach of various regulatory requirements.

The Company CEO heads the Company's Head Steering Committee for Cyber Security, and is updated once a year by the forum of VPs on the status of the security resilience of IEC. The VP of ICT professionally leads all information and cyber security activities in the Company, and subordinate to him is the Company's Cyber Administration, whose members are key officers in this area from all Company units. Every 18 months, internal or external controls are conducted by a party with appropriate training on information security subjects for the purpose of examining the manner of management thereof in the Company and maintaining continued proper work. In addition, risk and security information surveys are conducted, in collaboration with external experts. Every new employee in the Company is required to undergo online information security training and sign an

information security form. The Company provides training with the participation of relevant parties. In 2020, 646 training hours were held on the subject of information security, with the participation of 578 Company employees.

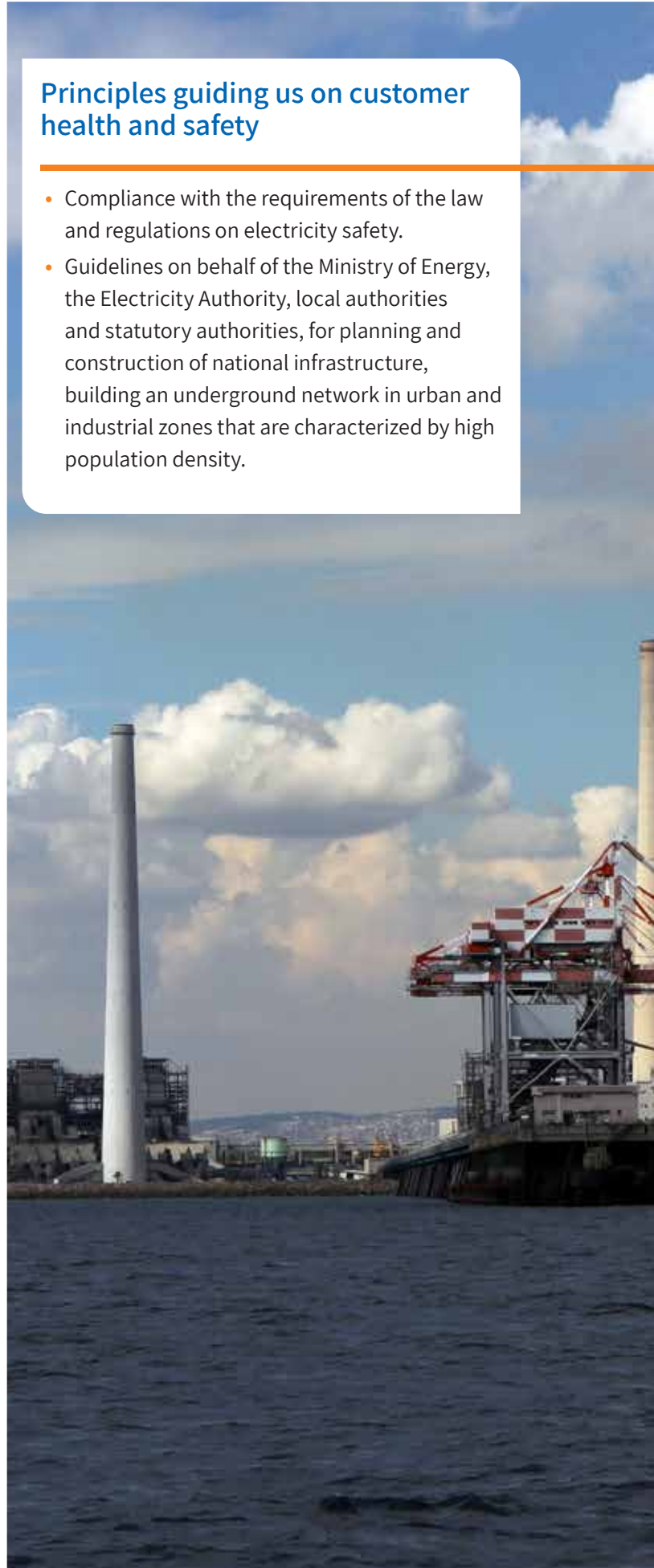
In 2020, a motion to certify a class action was received, dealing with an alleged severe security event during which confidential personal information of consumers was exposed as part of access to digital services on the Company's website. (For further reading, see IEC's financial report for 2020, Note 35).

## 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. From aspects of safety and health, the Company is subject to extensive and strict regulation, and acts at all times to map the potential effects of such aspects. In order to prevent and minimize the implications of its operations, 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. In addition, during meetings with the public and lectures for various audiences, and as part of our community activities, the subject of electrical safety is addressed extensively (for further information, see pages 150-161).

### Principles guiding us on customer health and safety

- Compliance with the requirements of the law and regulations on electricity safety.
- Guidelines on behalf of the Ministry of Energy, the 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.





- Permits for the purpose of construction and operation of radiation sources, as defined in the Non-ionizing Radiation Law - The Company holds the licenses required to operate the non-ionizing radiation sources that it constructs and operates, which are granted by the Ministry of Environmental Protection in accordance with the law. Operation of a non-ionizing radiation source without a lawful permit or deviation from its terms may constitute a breach of the law and may, among other things, lead to issuing of an order to remove the source.
- The Company constructs 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.

- The Company implements, to the extent possible, the precautionary principle with regard to magnetic fields. Further information is available in the financial report for 2020.
- Monitoring air emissions - IEC, the Ministry of Environmental Protection and the Associations of Towns for Environmental Protection, 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 reduce the environmental implications of the Company's operations, investment of efforts to reduce them, and reporting thereof transparently in annual environmental reports published on the Company's website since 2000. See also in this report, in the environmental protection chapter, from page 45

3 For information about electrical safety on the Company's website: <https://www.iec.co.il/homeclients/pages/safety.aspx>

4 For information on non-ionizing radiation, see the financial report for 2020 of IEC, Page 75. Section 9.10.2: <https://www.iec.co.il/investors/DocLib1/meshulav1220.pdf>

5 Summary of annual air monitoring findings in the monitoring stations of IEC: <https://www.iec.co.il/environment/pages/airqualitymonitoringin.aspx>

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

## 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, 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 dialogue that allows us to maintain continuous contact with our customers, which include over 2.5 million households. In all our marketing and advertising activities, we prefer to maintain a gender balance and use of appropriate language that is not likely to be interpreted offensively. 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 2020, the Company did not receive any complaints or fines for non-compliance with laws and regulations from marketing communications aspects.



## CEO General Award for customer service improvement

The Company has been the leader, for over a decade, in the Director General Award for Customer Service Improvement contest, which is aimed at encouraging employees to offer ideas for new products and services - all as part of the service-orientated approach adopted by the Company, in order to increase the welfare of customers and improve the service. The rules of the contest define areas which the suggestions will deal with: improvement of the quality of power supply; shortening of schedules or simplification of processes to receive service by the customer; aesthetic improvement of existing products, e.g., changing the electricity bill, attachments, applications, ensuring customer safety, and initiatives (ideas/suggestions in the area of business entrepreneurship and sale of services).

The contest carries prizes, and the Company works to implement the winning suggestions in practice through a monitoring committee and the supervision of the director of the service division and the VP of Service, Marketing and Regulation.



In 2020, no contest took place due to Covid-19 and the restructuring; however, a request was made to receive suggestions from the staff. The suggestions submitted in 2020 were reviewed in the 2021 contest. The selected suggestions progressed to the 2021 competition track, which will be reported in the next sustainability report.





## Chapter 3: Human Capital at IEC

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Terms of employment and employee unionization

Diversity and inclusion

Gender equality

Occupational Safety

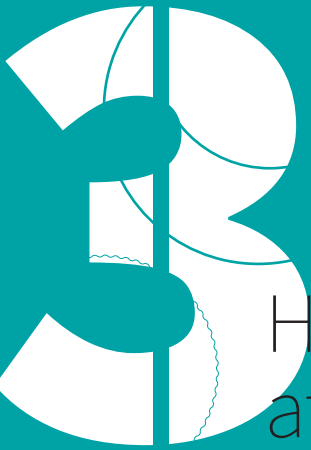
Employees' health and wellbeing

Development of human capital

Intra-organizational dialogue

2020 in numbers

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## Human Capital at IEC

IEC employees are the Company's main asset and the main factor in its success, especially at a time when the Israeli electricity economy is undergoing numerous changes. 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.

**11,483**  
employees

**21%** women in managerial roles

**11%** of the workers are from underemployed populations

**30** training hours<sup>1</sup> on average for each participant

workplace accidents<sup>2</sup>

**0.48** 2019  
**0.42** 2020

Accidents rate decrease **0.08%**

1 The average was calculated in respect of all participants in training (not in respect of the total number of employees); it includes employees that were counted more than once and who participated in a number of courses over the year.

2 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. Accordingly, it should be noted that, in 2020, there was a decrease of 3% in the number of work hours compared with 2019.

IEC employees by area of activity, in 2020

**16%**  
Engineering projects

**11%**  
Service

**12%**  
Headquarters

**34%**  
Electrical grid

**9%**  
Customer service

**1%**  
Electrical system

**17%**  
Electricity generation



## 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 was limited to 4 years of work at the Company.

As of the end of 2020, 11,370 of the Company's employees (representing 99% of the employees) are unionized in collective agreements.

### 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 employees' 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 employees and within the framework of the labor constitution.

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 2020, no labor disputes were recorded in IEC

### Work-life balance

IEC supports and believes in life-work balance. Accordingly, we allow employees to finish work at an early hour once a week, flexible working hours, defining a parent job and a gradual

return from parental leave, for parents who wish to do so. The Company also participates in daycare costs for employees' children and runs employment programs for employees' children during school holidays. To reduce travel and save time for employees, we operate a nationwide transportation system to and from the Company's sites. There is also a shuttle service from the train stations, and there is a shared travel app that allows the Company's transportation officer to optimize the pickup and drop-off routes of employees to and from the work site. The Company's transportation system is adapted to the employees' working hours, with reference also to shift workers.

## Diversity and inclusion

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As a national infrastructure company, IEC operates throughout Israel. 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, out of the Company's moral duty, its social responsibility, and the perception that integrating populations from diverse backgrounds increases 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.

To implement this policy for the promotion of adequate representation among our employees, mechanisms and organizational processes that support diversity and inclusion were established, and in 2015, an executive officer was appointed as head of this area in the Company. The role of the Diversity and Inclusion Officer is to establish diversity goals, lead adjustments in the work environment, and act to create a climate and culture of inclusion, so that each employee is given the opportunity to express themselves while maintaining human dignity and equal opportunity.

The Company's managers and employees attend training, seminars, and study days on diversity and a multicultural work environment. In this framework:

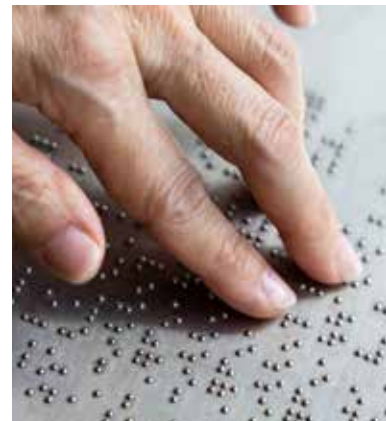
- Hiring center employees are trained to hold interviews with candidates from diverse backgrounds, including to gain impressions



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 in orientation courses for new employees and in management development courses.
- The launch of the Get to Know Each Other project, 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 2020, following the Covid-19 crisis, we developed tools for managers with the aim of optimum return to routine of employees with disabilities.
- In preparation for the annual performance appraisal, all managers employing people with disabilities are trained to hold effective feedback discussions with the relevant employees.

The Company's management and the labor union have set up a dedicated team to promote the principle of equal opportunities, with emphasis on "new families". In this context, steps are taken under the leadership of the Company's Diversity and Inclusion Officer, to adapt the Company's policy in terms of gender and family to the new models. In addition, the national labor union decided to grant NIS 30,000 to same-sex families who are in the process of surrogacy.



## Initiatives to support diversity in the Company's workforce

The extensive diversity activity in the Company is performed through representatives/the diversity officer 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 Arab and ultra-Orthodox communities, people with disabilities, and people 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. The holiday gift is also tailored to the different needs of employees, such as special kosher certification and a gift without wine for Muslim employees. In addition, there are close collaborations with organizations in the gay community, as part of a comprehensive system to promote employment models adapted to the diverse family frameworks in Israel. Among other things, providing various rights and training for employees and managers to promote a safe and accepting work environment.

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 communications and publications in the inter-organizational communication channels.

### Developing career paths for populations from diverse backgrounds

The training program for electrical engineers is spread over a year and a half, with the participation of 12 trainees of Ethiopian descent and 14 trainees from the Bedouin community, and graduates of the program are targeted for integration in IEC's core professions. The program promotes shared value and reinforces the partnership with the Bedouin population in the south, which will lead to an improvement in the positive sentiment towards IEC in this community, and will hopefully reduce the common trend of pirate electricity connections. In 2020, 22 IEC graduates of the previous class of a program with similar characteristics joined IEC, after successfully completing their studies.

### Program in collaboration with the Profession for Life project

As part of the partnership with the Profession for Life project operated by the IDF, 20 soldiers from diverse backgrounds will be included in preparation for their release, in the field of mechanical maintenance (which is considered a core profession) at IEC. The program 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 a vital work grant.

### Collaboration with the Lamerhak program that promotes employment for Israelis of Ethiopian descent

As part of the partnership, Israeli employees of Ethiopian descent are 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.

### Orot Olim program

IEC is a national government company, which, as well as being a for-profit company, also contributes to the implementation of government policy and the promotion of national social values in Israel. One of these values is the encouragement of immigration to Israel, the Jewish homeland, and the Orot Olim program works to bring about the successful immigration and absorption of electrical engineers and their families in Israel, together with their absorption into IEC. The project is a joint initiative of the Ministry of Absorption and the Ministry of Labor, joined by IEC and the Jewish Agency. As part of the project, preliminary identification of a potential target population with engineering education and experience in electricity was made, among the Jewish population in Russia and the Ukraine. Further screening was mainly performed remotely, using online means, and at the end of the process, 15 engineers were found suitable for hiring by IEC, subject to compatibility tests.

In May 2019, 43 new immigrants arrived in Israel (15 engineers and their families), successfully completed their Hebrew studies, with emphasis on the professional language and terminology of electricity, and throughout the entire immigration and absorption process, they received close guidance and support from IEC representatives. Towards the end of their Hebrew studies, they were tested for suitability for assimilation in the Company as part of the standard hiring process, and in January 2020, they were hired by the Company for jobs in various departments. The department managers were very involved in everything related to the successful onboarding of the immigrants, including assistance with personal and family issues that are not directly related to the position. In addition, each engineer was assigned

a Russian-speaking social mentor, who received training in a special seminar.

The project clearly assists in promoting social and business shared value in IEC; the Company hired skilled and high-quality engineers from an unconventional recruitment source, in positions that we find difficult to fill due to the growing competition for engineers in the labor market. The immigrant employees benefit from good employment conditions and financial security, acquire the language, and receive training in electricity, which they will use even if they subsequently choose to leave the Company and enter the labor market in Israel. From periodic cross-sectional discussions with the onboarding managers, it emerged that the immigrants express high satisfaction with their onboarding process, the guidance and support they received, and the sense of belonging that they developed within a short period. At the same time, the managers and employees of the onboarding departments reported a positive and cohesive atmosphere and a sense of engagement, since the entire department was involved in the success of the immigrants and their families.

In 2020, the project won the first place, together with the Nitzan-Or project, in the human resources excellence competition, organized by the Israel Human Resources Association, in the social values category,

### 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 revitalizing IEC and the core values of the Company, with routine hiring of people with disabilities into the Company 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 bring about a change in perception and to serve as an example to all companies in Israel. 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 buildings, purchase of accessories and compatible clothing, and translation and transcription into sign language.

IEC employs 400 employees with disabilities, including 270 employees with significant disabilities (a disability degree exceeding 40%) under the Nitzan Or project, in 100 departments in the Company. Every year, 30 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. Internal organizational surveys to assess the "impact" of the project on the business units in which people with disabilities were integrated show that following integration, there is consistent improvement in the performance of permanent employees who have been employed by IEC for many years.

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 (with a disability degree of 40% or more), including people with disabilities recognized by the defense forces, Paralympic athletes, and people with disabilities supported by associations and welfare agencies.

In addition to the Nitzan Or program, the Company employs another 140 people with disabilities who suffered serious injury or illness. These employees, after being found fit to return to work, 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.

Diversity data - 2020 in numbers:

11,483 Workers

	All employees in the Company	Employees hired by the Company this year:	Workforce: A multi-year target for the labor force for 2023
● People of Ethiopian descent	318 2.8%	51 5.3%	2%
● Ultra-Orthodox	161 1.4%	29 3.0%	3%
● Arabs	435 3.8%	56 5.8%	5%
● People with disabilities	420 3.6%	21 2.2%	5%

The objectives were based on a multi-year program for representing each of the diverse populations in 2023

### Looking forward to 2021-2022:

- Integration of 20 ultra-Orthodox women in the practical engineering training program for populations from diverse backgrounds.
- In 2020, a mentoring program was developed in collaboration with JDC Israel and the Equal Employment organization. Under the program, in 2021, IEC executives will serve as mentors for people with disabilities when entering the workforce. Subsequently, the program is expected to expand to include people from other populations characterized by underemployment, including Israelis of Ethiopian decent, ultra-Orthodox and Arab communities.
- Establishment of an organizational diversity forum for interaction and learning, conservation of accumulated organizational knowledge, and promotion of intra-organizational collaborations, to increase diversity and maximize the potential among populations from diverse backgrounds.

## Gender equality

IEC placed integration and promotion of women on the public agenda, alongside maintaining gender equality, allowing equal opportunities for women and men. 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.

In 2017, the Company established a special unit for gender equality, directly under VP Human Resources. 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 - 2020 in numbers:

- In IEC's Board of Directors, as of December 31, 2020, there were 13 members, including 3 women (22%). Until June 2020, there was another woman on the Board of Directors, raising the representation in the first half of the year to 31%, similar to figures as of December 31, 2019, when there were 9 members on the Board of Directors, including 2 women (22%), and in 2019, the term of 3 women on the Board of Directors ended.
- IEC employs 22% women and 78% men compared with 21% women in 2019.
- 66% of the Company's female employees work in core professions and in core support professions with a horizon for promotion, compared with 62% of female employees in 2019, an increase of 4%.
- In 2020, 968 new employees were hired by the Company, of which 286 were women (29.5%). For core occupations and core support occupations, 99 female workers were hired, representing 35% of all women that were hired. This is compared with 2019, when the proportion of women hired among the total number of new employees was lower and stood at 26% (228 women out of a total of 882 employees that were hired), but for core occupations and core support occupations, the rate was higher - representing 39% of all women hired (88 female employees).
- The proportion of women in different management levels was 21%, compared with 27% at the end of 2019, however 2020 cannot be compared with 2019; The reason is, that between these years, there was a change in the management pyramid due to restructuring, therefore the comparable definitions were not taken into account in 2020, hence the change.
- In 2020, 4 executive employees were hired by the Company, of whom 3 were women. In 2019, one female executive was hired (no other executives were hired).

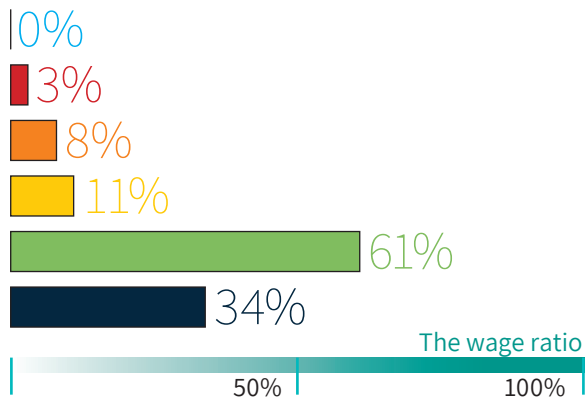
Company's female employees : 2020



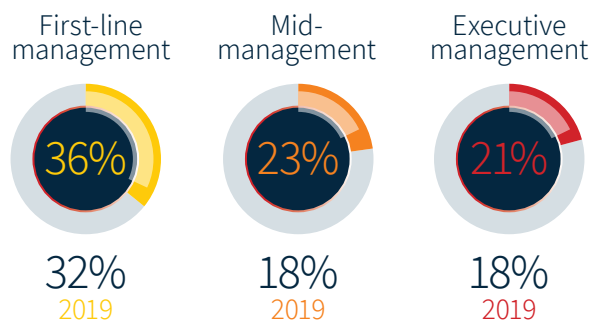
Company's female employees work in core professions and in core support professions



Comparison of average wages for men and women according to rank



Percentage of woman on different levels in IEC 2020 Vs 2019



- Median (not of highest wage)
- Non-manager employees
- First-line management
- Mid-management
- Executive management
- Board of directors

\*The survey was performed on the gross salaries of 9,800 of the Company's employees



## Formulation and implementation of the policy

- Publication of a gender equality convention at IEC, signed by the Chairman of the Board of Directors, the Company's CEO, VP Human Resources, the Gender Equality Officer, and the chairman of the labor union.
- 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 hiring that includes advertising new jobs on special external platforms for women.
- Integrating the gender equality unit and relevant content in training courses, including an orientation course for new employees, managerial development courses, and an administrative management forum.

### Comparison of average wages for men and women

It should be noted that the rank-based base salary is the same for men and women in IEC. The difference in wage between women and men is recorded in the total wage and arises mainly from the Company's core activity - a company for electricity generation infrastructure and electricity supply to all sectors in the economy.

Accordingly, most of the Company's employees are men: field workers and manual workers, who 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.







- 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

- In 2020, there was an active locating process to identify and realize the existing potential for promoting women in the Company, in collaboration with the directors of the divisions and the VPs.
- Phenomena Forum - a forum that offers enrichment and networking meetings for women in executive management positions in the Company.
- Training activity:
  - Flowers of Light program - a management development and training program for the Company's future management. In 2020, the representation of women in the program was 40%.
  - Leadership Produces Leadership program - a six-month mentoring program in collaboration with the human resources unit, the executive staff, and the development of the Company's human capital. The purpose of the program is to reinforce the female management backbone, promote personal development, create an organizational support network, and offer personal guidance for addressing challenges at work, with the support and guidance of female executives in the organization. In 2020, 12 female mentors were trained to mentor graduates of the Flowers of Light succession plan.
  - Breaking Forward program - a career management and development program,

which aims to help middle-management women in the Company to successfully compete in internal tenders and move laterally in the Company. In 2020, two rounds of the program were held in the Engineering Projects Division, with 20 women participating in each round. Program sessions focus on learning and trying out a range of skills relevant to career management and development.

**Female Executive Players** - The workforce is undergoing many changes, technological and other, some of which gained significant momentum during the Covid-19 crisis. Out of the understanding that these changes require employees to develop new skills and competencies, a training program was formulated for women in senior management positions. The purpose of the program is to define and empower features necessary in "tomorrow's workforce", in an innovative and technological work environment that allows experimenting, play and simulation. The program, which takes place at the Technion - Israel Institute of Technology, integrated two female executives from IEC in a class of 18 women from different organizations, and apart from training our managers, there was also inter-organizational networking.

### Integrating women in field and technology positions

**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 different engineering professions, including maintenance of command and control systems, electricians,

and heavy-vehicle drivers.

**Spotlight program** - The purpose of the program, which is a partnership of the management of the Engineering Projects Division and human resources representatives, is to promote full and genuine equal opportunity between women and men, and for this purpose, diverse measures are implemented, including: harnessing the division management to the promotion of gender equality, setting achievable goals, and holding round table meetings with female workers in different occupations. In addition, the photography exhibition Women Influencing Women was displayed on the division floors. The exhibition, which aims to empower women and raise gender-equality awareness, displayed images of famous and inspiring women, with each image accompanied by an inspirational quote by the female personality.

**Intervention in divisions with low female representation.**



## Creating an organizational climate and culture that promote gender equality

**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. This program became particularly relevant during the Covid-19 crisis, when it was reported that there was a significant increase in the number of cases of violence at the national level. On International Day for the Elimination of Violence against Women, the Company, led by the CEO, called on the leading companies in Israel to join a forum to lead action against domestic violence. The forum of companies will act to provide social benefits and explanatory content to victims of domestic violence, while striving to change government policy and provide financial assistance to women in need. In addition, hundreds of the Company's

employees listened to a lecture, Sharing and not Silent, by Lili Ben-Ami, the sister of the late Michal Sela who was murdered by her partner, and founder of the Michal Sela Forum that was established to combat violence against women.

**Prevention of sexual harassment** - We attribute great importance to the creation of a respectful, decent work environment free from any kind of harassment. Victims of sexual harassment may discreetly contact the Company's Sexual Harassment Officer or members of the Sexual Harassment Prevention Committees. In 2020, the management of the extended Company participated in special training on the employer's managerial responsibility for prevention of sexual harassment.

**Indication of dates/events with gender characterization**, such as Health Week to mark the month of raising awareness for the fight against breast cancer, activities to mark breastfeeding week, and publishing a letter on Family Day.

### On the occasion of International Women's Day in March, a number of activities took place:

- Empowerment meetings and conferences were held for female employees on different levels and in different divisions.
- Female executives in the Company shared tips for career and personal and professional development on social media, based on their personal experience.
- As part of a campaign by the Company's spokeswomen, employees on various levels and in different divisions in the Company chose a woman who inspired them, and were photographed next to a photograph and famous quote of that person.

In the adaptation of working conditions, we produce special work pants for pregnant women who are entitled to work clothes.

- **Mentoring Walk** - An innovative project set up by the Vital Voices global network that aims to promote global women's leadership. As part of the project, leading women in their field from a range of large organizations and diverse fields meet for a morning walk, during which they consult, advise, and share their professional lives with each other. Participation in the project promotes engagement and networking between our women employees and those of other organizations, and also helps to explain and expose our activities.

## Promoting occupational flexibility

**Hybrid Work model** - In an effort to adapt the Company's employment model to the generation of potential employees and the future labor market, in 2020 the Company's management began to promote a measure in which 30% of our employees will migrate to a hybrid work model that allows working from home twice a week and working in the office three days a week. This initiative is institutionalization and organization of the nature of the work that was imposed on us by Covid-19, during which a significant part of the Company's employees worked from home on a regular basis, especially in occupations that do not require field work. Beyond maintaining the Company's attractiveness to the future generation of employees, the purpose of the hybrid work model is to increase the sense of engagement, reduce the gender gap, and promote equal opportunity.

**Gradual return to work from parental leave** - In 2020, we will examine a pilot that was defined as the flagship project of the Gender Equality Unit in 2020, which will allow gradual return of employees from parental leave. In this context, employees who so wish, will be able to return to a part-time job and thus experience a softer landing in the workplace and benefit from the opportunity to spend time with the newborn. At the same time, they will be allowed to continue earning and realizing their employment potential according to a special model. At the end of the pilot period, there will be a procedure for learning lessons and drawing conclusions for the future.

## Community projects and expanding spheres of influence

**Growing up with Gender Awareness workshop for Amal EnergyTech High School staff** - As part of our strategy for investment in the community, we set ourselves the goal of creating a dialogue that promotes gender equality among youth and educators as well. Amal EnergyTech High School has been a community partner of IEC for several years (for further information, see the Community Chapter on page 156). In the partnership, we integrated a training workshop for the school's teachers with the aim of reducing gender stereotypes in school subjects, promoting free and diverse choice, and reducing gaps between boys and girls in the school. In addition, the training, conveyed by an outside supplier, helps raise staff awareness of hidden and overt gender-related assumptions, their impact on daily decisions, as well as the ability and contribution of teachers in leading long-term social change.

In 2020, we collaborated with diverse community initiatives and social partners, with the aim of empowering women and girls and promoting gender equality for women at different levels and in different fields. In this context, we participated in meetups, online hackathons, conferences, conventions, and round tables, lectures in academic institutions, we were integrated in technology education programs for girls, activities with the Tsofen Association and more.

by WIZO in the Company's events.

- \* IEC was selected as the first company in Israel to be reviewed for a gender equality certificate from NA'AMAT-Movement of Working Women & Volunteers. The certificate is based on the degree of the Company's investment in promoting inter-organizational gender equality.

### Looking forward to 2021-2022:

- Activities to implement the Gender Equality Convention in the Company and focus on gender-free language. In addition, a study unit on Gender Equality was integrated in management courses in the Company.
- Qualification of women's representation among employees, to assist in the preparation of internal employee tenders.
- Development of a workshop to promote mixed teams and focus on characterizing barriers and successes in a mixed team in the field.
- Joint activities with women's organizations:
  - \* Support for victims of violence, in cooperation with the Women's International Zionist Organization (WIZO). As part of the collaboration, there will be joint events, such as an event to mark Women's Day and an event to mark International Day for the Elimination of Violence against Women. In addition, the Company's address will be given to employees as an address for support and there will be a review of volunteer activity and the integration of families supported



## Occupational Safety

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.

The Company has a document entitled IEC's Occupational Safety, Hygiene, and Health Policy, which was signed in 2017. 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. As a result of this approach, management is required to create conditions that will prevent accidents, and at the same time, employees are required to

- act with personal responsibility.
- 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.

Safety management in the Company under the policy is derived from relevant laws, regulations, procedures, and guidelines to which the Company is committed in order to maintain occupational safety and health. This includes the Logistics and Assets Division and the Engineering Projects Division, which are in the certification process, expected to be completed in 2021; an integrated management system, which includes a standard for occupational safety and health management (ISO 45001). Towards the end of 2020, two new Company procedures came into effect, defining for the first time the organization of safety and hygiene at IEC and describing the role of the safety supervisor (for further information about the adoption of ISO standards,



see this report on page 51).

The internal procedures formulated in the Company include a set of safety guidelines on different issues, such as:

- 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;
- Committee to assess environmental incidents that occur within the Company's areas of responsibility.

## Emergency preparedness procedures in the Company

The Company has a number of procedures that regulate its emergency preparedness<sup>4</sup>, such as: Procedure for the Company's preparedness for a chemical weapons attack; procedure for addressing an emergency at substations and switching stations; procedure for administering first aid and evacuating employees from the Company's yards; procedure for preparing the Company in an emergency/crisis/stress. See also "Business continuity during routine times and emergencies".

4 The extensive preparation for emergencies in the Company, as an "essential service provider" appear in detail in the 2020 Annual Financial Report, Chapter A - Description of the Corporation's Business, pages 107-109, Sections 30.1.2 - Preparation and management of security events; 30.1.3 - Natural disasters and management of emergency events; 30.1.4 - Explosion and fire; 30.1.5 - Information security and cyber; 30.1.6 - Availability of teleprocessing systems.



## Managing safety in the Company

IEC has a control system for safety, in which it runs a number of committees of different compositions for monitoring, developing, and maintaining safety and safety culture at IEC.



### 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.

In 2020, the Committee held four discussions, in which decisions were made to position employee safety as a top priority and to reinforce the commitment of the Company's management to the issue.



### Safety committees of the sites (18 committees in total)

Participants: employees of the site/unit (management and labor union)

Areas of responsibility: site/division safety committees operating under the Labor Inspection Organization Law. The committee is required to hold at least eight meetings every year, on safety issues in the units and sites within its area of responsibility.

In 2020, each committee convened 8 times



### Central technical committees (10 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. 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.

Each committee convenes several times a year.



### Disciplinary committees

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.

In 2020, 33 disciplinary committee meetings were held for violations of safety regulations or unsafe conduct at work.



In addition to the safety committees, 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, in five stages:

- 1) Recognition and identification of risk in the work environment - identification of the hazardous material and its separation from other materials in the workplace. Identification is made through knowledge of the different production and work processes, as well as familiarity with the source of the hazard in the processes - raw materials, end products, and complaints of workers about nuisances.
- 2) 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.
- 3) Environmental monitoring - measuring the concentration of the material in the air.
- 4) Biological monitoring - a system for measurement and control of materials in body fluids and tissue.
- 5) 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 environmental 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.

### Prevention of workplace accidents

The control over safety in the Company is performed, among other things, through goals<sup>5</sup> that assess the accident rate. The goals are assessed quarterly and annually, and the indexes underlying them are assessed, including:

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

IEC also has safety officers at the Company's sites. 600 safety officers hold letters of appointment from the safety committees, and 36 safety officers hold letters of appointment from the Ministry of Labor (under the provisions of the Labor Inspection Organization Law, 1954. The safety supervisors, who participate in eight training days a year, inspect the Company's sites to maintain a high level of occupational safety

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

and to identify safety deficiencies and correct them within a short time. The inspections are based on an annual work plan, during which aspects of the work environment, tools and equipment, personal protective equipment, and work processes are assessed, and there is ongoing monitoring of how the deficiencies discovered are addressed.

These reviews raise two types of findings:

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

management, to prevent workplace accidents and occupational diseases, reduce risks, and comply with the legislative requirements for occupational safety and health. The Regulations set out clear obligations that include: declaration of a safety policy, approval of the program after discussion in the safety committee, allocation of resources for its implementation, setting schedules, and performing control.

In 2020, 49 safety management programs were prepared and signed in the different departments/divisions of the Company.

As objectives for 2021, meetings were scheduled for the aforementioned ten main technical committees, safety guidelines were defined for discussion at the committees, and updates will be issued for the Company's employees as required.



improvement

In 2020, 7,311 safety supervisors visited the different sites and identified 4,633 findings for improvement.

**Of these, 98% of the findings and deficiencies that were identified were addressed.**

At the end of 2020, short-and long-term CEO goals were defined for the first time:

- To aspire to zero road accidents and workplace accidents in the Company;
- To meet the target of 95% ("satisfactory level") of the five-year average of the safety indexes;
- To assimilate a proactive safety culture.

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

## Initiatives to uphold safety at IEC

### 1) Program for to mitigate safety risk

In 2019, the National Safety Unit of IEC formulated a comprehensive program to mitigate safety risk throughout the Company, in response to past events and given the increase in the severity of accidents. The program was approved in the Head Safety Committee in the presence of the CEO in 2020, and is expected to be revised in 2021. The objective of the program is to change the perception of safety in the Company and to implement it as principle-based.

- Data and digitization - 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" - 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.
- The perception of safety as an essential component of business activity - through cost savings, work efficiency, and reduction of damage and wear and tear of equipment.
- 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.

### 2) Encouraging a culture of safety excellence

To reinforce the Company's safety culture, reduce and prevent workplace accidents, and to encourage safety excellence on both the personal and organizational level, an annual award is granted to departments excelling in safety, after an in-depth assessment of proactive and active safety indexes and weighting of data from the preceding five years for the different departments. In 2020, the CEO's safety trophy for first place was awarded to the Eshkolot power plant of the production and energy division. In addition, the VP's safety trophy is awarded to divisions that came in second and third place: the Carmel power plant of the Production and Energy Division and the Network Engineering Department of the Network Services Division, respectively. In addition, in December 2020, a virtual appreciation conference was held for hundreds of safety officers from all divisions in the Company, attended by the CEO.

### 3) Sharing and expanding knowledge for employees

In 2020, information was published for the Company's employees about safety procedures and safety incidents that occurred in the Company. In this context, four Highlights for Safety documents were published, describing significant events and insights for the entire Company. In addition, information sheets were published on the subject of: safety committees, electrical safety, hazardous materials, occupational health and hygiene, safe work in winter, and safe use of a cellphone at work.

Furthermore, four Be Safe leaflets were displayed on bulletin boards and sent by e-mail, to raise safety awareness among employees on various

issues. We also hold conferences to raise awareness of the importance of occupational safety; in 2020, 600 safety officers were invited to a Zoom meeting in the presence of the Company's CEO and management, and an overview of the activities of the safety officers in 2020 and a work plan for 2021 were presented<sup>3</sup>.

#### 4) 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 2020 of 1:5 (at least 5 near-miss reports are required in 2020, compared with each accident that occurred in 2019).

In 2020, 1,250 near-miss incidents were reported in the Company (229% compliance with the annual target) and there was also an increase of 15% in the number of reports compared with 2019. 1,130 of the reports addressed hazards, and 120 addressed deficiencies in the work process. As in every year, in 2020 too, the number of reports increased compared with the previous year.

#### 5) 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<sup>7</sup>. 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. At the workplace, employees may be exposed to hazardous materials, and 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

<sup>7</sup> Occupational safety activity is set in Company Procedure 10-08-01, Occupational Safety.

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.

In 2020, the occupational hygiene and medicine system at IEC worked extensively to maintain employee health (for further information about the activities to maintain employee health during the Covid-19 pandemic, see page 132). During the year, the Clicks system for clinic management was introduced. Partial use of the system has begun and is expected to be fully implemented in all of the Company's clinics in 2021. The system allows full automation of management of the clinic and the medical archive, while streamlining the treatment and monitoring of employee health.

- Following the outbreak of Covid-19, the Regulator approved the deferral of all occupational tests for 2020, with the exception of tests for workers exposed to harmful dust, which were performed inside the Company's sites.
- The Company's clinics have vaccinated more than 1,000 workers against the flu.
- First aid kits were distributed to employees, and defibrillators were purchased for the different units in the Company. In addition, seven audiometers and seven spirometers were purchased for use at all the Company's sites.
- A satisfaction survey of the clinics was performed for all the Company's factory and field employees. Survey results indicate high satisfaction (86%) with the clinics and the healthcare staff.

## Occupational safety project for subcontractors

As part of the reform of the electricity sector and the structural change arising from it, we implement many construction, infrastructure, and operation projects. These complex projects, which combine a wide range of infrastructure, tools, methods, and work processes, entail significant safety risks and require extensive preparation by all operating entities - IEC employees and contract workers alike. This preparedness is reflected in safety programs that are an integral part of the work plan in each project and place special emphasis on contract work.

In 2020, the unit performed safety operations with more than 1,500 contract workers. 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 multiplicity of complex construction and operational projects, the safety unit implemented several significant changes:

1. Reporting to the Procurement Division on contractors according to their safety history
  - In coordination with the Procurement

Division, contract workers are identified according to safety incidents in which the contract worker had been involved.

2. Requirement for a structured safety appendix in the contract worker's performance specification - The contract workers' safety program must be included in the performance specification, to assimilate and reinforce their commitment to work under safety procedures.
3. Improved contract worker training - The entry of contractors and their employees to the Company's sites is subject to safety training by the Company's safety supervisor. In the Covid-19 period, several safety studies were introduced, allowing online and remote training.

## Employees' health and wellbeing

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### Employee wellbeing

As part of IEC's commitment to its employees, it invests considerable resources in the wellbeing of employees and their families. Employees are entitled to a variety of benefits and employment terms - including meals, gifts for the holidays, subsidized health insurance, loans with favorable terms, higher minimum wage, study fund, and support for life events (such as grants for marriages, births, and recruitment to the IDF). These benefits are anchored in the collective agreements and apply to all employees, if they have accumulated the conditions for their receipt - including the date they started work and actual working days. The benefits do not apply to contract workers where the agreement is not anchored in the collective agreements.

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. The department's employees are also responsible for providing opinions in cases of employees supported by the department who request tenure in the Company on humane grounds 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 the prevention of domestic

violence (for further information, see the section on gender equality on page 115), a framework for employees caring for family members (caregivers), and a community for parents of children with special needs. For the Company's retirees, the department initiated the Lend and Ear project, in which retirees regularly contact older retirees every two weeks, 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 family members for further care in the community as relevant.

During Covid-19, due to social distancing restrictions, regular home visits by the Welfare Department were made online and/or by telephone, and in addition, the department employees maintained daily contact with Covid-19 patients and took care of all their needs until their full recovery. During the period, the Welfare Department offered lectures to all employees and retirees on a variety of topics that became particularly relevant, such as addictions among youth and cyberbullying. 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.



# solidarity

2,780 senior citizens  
and family members

With the onset of Covid-19, senior citizens were defined as the most vulnerable population and they were instructed to stay indoors and to stay away from family members, children, and grandchildren. This detached the senior citizens from the support circles they were accustomed to in daily life, which generated a wide range of needs and difficulties that required a real-time response. IEC has 2,780 retirees and family members of retirees aged 75 and over, with whom the Company maintains ongoing contact through various channels, on routine days as well. From the beginning of the crisis, it was clear to the Company that the relationship with and response provided to retirees should be reinforced, and for this purpose, the National Occupational Welfare Department, the Retirement Center, and the Pension and

Provident Center joined forces with the Naor Center in the Human Resources Division. These entities, in collaboration with volunteers from all divisions in the Company, worked to provide a multi-system response to sick workers, their families, and the isolated population of retirees. The response included customized assistance and support of the retirees through proactive telephone calls, assistance in purchasing medicines, supplying food baskets, help with shopping, and personal support in welfare and health aspects. All this was executed with maximum sensitivity, mutual assistance, and caring for the unique needs that arose due to the complexity of the period.

At the onset of Covid-19, the retirement center sent text messages to the cellphones of all the Company's retirees and families of deceased



IEC employees, describing the availability of the Center's employees and their willingness to assist at any time. Throughout the period, there was continuous telephone contact with the Company's retirees and families of deceased IEC employees, due to the importance we attribute to personal connection, and in an attempt to impart the feeling that we are family for them and we are attentive to their needs and wellbeing. The harnessing of employees and extensive activity have proven that mutual responsibility and caring are values that are not only engraved on the Company's banner but are at the core of IEC's work.

## Occupational health in IEC

IEC invests heavily in promoting employee health, due to the great importance that the management attributes to the issue and the connection to the Company's new corporate culture. Our objective is to integrate all activities to promote health with the employees' daily routine, so that it does not take up a significant chunk of the employees' working hours or leisure time. Accordingly, the health officer holds constant dialogue with the Company's managers to locate points during the workday that can be used for health activities.

In addition, to reach all the employees, understand their needs, engage them and raise awareness of activities to encourage a healthy lifestyle, twenty "health promoters" were training and placed in the Company's sites, all over the country. The role of the health promoters is to initiate, lead local activities, and assist in the implementation of cross-organizational activities. Since not all Company employees have access to a computer or smartphone at work, we advertise the activity on the bulletin boards in the sites as well as by other inter-organizational means.

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

#### Encouraging movement

One of the main challenges characterizing the modern lifestyle is prolonged sitting and immobility throughout the day, and there is a direct link between this lifestyle and the development of chronic diseases. Many of our employees spend most of their day sitting, whether in offices, factories, or driving.

Consequently, to encourage movement during the day, the following is implemented:

1. At some of the Company's sites, employees are offered a range of recreational courses and physical activities. To continue the activity during Covid-19, we moved to online platforms and we intend to continue offering frontal lessons alongside online lessons.
2. Shortly before Walking Day which takes place every October, the traditional stair race was held in the Company's main building in Haifa up and down the 27 floors of the building. In addition, the employees were invited to go on group walks, a steps competition was held over one month using a special app, and there were other activities. The head offices and some of the sites placed signs to raise awareness of the importance of physical activity, and we encouraged employees to use the building's stairs.
3. With the help of an outside supplier, we developed the Employees on the Move app, which is customized to the needs of our employees and sends reminders 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, and online sports lessons.

4. 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.

#### Disease prevention

1. The main activity in disease prevention is the survey tests that we subsidize for every employee aged 40 and above, with a small deductible, and the four hours of testing are at the expense of working hours. In 2020, we expanded the agreements with the institutes that perform the survey tests, so that employees have the option of choosing a preferred institute. Together with the survey tests, activities and lectures were held to encourage testing and an explanation of the rationale behind them.
2. We held a workshop to quit smoking with the cooperation of the HMOs. For 2020, a Smoke-Free Air program was also planned, which included information, supervision, and compliance activities at the main site in Tel Aviv, but this was postponed due to Covid-19.
3. Employees are also offered a wide range of lectures and enrichment workshops on health and welfare issues (wellbeing), such as preventive medicine and the importance of early detection, managing a balanced lifestyle, mindfulness, relationships in the modern age, quality sleep, and stress reduction.

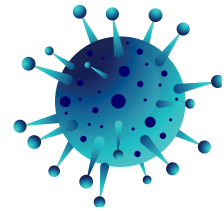
**Proper nutrition**

1. 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.
2. In food arrangements for outside workers who are entitled to this, emphasis is placed on the inclusion of healthy options.
3. We offer lectures in various frameworks on the importance of a healthy diet and its role in disease prevention.

**Promoting general health**

1. Some of the Company's sites have special breastfeeding rooms. The rooms are furnished and equipped accordingly with a refrigerator, sofas, and partitions to maintain intimacy.
2. Since there is a direct correlation between volunteering and health and extending life expectancy, in Health Month we also included the Volunteering Challenge with the message that volunteering itself contributes to the volunteer's health.
3. Our employees participate in IEC's representative sports teams and employees' leagues in various branches, through the labor union.
4. We have placed bicycle stands and showers for employees who choose to ride their bicycle to work.





## Employee health during Covid-19 and maintaining business continuity



Dr. Koller, the company's doctor, volunteered to vaccinate the employees, along with HMO doctors

Already in February 2020, with the spread of Covid-19 around the world, the healthcare system at IEC, led by the occupational physician, began to prepare for the health crisis and the consequences it may have on IEC's human resources and business continuity. First, we mapped the Company's employees according to two main categories: **essential workers** - about 500 workers are at the core of production, and without them it would not be possible to supply electricity to Israel; and **field support workers**.

Since IEC is critical for the routine function of the economy and in emergencies, we have implemented all guidelines of the Ministry of Health in the Company's work procedures in the most stringent manner, and where necessary, made adjustments. For example, if a family member of an employee is in quarantine (and the employee did not test positive for Covid-19), we instructed the employee not to come to work. Also, although the Ministry of Health determined that it is possible to leave quarantine after 10 days of sick leave without taking another Covid-19 test, we require employees to take a test and make sure they have fully recovered

from Covid-19 before returning to work, and also harnessed the testing system that we set up for this purpose. Throughout the entire period, we did not compromise on medical confidentiality, human dignity, and workers' rights, and there was a lively and ongoing discussion between the healthcare system and the legal counsel of the Company and the Ministry of Health.

### Special measures implemented at IEC to prevent the spread of Covid-19:

- To set up an inter-organizational healthcare system in a short time, we needed skilled human resources. For this purpose, we turned to the human capital in IEC and received a response from 15 employees, former combat medics. These employees volunteered, in addition to their regular position in IEC, and throughout the period helped us to organize a healthcare system and Covid-19 tests for our employees. The volunteers were trained for the job within a short time, in an intensive seminar in collaboration with the staff of Hadassah Ein Kerem Hospital in Jerusalem. In 2020, with the help of volunteers and in-house, we performed 12,000 Covid-19 tests, with essential workers being tested every week or two, depending on the viral load in the country at the time.
- New work procedures were established for our essential employees: shifts between teams were changed without overlap and without meeting, and employees were instructed to disinfect spaces and work surfaces between shifts. In addition, employees could not be transferred between

Covid-19 has made us find creative solutions more than once. In one case, IEC staff had to unload a diesel tanker manned by foreign nationals whose medical status was unknown. After consulting with me, I was required to map the risks of 'the operation' and check whether it was possible to be on the tanker without meeting the foreign crew. When it became clear to me that, according to the procedure, it was mandatory to enter the vessel's command room every hour to check the pressure meters in the tanks and prevent leakage of diesel into the sea, I suggested placing a camera in the command room to monitor the meters remotely, thus preventing any meeting with the crew.

Dr. Koller, the occupational physician of IEC.

sites, other than in exceptional cases. If one of the workers had to go into quarantine, a "reverse quarantine" procedure was introduced, in which all the workers who were next to that worker also went into quarantine at work. In this way, while taking care of all their needs, the workers could continue to generate electricity and a shutdown of entire power plants was avoided.

- Since we ensured that customer service was not impaired during the pandemic, we defined service workers as essential workers who are responsible for a regular supply of electricity to the customer's home. A procedure was written for these workers and it was determined that any entry into a consumer's home requires the approval of the district commander. In addition, these workers were trained accordingly, instructed to wear full protective equipment, and to

politely ask household members to keep their distance. These stringent procedures allowed us to keep workers out of quarantine even if someone in the consumer's home tested positive.

- At the beginning of the crisis, we encountered a severe shortage of protective equipment, such as masks, hermetic suits, disinfectants, gloves, and hand-cleansing gel. In quick cooperation with the Company's Supply Division, we issued a tender and purchased thousands of different types of equipment units.
- We set up an intelligence system to perform epidemiological investigations within the Company, made up of human resource entities at the different sites. The intelligence system performs investigations and maintains continuous contact with thousands of our employees, to identify possible sources of disease and infection as quickly as possible. Center representatives were instructed on how to ask the right questions, when and who to ask, while exercising maximum sensitivity. The intelligence system operated very effectively throughout the period, so that within two hours after reporting a patient, we were able to draw an accurate map of the individuals who were in contact with the patient, locate the employees who need to go into quarantine, and take further action according to specific needs.
- Concurrently with the healthcare mechanism, we created a management mechanism for real-time reporting to the Company's CEO

on quarantined and recovering patients. With the assistance of VP IT, the attendance reporting app was expanded and an app was added allowing each employee to report their medical status. Later on, and with the start of the vaccination campaign, the app also included an option to report the vaccination status of each employee.

- Once the vaccination campaign started, we worked to prioritize the vaccine for our essential employees. In addition, in cooperation with MDA and the HMOs, we held vaccination campaigns at all of the Company's sites throughout the country. For employees who refrained from being vaccinated, individual conversations were held with their personal managers, human resource officers, and, if necessary, with the occupational physician, to explain the benefits of vaccination and dispel concerns. As of the end of 2020, the majority of the Company's employees are fully vaccinated.

process of becoming a health promotion site. At the site, which employees pass through from the day they are hired by the Company until they retire, a walking route and fitness garden is planned. In addition, health promotion content will be included in routine training for employees at different stages of their professional life in the Company.

- Implementing reminders on the Employees on the Move app, in the Company's computer systems, and through inter-organizational media.

### Looking forward to 2021-2022:

- To assess whether activities to promote health improve the organizational climate and culture in the Company, we held a basic survey of positions in 2018, alongside with the significant acceleration that the field received in the Company. In the coming years, we will hold another survey, to obtain a comparative perspective and assess the effect of the activity on the employees.
- National Training Campus - Electricity, Energy, and the Environment, which also serves as a leadership school, is in the

## 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 dedicated strategic targets:

### Designing an organizational culture

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

Development of human resources of the renewing Company

- Talent management
- Career management
- Assessment and development circle

### Development of a leadership backbone

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

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

## Professional training

According to company policy, every employee is required to receive relevant professional training. Every year, the Company publishes an annual training work plan, derived from data collection analysis and processing of the requirements of the different divisions.

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.

# 297,600

total hours of professional training<sup>8</sup>  
(equivalent to 37,200 working days)

# 107 million NIS

was invested in training<sup>9</sup>

8 Training hours were calculated by multiplying the number of participants in each course by the number of hours in each course for all professional training courses, net of employees who participated in multiple courses during the year.

9 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.

## Human capital development programs

### Leadership development

As an organizing managerial concept and with the aim of realizing the Company's vision and strategy, a leadership model was formulated for all employees and managers in the organization, designed to serve as a basis for managerial development processes. The leadership model includes behavioral orientations that define the behavior expected from each employee/manager in the Company, with the appropriate emphases defined for 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. As a policy, before entering any managerial

position in the Company, the relevant employees participate in the leadership course. .

The leadership model formulated by the Company's management positions the manager as a change leader, through four success engines:

- Business leadership to create a competitive advantage and value to the customer;
- Nurturing human capital;
- Organizational excellence;
- Reinforcing partnerships - engaging and harnessing the internal and external environment.



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 (with emphasis on the three levels that appear in the leadership model), the following programs are offered for different management levels:

### Personal leadership

**Mentoring for new employees** - The Company has a structured onboarding process for new employees. Each new employee receives an onboarding kit with information about the Company's history and vision, its areas of business, key work processes, core values, as well as terms of employment, employee rights, and salary components.

**System-wide and operational leadership programs:**

- **Flowers of Light** - The purpose of the Flowers of Light program is 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. We invest many resources in the process of finding the most suitable candidates, with training in the program combining academic components and enrichment content alongside deepening the perception of the role of the manager and imparting management skills.
- **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 the Network Services Division, there were 3 training cycles for sector heads in 2020.

- **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. In addition, participants experience a process of personal empowerment and increased capability, and as a result of the program, a group of peers for interdepartmental learning and interaction was formed.
- **Strategic leadership** - a program that constitutes a platform for department/division management training, studying together as an organic unit. This training is customized with the needs of the specific divisions and takes place once a year.

There were 712 training hours at the Leadership Center in 2020 (most of them were held until the outbreak of Covid-19 in March 2020). In addition, 1,478 employees and managers participated in the Center's activities during the year, and the total financial investment in the Center was NIS 0.5 million.

### Executive training and development

IEC has 115 senior executives<sup>10</sup> and their training programs are based on the following principles:

- 1) Management potential - preparing middle management for a senior position by building infrastructure for learning, screening, assessment centers, and projects for implementation.
- 2) In-service training - a structured onboarding process implemented with the help of the onboarding manager and the Human Resources Department of the senior staff. The process includes work plans, feedback, and tools developed for the onboarding manager, the onboarded manager, and the department.
- 3) Career management - identifying the needs of the incoming manager and building a customized development system. For the past 3 years, outside organizational consultants have been accompanying senior executives in areas such as: change and changing management, achieving business goals, going up a step to more senior positions, and accompanying the division. The managers attend diverse training and acquire skills such as facing an audience, leadership development, and preparation for the process of evaluating employees and managers.

### Courses and academic studies

In addition to IEC training programs, we encourage employees to try out courses and academic studies as part of human capital development in 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 (under the Civil Service Regulations) to financing for their studies at a rate of 60% to 100% of the tuition fee, depending on the affiliation to work requirements, and once a week they receive approval for absence for exams and for a full study day at the Company's expense.

In 2020, a budget of NIS 5 million was allocated to finance academic studies for 230 employees in various academic frameworks, with only three of them on the managerial level. Also, for graduate degrees there is also a mechanism of grants for academic excellence.

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

- 1) 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.
- 2) Master's degree in electrical engineering from Ariel University, majoring in power systems (high voltage).

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

<sup>10</sup> This group includes the rank from sector manager up to the Company's CEO.

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. In 2020, the program slowed down due to Covid-19, but it is expected to take place in 2021, starting in the Engineering Projects Division.

#### Looking forward to 2021-2022:

- Expansion of the training program for sector heads to include the Service, Marketing, and Regulation Division, the Operations and Logistics Division and the Engineering Projects Division.
- Support for the Company's transition to remote management, and providing management tools in a changing reality.
- Assimilation of an organizational culture of learning organization across the Company, and continued support of the business units through programs customized to customer requirements. In addition, formulation of a concept, tracks and supportive tools for career management, and professional development of employees with management skills.
- The organizational training program will serve as a means to assimilate a service concept adapted to a business company in a competitive market, among all the employees and managers in the Company.
- Leadership development among all management levels in the Company, customized to each level: strategic leadership

for the rank of deputy division manager and above, system-wide and operational leadership for department managers and sector heads, and personal leadership for all employees and managers in the Company.

#### Before retirement and preparation for retirement

IEC recognizes the importance of reaching retirement age and the significance that this milestone has in the lives of employees. The Company also attributes great importance to the issue of long-term savings and pension insurance, recognizing that this is the most significant savings in an employee's life and out of the understanding that one must prepare for retirement throughout ones working life, to ensure an adequate standard of living in retirement. As such, the Company has established an innovative center of expertise on long-term savings, the Pension and Provident Center, which provides service to all the Company's employees and retirees. One of center's objectives is 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 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 2020, in view of the outbreak of Covid-19, pension information was made accessible online to the Company's employees, and in this context, 30 special Zoom lectures were held for various audiences - including new employees, permanent employees on accruing pension, employees who moved to a system management company,

Human Resource Departments, and employees in the Company's units. The issues reviewed in these meetings included the accruing pension arrangement in the Company, types of pension generations, and implementation of a collective agreement that was signed following the reform for supplementing compensation

In addition, the Center works to make the relevant information accessible to employees through a special portal on the Company's internal website, which includes personal and general pension information - as well as the personal pension plan, pension insurance mobility system, pension information sheets at personal and occupational junctions, online courses on pension insurance for new employees, an information video for retirees as part of the reform agreement, and tips for smart pension management. The Pension and Provident Center will continue to operate in the coming years to implement the reform agreement for employees insured with accruing pension and in performing calculations for the bridging pensions. The Center will also support 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 senior executives.

In addition, IEC has a Retirement Center staffed by three employees who received specialized training in the field, through which the Company accompanies its employees in all retirement procedures, and also 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 that allows them to understand the issue of taxation, and

provides them with financial insights regarding their personal savings and grants received from the IEC. Human resource employees and administrative managers in the Company also participate in special lectures on retirement, so that they can provide a response and support the employees and their families.

### Processes for performance feedback and evaluation of employees and managers

The Company has a process of annual feedback and evaluation. The feedback is given by the managers, during which 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.

In 2020, 90% of the employees and managers received feedback on their performance (10,219 employees) in a process that includes a meeting and completion of an employee evaluation form by the manager.

## Intra-organizational dialogue

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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, 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 participation measures

In 2020 as well, notwithstanding Covid-19 restrictions, we held an extensive dialogue with the employees, which included talks, conferences and Zoom meetings in the different units. In addition, an extensive organizational measure of focus groups in all IEC divisions in was implemented, with a division into different populations, to listen to employees and to assess the challenges and implications of work in the Covid-19 era, with emphasis on issues such as social distancing and work from home. The insights that arose from all the focus groups were presented to the Company's management, and it was decided to implement cross-organizational measures as a result. 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.

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. This is alongside the "classic" channels: the organizational portal, television screens in 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 in 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.

Every week, a short video magazine is sent to cellphones, summarizing the main events and activities in the Company over the past week. The communication channels are also used to support and reinforce various inter-organizational measures, by launching targeted campaigns, for example: an organizational climate survey, conduct during Covid-19 and the benefits of immunization, and occupational health and safety. These measures are led by the spokesperson and inter-organizational communication division, in collaboration with the Human Resources Division and together with all the Company's divisions.

### Organizational climate survey during Covid-19

In 2020, a comprehensive organizational climate survey was conducted for the first time, which was sent to all employees and managers and was answered anonymously by 63% of them (7,000 employees). This is a continuation and expansion of the attentiveness processes we implemented in previous years, including a survey regarding the effectiveness of organizational change management in 2019. The objective of the survey is to obtain a snapshot of how employees and managers feel during Covid-19, to learn, listen, improve, and reinforce organizational resilience. The survey is based on our core values, to assess the extent to which these values are actually assimilated and reflected in the Company's day-to-day conduct.



Following the inter-organizational climate survey and process for listening to employees, we began to apply insights. For example, employees expressed a desire to continue working in a hybrid work model that combines work from home and work from the office, and we are in the process of preparing and organizing the model. We regard this as characteristic of a young and renewing company, a step that would probably not have been possible in the past.



Yaron Werber, an organizational psychologist who leads the field of engagement and organizational surveys at IEC.

Outstanding insights from the survey:

- **95% of the employees are proud to work for IEC** and 81% would recommend work at IEC to a friend.
- **84%** noted that **the Company manages to change and adapt quickly** to the changing reality dictated by Covid-19.
- **88%** feel that **the Company displays care and concern for the employees**, and **90%** feel that **the Company treated them fairly** during this period.
- **40%** of the employees **indicated overwork and burnout** during this period.
- **The average overall employee satisfaction with the Company was 4.21 out of 5.**

Beyond the organizational climate survey, more limited satisfaction surveys are regularly conducted at significant milestones in the employee's life, for example: at the end of the management development track and various professional training, and after retirement.

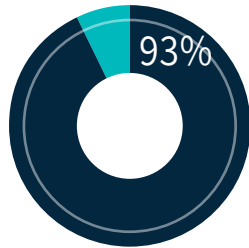
### Looking forward to 2021-2022:

Implementation of another organizational climate survey in the second quarter of 2021, due to the importance that the Company attributes to maintaining dialogue and offering employees the opportunity to express themselves and make their voices heard.

## 2020 in numbers - further information about employees:

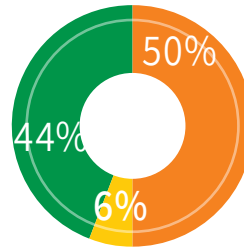
### IEC employees by scope of position

- Full time
- Part time



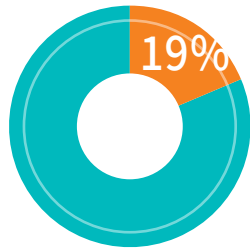
### IEC employees by geographic location

- South
- Greater Jerusalem
- North

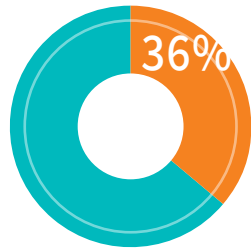


### IEC employees by gender and rank

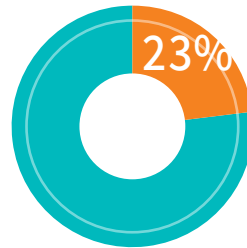
- Woman
- Man



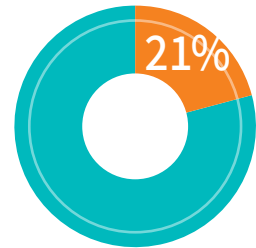
Employees  
1,741 : 7,484  
Total 9,225



First line management  
536 : 942  
Total 1,478



Mid-level management  
155 : 510  
Total 665

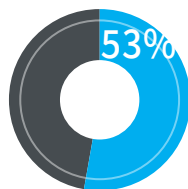


Senior management  
24 : 91  
Total 115

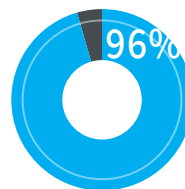
Total Employees	<b>11,483 Employees</b>	Woman:	<b>2,456</b> 21%
		Man:	<b>9,027</b>

### Education data of IEC employees

- College graduates\*
- Non-academics



Employees  
5,942 : 5,260



management  
459 : 20

\* The data also includes practical engineers and technicians

IEC employees by gender and age:

Age group	Total	Woman	Man
Up to 29	10%	44%	56%
30-34	13%	25%	75%
35-44	21%	25%	75%
45-54	28%	21%	79%
55-66	28%	11%	89%
67-74	1%	6%	94%
75+	0%	0%	0%
<b>Total</b>	<b>100%</b>	<b>22%</b>	<b>78%</b>

Data on newly hired employees:

Age group	2019			2020		
	Total	Woman	Man	Total	Woman	Man
Up to 30 (inclusive)	<b>471</b>	132	339	<b>508</b>	44%	56%
31-50 (inclusive)	<b>394</b>	92	302	<b>423</b>	25%	75%
Over 51	<b>17</b>	4	13	<b>37</b>	25%	75%
Total no. of new employees	<b>882</b>	228	654	<b>968</b>	11%	89%
No. of positions filled internally - without organizational/recording changes	<b>682</b>	189	493	<b>619</b>	6%	94%

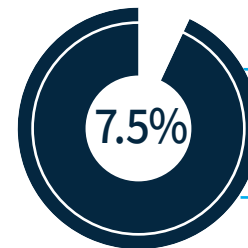
Total no. of new employees

No. of positions filled internally - without organizational/recording changes



**Data on Employees redundancy over the years:**

No. of employees	2018	2019	2020
Woman	303	310	245
Man	903	802	615
30 and under	198	249	160
30-50	317	260	239
50 & over	691	603	461



Total churn  
rate in 2020

**Data on Employees retired over the years:**

No. of employees	2018	2019	2020
Number of employees who retired after reaching mandatory retirement age	180	149	135
Number of employees who retired as part of the IEC reform	463	343	204
Number of employees who retired as part of the early retirement plan for 64+		76	48
<b>Total exits</b>	<b>643</b>	<b>568</b>	<b>387</b>

**Data on employees absenteeism in 2020:**

absenteeism	Woman	Man	Total
No. of utilized sick leave days	31,912	120,676	152,588
Absence rate for sick leave	5.1%	5.3%	5.2%
Reserve duty	184	5,925	6,109
Personal events	976	3,526	4,504
Deceased employees	0	2	2

**Data on Employees absenteeism over the years :**

absenteeism	2018	2019	2020
No. of workplace accidents	125	109	96
Rate of workplace accidents	0.54	0.47	0.42
Average severity of accidents <sup>11</sup>	28.07	26.37	32.71
Workplace accidents involving contract workers	51	37	39
Cases of loss of life of contract workers due to workplace accidents	0	0	1

■ IEC Employee  
■ contract workers

<sup>11</sup> Calculated according to days of absence following the accident.

Parental leave:

	2020	Woman	Man
<b>On parental leave</b>	<b>203</b>	<b>199</b>	<b>4</b>
Of these, the number of employees who returned to work after parental leave (in 2020)	63	59	4
On parental leave during the year and remained on parental/unpaid leave after the end of the calendar year	76	75	0
On parental leave during the year and chose not to return to work	7	7	0

Professional training of employees:

	2019	2020
Professional training		
Total no. of training hours <sup>12</sup>	551,032	297,600
Average no. of training hours per participant <sup>13</sup>	48.37	30
Scope of investment in training (NIS)	NIS 122 million	NIS 107 million
safety training		
Number of employees who received safety training	7,041	7,326

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

13 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)





## Chapter 4: **Community Outreach in IE**

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Educational community activity

Dialogue with IEC's stakeholders - with the communities around the coal-fired power plants

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# 4 Community Outreach in IEC

As a national infrastructure company, we consider working for the benefit of society and the community in Israel part of our responsibility. The activity initiated by IEC is a strategic tool in creating “shared value” - social and/or environmental value for stakeholders together with business value, while reflecting the Company’s core values and commitments to act with corporate responsibility.

IEC initiates and maintains a dialogue and long-term collaborations with various entities in the community, in areas in line with its core business, including safety and prudent use of electricity, science and technology, sustainability and efficient energy consumption. These collaborations are characterized by continuous attention to needs arising from the community, and take place with empathy, ongoing dialogue and social responsibility.

In 2020, with the Covid-19 outbreak, we invested in adaptation of the community programs to the social distancing restrictions, with the aim of continuing to hold them subject to the provisions of the Ministry of Health.



## Educational community activity

IEC's educational activity focuses on the Company's core areas of operation, particularly electrical safety and efficient energy consumption. One of the Company's objectives in these areas of activity is leading change in the awareness and behavior of the community, with students participating in programs serving as ambassadors who help to expand the spheres of influence.



In 2020, 150 educational programs were held in 110 local authorities across the country, with most meetings taking place in a remote learning format through online platforms. 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 approved by IEC, and questionnaires for the purpose of checking for knowledge gaps as well as perception and behavioral changes before and after the educational program.

The total financial investment in educational activities in the community in 2020 was NIS 3.6 million<sup>1</sup>, of which NIS 2.5 million was allocated to our flagship program "Path of Light".



**150**  
Educational activity

**3.6**  
NIS million investment  
in educational activities  
in the community

**71%**  
in program "Path of Light"

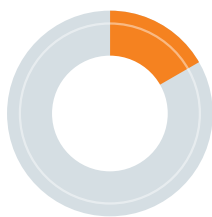
<sup>1</sup> The educational programs are actually held throughout the school year (from September of the previous year to June of the reporting year), including the expenses thereof, and most are multi-year. However, the investment amounts.

### Smart, Renewing and Energy Efficient City program in collaboration with the Taasiyeda (Industrial Knowledge) Association

Investment of NIS 600 thousand in 2020.

The program, consisting of 16 educational meetings, took place at 80 middle schools during the 2019-2020 school year, and is designed for 7th-9th graders. The program featured an introduction to advanced technologies, methods for efficient energy consumption and prudent use of electricity, including IoT (Internet of Things). During the program, the students worked in teams and selected a building or business in the community. After an in-depth study of the characteristics of the activity of the building or business, the students formulated a proposal to implement in an efficient energy consumption program, integrating IoT-based technology, and also built a model of the selected building to illustrate their recommendations. In order to expand the spheres of influence, the students presented the project to the community in creative ways, while sharing knowledge and peer learning.

**16.7%**



**600** NIS thousand investment in the program

### Youth Leadership for the Community together with the ORT network

In the program, which includes 16 meetings, NIS 260 thousand was invested in 2020 and in the 2019-2020 school year; 7<sup>th</sup> to 12<sup>th</sup> graders participated at schools across all sectors, in a wide range of study tracks. The purpose of the program was to form a group of youth leaders to lead a process of social, awareness and behavioral change in electricity consumption, and to serve as young ambassadors to spread the message of efficient energy consumption in the community.

Prior to the 2020-2021 school year, we issued a tender to identify partners to lead the educational program Efficient Energy Consumption and Prudent Use of Electricity as a Way of Life in 150 middle schools across all sectors. Through the tender, we located two vendors: Green Step Ltd. and Taasiyeda. Green Step operates the program at 90 middle schools and 55 local authorities nationwide, while Taasiyeda operates the program at 60 middle schools in 54 local councils throughout Israel. The program took place across diverse social and educational sectors. In addition, employees from the Orot Rabin and Rutenberg power plants have been participating in the program; these employees were elected to serve as “community leaders” in the Company’s community outreach activity. After undergoing special training, the leaders were included in one of the educational tracks at 14 schools in the area of Hadera and Ashkelon. During the meetings with the students, the leaders introduced themselves, their worldview and their work at IEC, and answered the students’ questions.

Youth  
Leadership  
for the  
Community

**150** middle schools  
**100Plus**  
local authorities



### Educational Program on Extractors and Efficient Energy Consumption in collaboration with "Technoda -science and technology center"

Investment of NIS 170 thousand in 2020. This unique program was developed by Technoda staff in cooperation with IEC and included in-person training with guided tours of the Science Park at Technoda. The program focused on emission reduction projects (SCR, FGD), efficient energy consumption and renewable energies. In the 2019-2020 school year, 3,700 students participated in the program. In addition, a pilot program was scheduled on the subject of electricity generation and supply, which did not take place due to the Covid-19 crisis.

4.7%

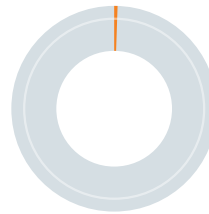


**170** NIS thousand investment in the program

### Eureka in the Electricity World

investment of NIS 25 thousand in 2020. A joint program of IEC and Rutenberg House<sup>2</sup>, which was formed according to the vision of the Rutenberg Foundation to reduce social gaps. As part of the program, 15 students from Haifa experienced a three-dimensional application in historical and contemporary IEC buildings, with emphasis on efficient energy consumption of the buildings. The program integrates and connects the impressive heritage and history of IEC and its founder, Pinchas Rutenberg, and its unique buildings, with the acquisition of technological knowledge and learning innovative software that enables engineering construction of three-dimensional objects. In addition, the program included educational tours of the Orot Rabin power plant site and the visitor center at the Heftziba site.

0.7%



**25** NIS thousand investment in the program

of three-dimensional objects and efficient energy consumption

In 2020, we created and distributed to disadvantaged families, thousands of art and game kits for enjoyment in the many hours of staying at home during the long lockdowns. The kits contained coloring sheets on the subject of electrical safety and card games on efficient energy consumption, and were distributed through the local authorities in Hadera, Jisr az-Zarqa, Ashkelon, Rahat, Kiryat Yam, Kiryat Shmona, Maghar, Bi'ina, Deir al-Asad and the children's village in Hurfeish. In addition, kits were distributed at WIZO day care centers, including domestic violence shelters for women.



<sup>2</sup> Rutenberg House- A place for developing culture and education for young people in an atmosphere of family and mutual respect.

Pinchas Rutenberg (1879-1941) was an outstanding Jewish leader in pre-state days who is best known as the founder of the Israel Electricity Company. Upon his death, Rutenberg willed his estate to youth activity – to be used for developing their education and spirit. The "house" is committed to foster and initiate new and innovative educational programs and technologies. Another goal is an ongoing involvement in social welfare programs for youth advancement through education of all religious and ethnic groups living in the region.

## Path of Light program

IEC's flagship program, in which NIS 2.5 million was invested in 2020, is one of the longest-standing large-scale educational programs operated by the Company.

**Its key purpose is to shape a culture of prudent, safe and proper behavior around electricity consumption;**

the program was formulated in response to a need that arose from the community in light of cases of electrocution among children. This program is another example of promoting "shared value" through our community outreach activity, since it creates a basis of understanding and sharing with the future generation of consumers, and also promotes safe electrical conduct and reduces injuries from cases of electrocution and the related implications. Learning in the program takes place through active, hands-on experience and encouraging the children to take responsibility for their behavior and the environment, and become agents of change in the community. From the beginning of the program in 2004 until the end of 2020, approximately 1.8 million students participated in the program, about 150,000 of whom in 2020 alone. The program is held at approximately two hundred local authorities nationwide in state and state-religious educational settings, in the Arab sector and in special education settings, from

**200** local authorities

**IEC's flagship program to shape a culture of prudent, safe and proper behavior around electricity consumption**

**1.8**  
million students  
since 2004

kindergarten to high school. The meetings are led by IEC employee volunteers, who undergo training and special enrichment courses, together with external instructors.

**The Path of Light Program operates in two channels:**

**School channel:** During the hands-on meetings Good Morning Path of Light led by IEC employees, the students conduct experiments, practice operating electrical appliances safely and take tours for an introduction to the electricity grid and identification of hazards in the school environment. In the meetings, unique technological aids are used, which were developed with the aim of instilling in children knowledge in the areas of safety and prudent use of electricity at home, in the community and in nature.

During the Covid-19 period, 4,500 Path of Light meetings were held mainly in online platforms, along with meetings in small groups ("pods") and in the open air. Despite the switch to the remote format, we did not give up on the hands-on and practical nature of the sessions; the experiments were filmed and mediated for the students, who were invited to experiment using aids available at home; throughout the session, there was interaction and lively discussion between the lecturers and students. In addition, in order to provide a solution for the needs of the parents



## Technological-vocational high schools

and children in such a complex year, a Good Evening Path of Light initiative was developed, as part of which the entire family was invited to participate in online sessions at 8:00 pm, in which tips for safe, proper and economical behavior with electricity were provided.

**Community channel:** In this setting, every class that holds the program chooses one or two representatives for the Path of Light Children community team. The team receives enrichment content on the subject, creates an electrical safety convention for their community, holds outreach activity at school and forwards to the community the messages on prudent and safe use of electricity. In addition, every year, an annual competition is held, which is the highlight of the project; in 2020-2021, the subject of the competition was designing a Zoom screen, accompanied by safety instructions.

Our involvement in technological vocational education is another channel for creating value for the Company and the community in which we operate. By exposing the students to the industrial world, making it accessible and relevant for them, we contribute to training the future generation of the Israeli energy industry in general and of IEC in particular. Across the various study tracks, emphasis is placed on the professions required by IEC, and graduates receive priority in being hired as Company employees.

**“Since the nature of the studies at the school are mostly practical, the Covid-19 period was particularly challenging for us. Although we managed to tailor a substantial part of the study program to remote learning, it turned out that many students do not have computers at home. As a result, we distributed tablets and ancillary computer equipment as much as we could and a technician on behalf of the school provided support at the students’ homes when necessary. Moreover, the students were divided into pods, came to school to for concentrated learning in small groups and participated in studies in the open air and nature, also in order to preserve the social ties between them. During the summer vacation, we offered reinforcement courses for struggling students in order to reduce the gaps formed during the Covid-19 period.**

Dror Levy, principal of EnergyTech School and engineer at IEC.

### Amal EnergyTech

The Amal EnergyTech technological vocational high school was established in 2017 in IEC’s training campus at Heftziba. The high school was founded as a joint initiative of IEC and Amal educational network under the supervision of the Ministry of Labor. The school is for 10<sup>th</sup>-12<sup>th</sup> graders from Hadera, Netanya, Kfar Yona, Emek Hefer towns, and the greater Haifa area, seeking to acquire a technological education combined with practical experience in the spirit of the dual-humanistic method prevalent mainly in industrial schools in Europe.

The main objective of the school is to connect students to industry and give them the

opportunity of future integration in IEC or other companies in the energy sector in Israel. Along with the studies and professional experience, great emphasis is also placed on the social aspect, encouraging excellence, instilling values as well as on volunteering activities. The school students participate annually in national and international competitions and reach impressive achievements.

The school offers two main study tracks in the fields of energy, electricity and the environment, which are taught with encouragement to develop creative and entrepreneurial thinking and through original study programs that combine theoretical and practical studies:

Electricity track - the track prepares students to acquire a certified electrician certificate from the Ministry of Labor, and includes licensing certification exams.

Industrial automation track - the course provides specialization in the creation of energy systems and trains the students in the field of mechanical maintenance, natural gas, CAD/CAM systems, computerized drawing and three-dimensional printing. The course’s graduates acquire professional certificates from the Ministry of Labor and IEC according to their specialization. The educational content and methods of the course are tailored to the 21st century, with emphasis on green energy, natural gas, smart home, robotics, etc.

The two study tracks enable students to develop in two different areas:

- Final track of the Ministry of Labor;
- Technological track, which includes passing matriculation exams in the core disciplines and in the professional field.

Most graduates of the school continue on to

study practical engineering - 13th and 14th grade, following which they engage in technological professions in the IDF. In order to nurture the relationship with our graduates and to keep IEC as an attractive option for them later in their professional lives, the school runs an alumni club. An alumni coordinator from the school staff was appointed to head the club; the coordinator is responsible for initiating meetings and social activities, connecting alumni with younger school students, providing ongoing updates and maintaining contact throughout the year.

#### Or He'atid School

The collaboration with the Atid education network is yet another example of the Company's efforts to promote technological education. In this setting, students of the ultra-Orthodox vocational school Or He'atid in Gan Yavneh (which serves students in the coastal plains and the south) gained practical experience at IEC sites as part of their studies. The school provides its students with the option of obtaining a certified electrician certificate.

In 2020, a hundred students in total studied at Or He'atid School. At the practical stage at IEC workshops, intended for 11th and 12th graders, 18 students participated.



20 students in total study at Amal EnergyTech in different study tracks. In the 2020-2021 school year, the second class of the school graduated; each class lasts three years and includes 40 graduates per year. Approximately 80 students - 11th and 12th graders - also participated in hands-on learning at IEC workshop.

## Dialogue with IEC's stakeholders – with the communities around the coal-fired power plants

This activity focuses on maintaining a dialogue with the communities living in close proximity to the coal-fired power plants at Rutenburg and Orot Rabin, in order to create an open and transparent communication channel based on shared values with key stakeholders. The activity assists us in promoting direct contact with stakeholders, in to generating positive exposure and sharing with the public reliable and up-to-date information about our activities. Our guideline in conducting dialogue with the community is to extend the activity beyond discussion meetings and to form collaborations with the aim of promoting common interests around environmental issues.

For this activity, which started taking place in an orderly manner in 2019, preliminary research was conducted in order to bring the dialogue into focus and examine knowledge gaps among relevant stakeholders. The research shows that there is a significant gap between the Company's activities and the measures it is taking, and the public's perceptions of the Company - mainly with regard to environmental protection and who sets the electricity tariffs. These knowledge gaps were noted both among stakeholders near the power plants, but also among the general public and even in the Company's employees.

In light of these findings, a work plan was formulated, which in the first circle included the power plant workers, in the second circle - area residents - from private consumers through to the heads of the local authorities, and in the third

circle - environmental organizations, academia, opinion leaders and more.

For the staff of the power plants, we issued a booklet of explanations and messages, which provides an answer to common arguments and myths prevalent among the public toward the Company and deals, inter alia, with the electricity sector reform, measures to reduce emissions and efficient energy consumption, and emphasizes the benefits of transitioning to natural gas. In addition, 25 Company employees participated in special training and were certified as "community leaders" who serve as our ambassadors in the community. The leaders held 15 "local discourse" meetings - explanatory and informative meetings for residents living near the power plants, and participated in educational activities together with Green Step Ltd. in Hadera and Ashkelon (for more information, see above under "Community Leaders"). Our dialogue with the environment activity, in which the employees participate, helps the Company to explain its activities better and promote good neighborly relations, through people involved in these efforts on a daily basis, strengthens the sense of pride and value, belonging and connection of the staff.

Moreover, during 2020, four meetings were held with environmental organizations: two roundtable meetings attended by leading environmental organizations that dealt with various environmental issues, and two smaller meetings - derived from the roundtables - one on the subject of the marine connectors with the Society for the Protection of Nature in Israel and

Zalul Environmental Association, and the other on the subject of transportation of sea sand and egg laying of sea turtles in the Rutenberg power plant area, which was held together with representatives from Israel Nature and Parks Authority. The local authorities are also key stakeholders of ours, with a vital function in the dialogue; therefore, during the year, meetings and tours of the Orot Rabin power plant took place on the subject of promoting the CCGT project with participation of the heads of local authorities in the region, and a meeting with Ashkelon mayor on the subject of environmental protection and efficient energy consumption.

## Visitor centers

IEC'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 both children and adults. The visitor centers are a bridge to the community in which we operate, and allow us to provide a glimpse of the extensive activity and content worlds in which we engage each and 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.

In 2018, after two decades of extensive activity, the visitor center at the Orot Rabin power plant site was refurbished and inaugurated in its present form. The center provides a unique and dynamic learning experience, using interactive exhibits and means of illustration, along with

a physical tour of the power plant. During the tour at the center, visitors are also exposed to a significant and less known aspect of the Company's activities - simulation of a cyber incident.

The visitor center at Heftziba Farm - The visitor center is located at a nature and heritage site, and tells the story of the agricultural farm that trained the Second Aliyah pioneers and prepared them to settle in Israel. The center offers visitors an exciting tour of the pump house and Poalim road as part of the story of the historical farm, and a observation point overlooking the Orot Rabin power plant site.

In 2020, 15,000 people visited the Orot Rabin visitor center in January-March alone, and 3,000 visited the Heftziba visitor center. After the centers were closed, we produced a virtual tour tailored to the entire family on Zoom, as an alternative to a physical visit at the power plant. During the tour, the center's guides proactively interacted with the group and encouraged the participants to ask questions about the electricity generation process and the Company's activity in general.

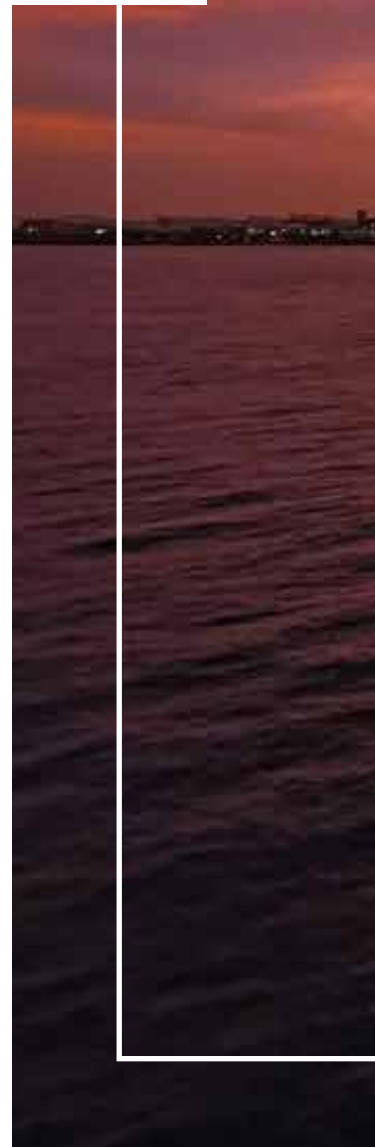
## Strategic visits to the Company's sites

Tours and 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 society and the community. The visits are an opportunity for us to reveal the core of the Company's work, deepen the discourse and promote professional and strategic acquaintance between senior figures, decision makers and the Company.

In 2020, due to the Covid-19 crisis, most scheduled visits were terminated or postponed. In total, in 2020, 18 strategic visits took place with the participation of senior officials, including government ministers, Knesset members, the State Comptroller, senior officials from industry and local authorities, security forces, IDF and health officials, academia, electrical engineers, etc.

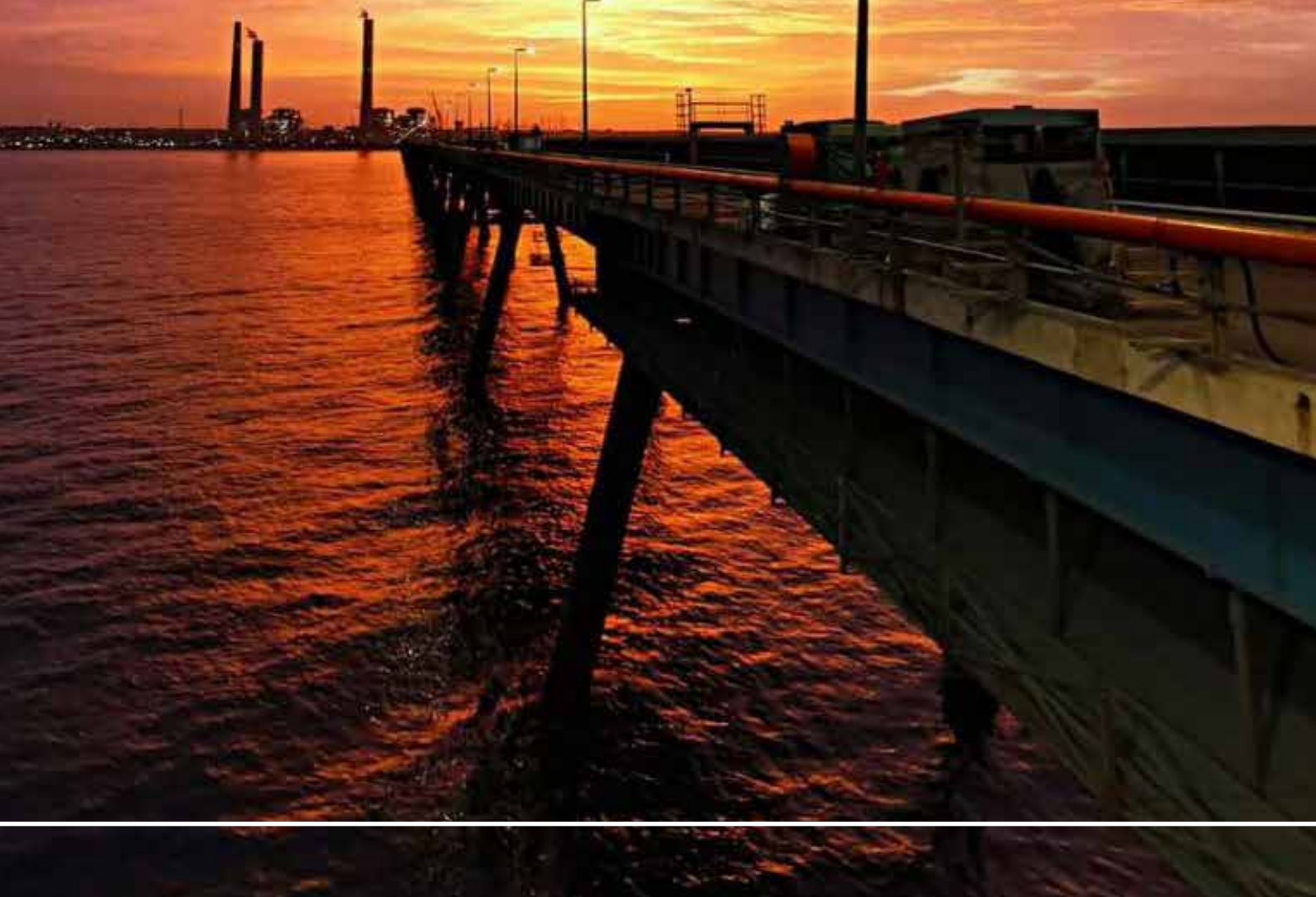
## Looking forward to 2021-2022:

- Execution of a holistic pilot plan for educational programs on the subject of electrical safety and efficient energy consumption, from kindergarten to senior citizen age. As part of the hands-on educational program, the students will serve as ambassadors in the community to communicate the key messages of the program, including prudent use of electricity and efficient energy consumption.





- As part of our dialogue activities, lectures and tours are held for students of academic institutions, mainly in the southern region. In 2021, this activity is expected to expand, as part of which a joint community project of IEC and students from Shamoon College of Engineering will be promoted with the aim of strengthening the relationship between industry and academia.
- Expansion of the integration of community leaders from the staff of Rutenberg and Orot Rabin power plants in the different community activities and educational programs.
- Donating hundreds of unused computers and IT equipment, as an alternative to sending it for scrapping, as part of the national Computerization initiative sponsored by the State President. The initiative, whose purpose is to assist students who do not own a computer, became particularly vital during the Covid-19 crisis due to the necessity for remote learning. While the engagement commenced in 2020, the equipment was, in fact, donated in the first half of 2021.





## Chapter 5: **Responsible Supply Chain**

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Responsible conduct vis-a-vis suppliers

Responsible supply chain management

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## Responsible Supply Chain

As a leading commercial company in the Israeli economy, we consider it our duty to operate with respect, fairness and reliability, while complying with all our obligations, to our suppliers.

Maintaining and nurturing the relationship with suppliers allows us to provide quality, reliable and available service to our customers, and therefore, increasing the cooperation and forming a relationship of trust with them improves the Company's business results.

Recognizing that suppliers are the center of the Company's business life led us to adopt a proactive service-oriented approach to the way we manage our relations with them, which is managed in the same way as the relationship with our customers.

At the same time, we expect all the Company's stakeholders, and particularly its suppliers, to conduct themselves according to high standards so as to enhance the trust and collaboration between us.

IEC's database of equipment and service providers includes

**12,500** active suppliers

**61%**

of the Company's suppliers are located and employ staff in Israel

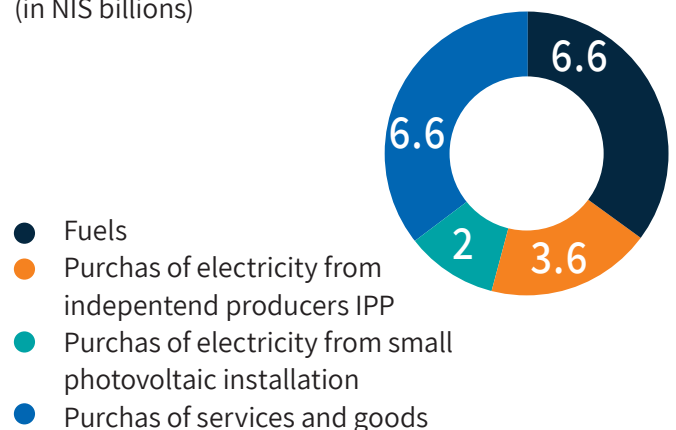
More than **90%**

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

**18.8** NIS billion

IEC's procurement totaled

Breakdown of IEC's procurement (in NIS billions)



\* As at December 31, 2020, the Company generates most of the electricity in Israel - 61% of the total energy generated, While the remaining electricity is produced by independent power producers (IPPs) and small photovoltaic facilities, the electricity purchased from the IPPs and owners of small photovoltaic facilities in 2020 constitutes 25% of the electricity the Company supplied in 2020, versus compared with 18.5% of the electricity supplied by the Company in 2019..

In 2017, a process of consolidating the procurement activity was carried out; in 2020, 95% of the Company's procurement activity was transferred to the Procurement Division. Subsequently, sector managers from the procurement departments were appointed to work with the various divisions, in order to ensure that the procurement processes are carried out by parties that see the overall picture of the Company's procurement and in order to minimize risks during the procurement gathering.

The Company has one of the largest databases of potential suppliers, with 8,000 local suppliers and 5,000 suppliers from abroad, including equipment and service providers, manufacturers, consultants, contractors, distributors and agents.

In order to coordinate expectations and define an ongoing code of conduct with suppliers, a "Service Policy for Suppliers" was formulated. This document defines the procurement values and expresses IEC'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

The supply chain includes a wide range of acquisitions in Israel totaling NIS 16.5 billion per year, including fuel purchases in the amount of NIS 6.6 billion:

- The purchase of different types of fuels by the Company, excluding coal are made by the National Coal Supply Corporation Ltd. (subsidiary). Natural gas is purchased from the Tamar reservoir partners and Leviathan reservoir partners. Diesel fuel is purchased from both refineries in Israel. The other types of fuels used by the Company in the electricity generation sector, including coal and LNG, are purchased directly or indirectly from sources outside Israel.
- The purchase of different types of goods, including stationary, office equipment, IT equipment, photocopiers, etc.
- The purchase of highly complex technological equipment, including boilers, turbines, generators, transformers, control equipment, etc., for the purpose of construction and maintenance of power plants and electricity grids (utility poles, electrical wires for the different voltages, cables of different voltages, etc.).
- The purchase of various services, such as cleaning, catering, security, staff shuttles, transportation, landscaping, vehicle maintenance, etc.



## Responsible conduct vis-a-vis suppliers

### Upholding integrity vis-a-vis suppliers

In engagements with suppliers, IEC 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. We take care to honor agreements with suppliers and not to abuse our position against them. In our conduct with the suppliers, we strive for and carry out measures aimed at preventing harm to the integrity, corruption and improper conduct.

The Company contracts suppliers mainly through public tenders or other competitive processes. In this context, the Company complies with rules of fairness and providing equal opportunity to suppliers, and the contract documents are published (in accordance with the requirements of the law) on the Company's website.

As part of compliance with the law and code of ethics, the Company instituted a policy to prevent conflict of interests and maintain integrity. For further information, see chapter 7 on page 181.

### Transparency

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. In addition, we follow the requirements of the law with regard to publication of the engagement decisions on the Company's website, concerning entry into agreements other than through a tender pursuant to the mandatory tender regulations.

### Dialogue with suppliers:

As part of implementation of the policy of service to suppliers, the Company publishes, on its website, the procurement program for the coming five years, and places at the disposal of the suppliers the Supplier Relations Unit, which is responsible for ongoing management and maintenance of the relationship with them. The unit guides the suppliers from registration in the database of potential suppliers throughout the duration of their business activity with the Company. The unit is also responsible for establishment of metrics and assessment of suppliers' performance, registration and certification of suppliers in Israel and overseas, and assists in lifting bureaucratic barriers in procurement procedures, improving communication with suppliers and their "customer experience". As part of providing access to the procurement system for the suppliers, we hold business opportunity conferences in close collaboration with the Ministry of Economy and Industry and the Manufacturers' Association; however, in 2020 no in-person supplier conferences were held due to the Covid-19 crisis. Nevertheless, in 2020 there was a 30% increase in the number of local suppliers that joined IEC's supplier database compared to the previous year, inter alia, as a result of conferences held in 2019. (As at the report publication date, in 2021, the activity was renewed and supplier conferences have taken place in collaboration with the Manufacturers' Association.

### Confidentiality and information security

We operate according to strict procedures

and guidelines with regard to information management and security in procurement and engagement processes, inter alia with the aim of enhancing the suppliers' trust. 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.

#### Privacy protection and maintaining information security among suppliers

In every new contractual engagement, the suppliers sign an information security appendix, according to which they are required to meet all information security standards and provisions in line with IEC's procedures. In addition, the suppliers are obligated to comply with the Privacy Protection Law, and from time to time, IEC conducts inspections of suppliers on the matter.

As at the report publication date, 100% of IEC's suppliers have signed and follow the Company's privacy protection and information security guidelines.

## Responsible supply chain management

#### Promoting diversity in the supply chain

The Company's procurement policy, including the environmental and social aspects, derive from the Mandatory Tenders Law to which the Company is subject as a government company. In this context, types of preferences were set which a government company is permitted to grant in tenders, such as: preference for "blue and white" (locally sourced) procurement, and preference for businesses managed by women. In the suppliers registration questionnaire in the Company's systems, two questions were included that check whether there is official reference to corporate sustainability aspects, and whether the company carries out practices that take the environment into consideration. Moreover, during the registration process, suppliers are asked to sign a letter on compliance with the law and the code of ethics.

If possible, we work to encourage and include businesses that also provide social and/or environmental value in their activities, in our database of suppliers. In this context, we initiated collaboration with the Small and Medium Business Agency (SMBA) in order to integrate additional small businesses in our suppliers database and provide them with access to the Company's procurement system. As part of the collaboration with SMBA, in recent years, several supplier conferences were held nationwide - in large cities and towns of the periphery - in order to provide access to the Company's procurement system to small businesses; we also held a conference for SMBA advisors that mentor the small businesses. In addition, 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 which a special 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 enterprises, local businesses and businesses that employ populations that are underrepresented in the employment market).

#### Protecting human rights in the supply chain

IEC adheres to fair employment principles and takes any violation of rights in the terms of engagement of contract workers seriously - both as part of the procurement procedure and as part of implementation of contracts. The Company's suppliers are obligated, inter alia, to pay their staff on time and in accordance with the Minimum Wage Law, and take care to provide the social benefits to which they are entitled by law as well as working hours and adequate rest.

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. Therefore, in relevant engagements, the contract documents include a provision that requires the suppliers to furnish periodic approvals from an accountant on the matter of fulfillment of duties and payments applicable to them under the labor laws and in accordance with the engagement, to their employees who work at IEC's sites. In addition, we apply a mechanism of clarifying and addressing complaints of contract workers, in which a solution was provided to 2,000 workers employed at the Company's sites. The solution includes clarifying and addressing complaints of

contract workers on the issues included in the law, collaboration with the Ministry of Economy and Industry, involvement of the Tenders Committee and forwarding recommendations regarding contractors. In 2020, seven complaints of suppliers were received on the matter of payments and participation in procurement processes. These complaints were checked with the relevant parties in the Company and once they were clarified, a solution was provided to the complainant.

#### Undertaking by suppliers to act according to the Company's values

It is IEC's obligation and responsibility to maintain high standards of ethical behavior, which are also relevant to its supply chain. As part of the Company's engagement process with its suppliers, suppliers are required to sign and undertake to uphold the code of ethics according to which the Company operates. All suppliers with which IEC engages receive, as part of the supplier registration documents, a letter explaining the code of ethics and how it is instilled in IEC, including IEC's expectations of the supplier in this context. The letter is also published on the Company website in Hebrew and English.

As of 2020, over 90% of the new suppliers that joined the Company (since June 2019) have signed the letter of undertaking.

#### Risk management in the supply chain and supplier inspections

IEC works to identify and reduce potential risk in its supply chain. This includes examination and inspections of the Company's suppliers, as part of which it examines, inter alia, aspects of protecting the rights of the suppliers' employees and compliance with labor laws. In general, the tender documents include a specific section on bribery, worded by the Legal Counsel Unit, which bidders in tenders are required to sign.

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### Dialogue with suppliers continues into the Covid-19 crisis period

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As a company that directly and indirectly employs thousands of employees, IEC has a significant task of preserving the social resilience of its stakeholders. As a result, in the Covid-19 crisis period, which was characterized by a great deal of uncertainty, the Company acted to assist suppliers with which it engages and grant them relief to the extent possible.

In this context, we proactively advanced payments, and more flexible regarding payments to small and medium suppliers in Israel; we established a service center in the Accounting Division, which serves as a point of contact for all payment aspects and other financial matters; we assisted in transporting materials and equipment from abroad; we completed the transition to working with digital invoices; we provided approvals to continue regular activity with suppliers during the lockdowns, and we kept up continuous engagement, to the extent possible, of external advisors and/or permanent contract workers and granted professional support to suppliers that needed it, by professionals in the Procurement Division.

IEC has a designated website for suppliers that is being upgraded, with the aim of improving the service experience and the quality of dialogue. The process is led by work teams established for the purpose of thinking and formulating groundbreaking ideas to improve the service on the website.

## Looking forward to 2021-2022:

- Contacting suppliers to fill out a satisfaction survey of their conduct with the Company (the previous comprehensive suppliers' survey was conducted in 2018).
- Holding a conference on Zoom with the participation of the Manufacturers' Association, and producing a promotional video in order to broaden the Company's database of potential suppliers.
- Executing a variety of measures aimed at improving the dialogue, transparency and relationship of trust with the suppliers, including:
  - \* Establishment of a special inbox for suppliers' inquiries, which will be addressed by the appropriate procurement staff.
  - \* The option of receiving a personal password and performing self-identification to shorten and grant access to the process of logging on to the supplier website. In addition, access to the suppliers' system and response to questions will also be enabled by smartphone.
  - \* Installing a chat box with suppliers.
  - \* The option of registration for the suppliers database using digital questionnaires.
  - \* Development of a form for the supplier to view its data in the Company's system, and the option of sending corrections when necessary. In addition, a suppliers' rating system will be available on the website, which will allow suppliers to review the components of their rating independently and confidentially.



## Chapter 6:


# Ethics in the Israel Electric Corporation

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Instilling ethics

Protecting human rights

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# Ethics in the Israel Electric Corporation

The IEC is committed to achieving business results 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 core values form the cornerstone of the Company's Code of Ethics<sup>1</sup>.

Changing  
**courageously**

Committed to our  
**customers' needs**

**Leading**  
responsibly  
and reliably

We care about  
**people**

**Committed**  
to professionalism  
and excellence

<sup>1</sup> For the Israel Electric Corporation's Code of Ethics, see <https://www.iec.co.il/about/Documents/KodE.pdf>

IEC's Code of Ethics reflects our guiding principles and the values we expect managers and employees to adopt and implement in their every day activities. The organization's code of ethics was written in 2011 and updated and approved by the Company's management and Board of Directors in 2019 and January 2020, respectively. The document describes the IEC's vision, its core values and the expected courses of action derived from each value, guidelines for dealing with ethical dilemmas, description of the relevant mechanisms and Company organs one should consult with and report to in connection with ethical issues, and an appendix describing the rules of ethics in the digital space.

We place great importance on the integration and implementation of the Code of Ethics, and expect all of our employees, and specifically managers, to serve as role models and comply with the Company's Code of Ethics. The Code of Ethics applies to the Company, its directors, managers and employees. The Code of Ethics' principles and values apply to the subsidiaries and guide the way we conduct ourselves not only in Israel but also abroad.

## Instilling ethics

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The IEC's ethics function was set up in 2011; it comprises 160 "Ethics Ambassadors" - ethics liaisons and members of the Ethics Forum, who are in charge of integrating the Company's Code of Ethics into all Company's units in addition to their normal day job. The function is headed by the officer in charge of ethics in the organization and the head of the department dealing with the integration of the organization's ethics and core values. Her 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 Board of Directors' Corporate and Social Responsibility committee.

We also conduct a two-year integration and training program that was formulated in collaboration with our ethics liaisons and members of the Ethics Forum; the program was approved by Company's management. All of our employees and managers take part in the program, which includes discussions and workshops that are relevant to the Company and its needs. The implementation of the Code of Ethics, the training program and controls over it fall within the remit of Company's management.

The Code of Ethics Integration Program for 2020-2021 is derived from the Company's Code of Ethics and core values; it focuses on in-depth implementation of two out of the Company's five core values: "Leading responsibly and reliably" and "changing courageously". Furthermore, following incidents of breach of integrity in the Company, the CEO ordered to conduct activities that will raise awareness for the issue of integrity using various measures.

In 2020, 3,781 employees took part in the ethics integration program. Through June 2021, the number of employees and managers who participated in the ethics integration program exceeded 8,000.

## Reporting mechanisms on ethics

IEC's employees have a number of channels through which they can report ethical issues or get advice in connection therewith:

1. Intra-net ethics center - all employees can contact the intra-net ethics center and receive professional and pragmatic response to ethical dilemmas they encounter during the course of their work.
2. Reporting ethical breaches<sup>2</sup> and receiving advice on ethical issues - employees who grapple with an ethical issues, are in need of clarifications in connection with the Company's Code of Ethics, or have suspicions that the Code of Ethics has been breached are advised to first speak, where possible, to a manager or employee related to the matter. They are also advised to contact the officers in charge and to the departmental ethics liaisons or the unit's forum members. Where the issue they raised was not handled in a satisfactory

*2 Queries and/or complaints in connection with integrity and/or proper governance and/or breach of procedures are addressed to the internal auditor and/or the ombudsman and/or the HR department, as applicable.*





manner, employees are advised to contact the officer in charge of ethics or the head of the department dealing with the integration of the organization's ethics. Employees can also contact the intra-net ethics center at any time.

Queries are dealt with by the ethics function; where this is required, the function or person dealing with the query shall assess the case and its details with the assistance of the relevant Company functions and employees. Queries are dealt with discretely while respecting the dignity of all concerned parties.

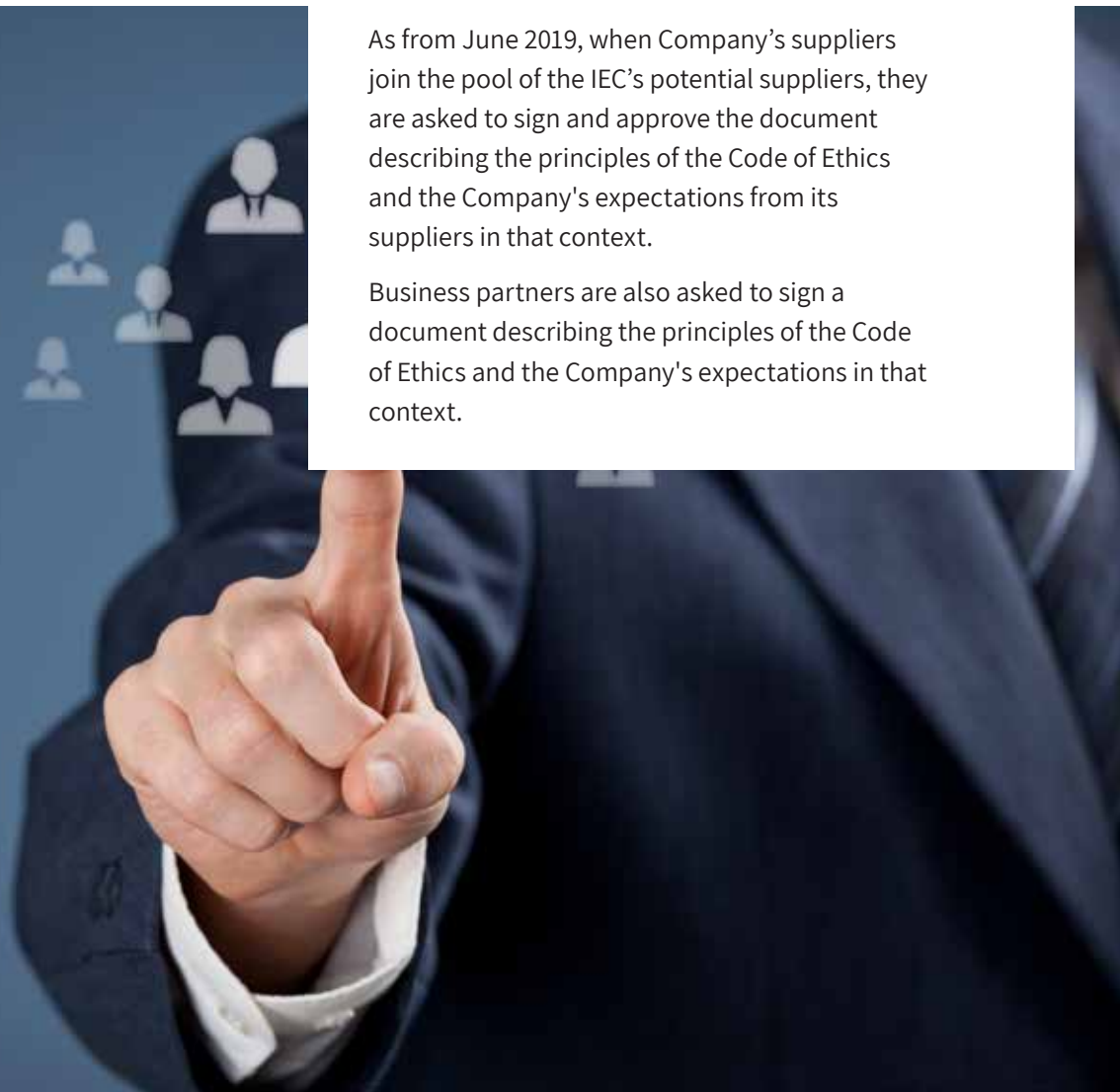
In 2020, 13 queries and requests for advice on organizational ethic issues were received in the different channels.

## 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 has been revised, the IEC's procurement department sent to the Company's suppliers, in Israel and abroad, a letter regarding the Code of Ethics. The letter described the principles of the Code of Ethics, noted the importance assigned by the IEC 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.

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.



## Protecting human rights

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The IEC is committed to treat customers, employees, competitors, suppliers, lenders, shareholders and government agencies with respect, integrity, fairness and reliability. We uphold employee rights and take action to promote a respectful work environment; we treat all of our 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 customer's rights with the IEC, and fair employment in the supply chain. The above topics are elaborated on throughout this report.

In order to secure a work environment that is safe and free of sexual harassment, the Company formulated rules for preventing and dealing with sexual harassment, appointed an officer in charge of this issue and liaisons from among the employees; the Company also communicates the importance of this issue to employees and managers through intra-organizational communication channels, in management discussions and in induction days to new employees. The Company also has in place a hotline through which employees can file complaints; it also operates mechanisms for submitting queries and reporting, and takes steps to inform employees of this issue.

## Looking forward to 2021-2022

- Formulating a Code of Ethics Integration Program for 2022-2023. The program will deal with in-depth implementation of selected core values out of the IEC's five core values. The program will include extended contents for managers; furthermore, focus groups will be held in order to map the needs and adapt the integration program to the requirements of the various divisions.
- Creating "routine ethics" to be integrated in the routine work of employees, and assessing a model for ethics "success benchmarks".





## Chapter 7:

# Prevention of Bribery and Corruption and Upholding Integrity

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Initiatives to mitigate embezzlement and fraud risks in the IEC


Training for proper conduct

Prevention of bribery and corruption in IEC's subsidiaries and investee corporations / associates

Prevention of bribery and corruption among suppliers and third parties

Procedures for addressing incidents of corruption

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## Prevention of Bribery and Corruption and Upholding Integrity

As described in the Company's Code of Ethics, the IEC is committed to **treat customers, employees, competitors, suppliers, lenders, shareholders and government agencies with respect, integrity, fairness and reliability.**

We strictly uphold uncorruptibility 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.

## Main points of the policy on prevention of fraud, bribery and corruption

The Company pursues 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 programs<sup>1</sup> for dealing with the prevention of bribery and corruption and that address the various issues involved in this matter, including:

- Procedure on the “Prohibition of Bribery and Enforcement Function” (hereinafter - the “Enforcement Procedure”);
- 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.
- "Embezzlement and fraud risk management" procedure;
- The Company's Code of Ethics;
- Corporate Governance Code;
- The Government 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 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 Public Complaints Commission”;
- The procedures 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”;
- A program for mitigating embezzlement and fraud risks

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 IEC is committed to proper disclosure to its investors, through financial statements and immediate reports on material events in the Company, as required by law.

As part of Company's anti-bribery and corruption activities, it takes steps to mitigate the risk of embezzlement and fraud, including prohibition on giving and accepting bribes. In order to have in place optimal management of this area in the Company, it appointed an embezzlement

<sup>1</sup> For information about the Company's procedures please see the Freedom of Information Chapter on the IEC's website at <https://www.iec.co.il/freedomofinformationact/pages/nehaim.aspx>



and fraud risk controller. Furthermore, the Company appointed a supreme committee for embezzlement and fraud, whose role is to supervise issues pertaining to Company's embezzlement and fraud risks; the committee also serves as a professional forum on this issue.

Through 2020, the responsibility for the internal enforcement program in connection with prohibition of bribes lied with the Company's Legal Counsel, who was appointed by the CEO. As from 2021, the responsibility for the internal enforcement program and the issues of bribery and corruption lies with the VP Operations & Logistics.

Furthermore, the Company's internal audit unit operates continuously to assess the risks of embezzlement and fraud, suspected bribery, corruption and breach of integrity.

The Board of Directors' "Corporate Governance, Regulation and Tariff Committee" is the organ 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 Enforcement 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.

Furthermore, the internal audit reports dealing with the embezzlement and fraud risks and integrity-related events are filed and presented in discussions of the Board of Directors' Audit Committee. The annual and the semi-annual report of the internal audit function, which refer to all of its activities during the reporting period - including in the field of embezzlement and fraud risks and the activities to uphold integrity - are filed to the Audit Committee and discussed by it and well as by the Board of Directors' plenum.



The Company's Board of Directors is updated on the progress of executing the enforcement program, according to the discretion of the Enforcement Supervisor or the Corporate Governance Committee, and in any event of issues of principle that may arise from it. Furthermore, the Committee's Chairman and Company's extended management receive the annual report that the Supervisor submits to the CEO, which summarizes the Company's activity in connection with the Enforcement Program.

Furthermore, the Board of Directors receives a quarterly report on the activities of the disciplinary committees submitted to the Audit Committee. In addition, 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, in cases where concerns arise of violations of the law or of integrity.

### 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; engagements are conducted further to competitive procedures in accordance with the tender laws, and most of the Company's customers are consumers of electricity.

In order to mitigate the money laundering risk, the IEC does all in its power to pay its suppliers only by bank transfer. Nevertheless, payments to some suppliers can only be made by check; therefore, this means of payment is still used, although to a lesser extent. Furthermore, the Company's engagement documents include suppliers' declaration on compliance with anti-money laundering laws.

### Initiatives to mitigate embezzlement and fraud risks in the IEC

The mitigation program - The IEC has a master program whose aim is to mitigate embezzlement and fraud risks. This program was approved by the Company's CEO and Board of Directors, and is applied across the Company. The program covers various aspects of embezzlement and fraud, including - the prohibition on accepting bribery, the prohibition of giving bribery and the enforcement function. As part of the program, recommendations of internal surveys are implemented and the performance control functions has been set up, relevant Company procedures are implemented and periodic reports are delivered by the risk controller to the steering committee, headed by the VP Operations & Logistics who was defined as the "risk owner" and to the various Board of Directors' committees.

Risks liaisons - the Company appointed 12 risks liaisons, who function as an executive arm that implements the mitigation program in the different divisions in addition to their positions in the Company.

Risk surveys - in 2019-2020, the Company took steps to validate the list of sensitive positions, conducted embezzlement and fraud surveys in the Finance & Economics Division regarding the convergence of the invoices system, the Information and the Fuel Administration Divisions.

Control - the Company has in place internal enforcement in the field of prohibition on giving bribes to civil servants in accordance with local and international guiding criteria, such as the guidance of the OECD and the UN, the rules pertaining to the prohibition of bribery in Israeli law, and more.

The Forum on the Prohibition of Bribery and Corruption - The Company is currently considering joining a relevant forum on the prohibition of bribery and corruption.

The Internal Audit Unit - the Company's multi-year work plan, including the Internal Audit Unit's plan, focus on embezzlement and fraud risks, based, among other things, on risk surveys, previous audit reports that pointed out embezzlement and fraud risks, past events and more. Furthermore, 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. In addition to performance of audits, another important function of the IEC's Internal Audit Unit is dealing with complaints that are not consumer complaints and/or checking information received from various sources, which indicate embezzlement and fraud risks. For the purpose of receiving complaints and information, the contact details of the Internal Audit Unit are published both on the Company's external website and on its intranet. Furthermore, the unit operates a "hotline" through which callers can leave messages and remain anonymous. The Internal Audit Unit may also be contacted anonymously for the purpose of filing complaints or delivering information via other communication channels. Generally, the Internal Audit Unit is an important and significant Company organ that helps to shape the IEC's ethical organizational culture. Therefore, the Internal Audit Unit initiates and participates in various Company workshops and forums and delivers training sessions on topics related to embezzlement and fraud risk, including for the purpose of raising awareness among employees and deterring them from engaging in such

activities. In addition, as part of its routine activity, the Internal Audit Unit initiates work interfaces and meetings with the Company's other "gatekeepers" for the purpose of coordinating, collaborating, and brainstorming, including in the area of embezzlement and fraud risks.

In 2020, the Company issued and distributed among its employees interactive educational tutorials on: the Privacy Protection Law, conflict of interest and receiving gifts, fraud and embezzlement and briefing of candidates for work in classified positions.

## Training for proper conduct

We conduct periodic training sessions participated by relevant Company employees, including key employees in subsidiaries and members of management and Board of Directors for the purpose of providing clear guidance on what is considered acceptable behavior and what is considered unacceptable behavior. Furthermore, in order to create a culture of deterrence and educate employees to behave in an acceptable manner, the HR Department publishes information to employees in connection with breaches and sanctions that were imposed in respect thereof. Rulings issued by Disciplinary Committees in connection with impairment of integrity are published on the notice boards or via the organizational emails system. In 2020, the Internal Audit Unit held training to the Company's extended management on the leveraging of integrity-related events in order to increase awareness and achieve determent. Furthermore, during 2020, a team from the Internal Audit Unit headed by the internal audit function, and whose members included representatives of the HR Division, the embezzlement and fraud risk controller, and the Legal Department was active in this field. The team operated in a range of areas and promoted the formulation of Company-wide training systems in order to increase awareness of the subject among employees.

During 2020, the embezzlement and fraud risk management unit held a risk liaisons convention in order to integrate them as divisions' representatives in the field of embezzlement and fraud; the unit also held a conference on embezzlement and fraud for supervisors and training on the subject for the Dan District.

## Prevention of bribery and corruption in IEC's subsidiaries and investee corporations / associates

The Company is acting to integrate enforcement and/or reporting mechanisms at its subsidiaries, investees and associates, as applicable. As part of this, the Company mapped risk exposures of its subsidiaries and investees/ associates, in which it provided the following:

Subsidiaries - the Company instructed that actions for the implementation and integration of enforcement 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/annual reports 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.

Investee corporations / associates - 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 to take actions such as establishing/examining the existence of mechanisms/procedures for receiving information, maintaining compliance procedures appropriate for their operations, and monitoring implementation thereof. The Company conducts

the required due diligence before making investments and acquisitions accordingly.

### Prevention of bribery and corruption among suppliers and third parties

As part of Company's engagements with third parties (including suppliers, service providers, partners and intermediaries), suppliers are required to include statements in connection with the activity of those parties while maintaining proper conduct in their engagements with the Company, and placing an emphasis on their conduct in terms of avoiding bribery, preventing corruption and other areas of compliance: money laundering prohibition, terror financing prohibition, and prohibition on trading with enemy states<sup>2</sup>.

A comprehensive Company-wide guidance was published by the Legal Counsel concerning "Rules of Conduct with regard to compliance applicable to the Company in contractual engagements with suppliers and business development activities (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, anti-terrorism and money laundering issues. Furthermore, the Guidance includes, among other things, instructions for the Company's units regarding the wording of statements and commitments that are to be included in the documents for contractual engagement with the above parties that relate to the operations of such third parties. This is carried out while maintaining proper conduct in their engagements with the Company,

with an emphasis on their conduct in terms of preventing bribery and corruption.

In the cases listed in the Guidance, based on the scope and level of risk, "red flags" tests will be carried out (convictions, indictments, investigations and proceedings conducted against the supplier in the relevant areas of compliance), and due diligence will be carried out in the cases set out in the Guidance. The Guidance also includes an obligation to examine blacklists<sup>3</sup> - through the software used by the Company for foreign entities with which the Company enters into engagements.

The statements and contract clauses pertaining to the prohibition of corruption and bribery that third parties are required to sign were distributed to the Company units (and are available in the internal organizational portal) also in English. The Enforcement Procedure also includes a relevant section on compliance that pertains to a contractual engagement with a third party - in English. In addition, there is also dedicated guidance on mediation transactions and engagements with advisors. For more information, see the bribery and corruption statement on page 238 of this report.

2 Set forth below is an example of a document setting out the general terms for procurement procedures that are exempt from a tender, Section 38 "Lawful Activity": <https://www.iec.co.il/Suppliers/Documents/RFQWORDINGDOCUMENTS-SERVICES-UPDATEDTO07.07.21.pdf>

3 The Company is committed to avoid from trading with states and entities included in "blacklists", such as the blacklists of the US Department of State (OFAC), the main (collective) list of the European Union, the list of sanctions of the US Security Council ; the Company is also committed to act in accordance with the "blacklists" of the Israeli Ministry of Defense and Ministry of Finance.

The Internal Audit Unit examines information and complaints received through the various channels, also 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.

## Procedures for addressing incidents of corruption

The “Suspected Criminal Offenses” procedure provides that it is the duty of an 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 Enforcement 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 dealing with suspected criminal offenses by Company employees. 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 2020, the Internal Audit Unit analyzed the characteristics of integrity events that took place in the Company in order to assess whether they have shared characteristics and improve the process by which lessons are drawn. This analysis resulted in important insights for the organization, which were passed on to all managers and employees as part of the implementation activities in the Company. Furthermore, the Internal Audit Unit delivered a number of training sessions in the area of integrity to senior management and to the extended management.

#### Reporting channels to the Internal Audit Unit

We allow any party, including employees, suppliers, customers or the general public to file complaints and deliver information about concerns regarding inappropriate conduct or corruption and breach of integrity; this is made possible through a range of reporting channels - whether the reporting party's identity is disclosed or remains undisclosed. These reports are dealt with by the Company's Internal Audit Unit. The contact details of the Internal Audit Unit, including the hotline, are available both on the organizational portal and on the IEC's external website.

The ombudsman function works together with the Internal Audit Unit of the IEC, and focuses on consumer complaints filed by the Company's customers. Since consumer complaints can occasionally expose concerns of inappropriate conduct, there is a synergy between the activity of the Internal Audit Function and that of the Company's ombudsman function.

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, 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.

#### Protecting whistleblowers

The IEC 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, as well as the manner of handling them, ways to protect the complainant, including maintaining his/her identity and details confidential, not have his/her work conditions adversely affected, not terminating him/her, 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.

The Internal Audit Unit operates in accordance with the Whistleblower Procedure and each case is examined on its own merit, in coordination with the legal unit. In accordance with 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.

Generally, 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).

### Looking forward to 2021-2022:

The Internal Audit Unit shall continue its extensive work to prevent bribery, corruption and protect integrity as described above, in all levels and aspects of its activity, constantly bearing in mind the embezzlement and fraud risks. In addition to its investigation and handling of specific issues, the Internal Audit Unit shall continue looking at root causes, organization-wide consequences and aspects, and hold an important and significant role in the shaping of the Company's organizational culture.





## Chapter 8:

# Appropriate Business Culture

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Board of Directors

Senior officers' and directors' compensation policy

Transactions with related parties

Shareholders' meetings

Public complaints

Claims and legal proceedings

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# Appropriate Business Culture

The Israel Electric Corporation is a publicly-traded government company and a reporting corporation. Accordingly, the Company places great importance on appropriate and effective corporate governance. The Company has a corporate governance code formulated and approved by Company's Board of Directors; 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, the Securities Law, the Electricity Sector Law, the Streamlining of ISA Enforcement Procedures Law, the Economic Competition Law, the Environmental Protection Law and the regulations promulgated there under.

The Government Companies Law and the regulations promulgated thereunder stipulate various provisions, which constitute part of the corporate governance rules applicable to the Company as a government company, including, among other things, 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.

## Board of Directors

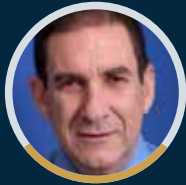
### Members of the Board of Directors (as of December 31, 2020)

Chairman of the Board of Directors

- **Major General (Res.) Yiftah Ron-Tal<sup>1</sup>**

Board members:

- **Ms. Dvora Sonia Hassid**  
director from among the public
- **Mr. Efraim Refal Henig**  
director from among the public
- **Mr. Arie (Arik) Forer**  
external director
- **Mr. Yaki Ya'akov Vadmani**  
independent director
- **Mr. Yoav Druker**  
Directors on behalf of the employees
- **Mr. Shlomo Arbiv**  
external director
- **Ms. Diana Halabi Hassoun**  
director from among the public
- **Mr. Manela Avraha Mordechay**  
director from among the public
- **Mr. Meir Ben Uri Spigler**  
director from among the public
- **Mr. Rafael Mordechai Taterka**  
independent director<sup>2</sup>
- **Mr. Nissim Alon**  
director from among the public
- **Ms. Anat Oren-Elad**  
director from among the employees



**Major General (Res.)  
Yiftah Ron-Tal**  
Chairman of the  
Board of Directors

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**Mr. Yaki Ya'akov  
Vadmani**



**Mr. Arie (Arik)  
Forer**



**Mr. Efraim Refal  
Henig**



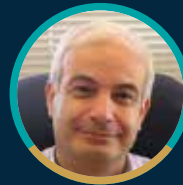
**Ms. Dvora Sonia  
Hassid**



**Mr. Manela Avraha  
Mordechay**



**Ms. Diana Halabi  
Hassoun**



**Mr. Shlomo Arbiv**



**Mr. Yoav Druker**



**Ms. Anat Oren-Elad**



**Mr. Nissim Alon**



**Mr. Rafael Mordechai  
Taterka**



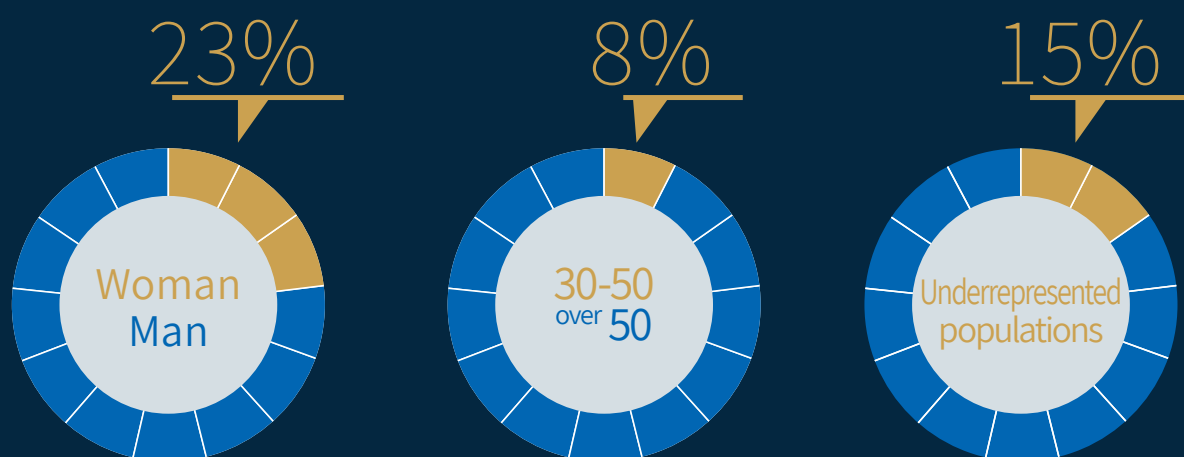
**Mr. Meir Ben Uri  
Spigler**

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1 The Chairman of the Board of Directors does not serve in any other role in the Company

2 ceased to serve as a director in the Company on March 24, 2021

## 13 Board members breakdown by age and gender



## Professional experience of Board members<sup>3</sup>



<sup>3</sup> For more information, see Periodic Report for 2020, under Chapter D – Additional Details about the Corporation, page 9.

## The Board of Directors' purview and activity - the Corporate Governance Code

In 2012, the Company's Board of Directors approved a Corporate Governance Code (hereinafter: the "Code"); the Code was revised in 2017 and approved by the Corporate Responsibility, Regulation, Rates and Environmental Protection Committee (hereinafter: the "Corporate and Social Responsibility Committee" and by the Board of Directors' plenum. In 2021, the Corporate and Social Responsibility Committee approved immaterial amendments and it was decided that a written report shall be filed to the Board of Directors. 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 defines 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 the rules of conduct that Board of Directors and management members are required to abide by in accordance with the Company's managerial approach and values, 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.

**The Code defines 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 Code lists the 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.

## Appointment of directors

Generally, since the Company is a government company, its directors, other than external directors, are appointed by the relevant ministers after consulting the Committee for Reviewing Appointments in Government Companies operating by virtue of Section 18 to the Government Companies Law; 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 is checked.

The Committee for Reviewing Appointments in Government Companies is headed by a representative of civil servants or public service employees, whose identity is decided by the Attorney General; the said employee should be eligible to serve as a District Court Judge. Furthermore, members of the said committee include a public figure whose identity is set by the Chairman of the Committee and is subject to the competency conditions applicable to a chairman of a board of directors as set out in the Government Companies Law; the said public figure should have no personal, business or political interest in any of the government's ministers; a representative of the Government

Companies Authority shall also serve in the Committee.

The External Directors shall be appointed in accordance with Section 239(b) to the Companies Law. The above section stipulates that external directors in a publicly-traded company shall be appointed by the General Meeting, provided that one of the following conditions is met:

- The count of votes at the General Meeting will include a majority of all the shareholder votes that are not controlling shareholders in the Company or who have a personal interest in approval of the appointment excepting a personal interest that is not the result of the candidate's connections with the controlling shareholder, that are participating in the vote; in the count of all votes of said shareholders abstentions will not be taken into account; for those who have a personal interest, the provisions of section 276 of the Companies Law shall apply, with necessary modifications;
- The total number of votes against among the said shareholders shall not exceed two percent of all voting rights in the Company.

### A director's term in office

A Company director is appointed for a period of three years at most 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 by virtue of the Companies Law for a period of three years and the Company may appoint him/her for two further three-year periods.

### Competency criteria when appointing directors

The competency criteria for service as a director on behalf of the state are set out in the Government Companies Law and the regulations promulgated thereunder, and in various government directives, including in relation to offering as a candidate for service as a director a person who has a personal, business or political affiliation to any of the government ministers, which may be approved under extraordinary circumstances and when such an appointment is worthy beyond any doubt due to the candidate's unique contribution. Furthermore, qualifications were set to competency criteria for service as a director, the term in office, terms of service, provisions on the expiry of directors' term in office and suspension of directors, and provisions regarding the prohibition of personal and institutional conflicts of interests.

### 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 will be five. 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 2020, the Company's Board of Directors has five serving directors possessing accounting and financial expertise, and eleven serving directors with experience in senior management positions.

### Preventing conflict of interest in the Board of Directors

The directors are required to avoid conflict of interest by law and by virtue of the Corporate Governance Code. Prior to his/her appointment,

each director signs an undertaking to avoid conflict of interest, and to contact the Legal Counsel whenever doubts arise in connection with such conflict of interest; where necessary, the Company's Secretariat assesses the situation and prepares a specific conflict of interest arrangement. Furthermore, the Company works to identify and duly approve transactions in which the director has or may have conflict or interest.

### Maintaining the Board of Directors' independence

The IEC ensures to have in place appropriate corporate governance by, among other things, adopting a Corporate Governance Code it strictly adheres to, and by implementing the provisions of the law. As of the report publication date, two external directors serve in the Company; furthermore, four out of the eleven Board members are independent directors. Other than directors who are Company employees, Company directors do not report to the CEO, whether directly or indirectly; the compensation paid to directors is determined in accordance with the provisions of the law.

The Board of Directors has a number of permanent committees and ad-hoc committees. The permanent committees include the Audit Committee, the Compensation Committee, and the Financial Statements Review Committee, whose powers are set out in the Companies Law; both external directors and independent directors serve in those committees.

The IEC has internal procedures and various control and supervision mechanisms, including, among other things, approval of transactions

with interested parties and adoption of transaction approval criteria in accordance with the Fifth Chapter of the Sixth Part of the Companies Law; questionnaires for identifying directors' conflict of interest, and conflict of interest arrangements signed by directors upon their appointment as Company directors.

#### Effectiveness of the Board of Directors' work

In 2019, an external entity reviewed the effectiveness of the Board of Directors' work, in accordance with a model suggested by the Government Companies Authority; the model was adopted by the Company *mutatis mutandis*. The detailed report and its findings were presented in the Board of Directors' plenum in July 2020. Following the findings of the report and the discussion held in connection with this topic by the Board of Directors, various measures are taken in collaboration with various Company organs to implement the report's recommendations.

#### Conducting the Board of Directors' meetings

The Board of Directors' plenum convenes at least once a month in accordance with the Company's needs and an annual schedule of meetings set by the Chairman of the Board of Directors in November of each year. In practice, during 2020 the Board of Directors' plenum convened in accordance with the Company's needs at least every two weeks, and the number of meetings exceeded the number set in the annual schedule.

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. Other than directors,

Board of Directors meetings are attended by a representatives of the Government Companies Authority whose position is equivalent to that of a director, despite the fact that he/she is not counted in the quorum and he/she has no voting right. Furthermore, the Company's CEO, Deputy CEO, VP Finance, Legal Counsel, Board of Directors' Secretary, Internal Auditor 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, and takes part in all meetings dealing with the financial statements and in meetings discussing deficiencies in the management of the Company's businesses, the role of the independent auditor or other topics as decided by the Chairman of the Board of Directors. Furthermore, as and when needed, advisors to the Board of Directors and others attend the meetings in accordance with their areas of expertise at the approval of the Chairman of the Board of Directors or the Chairman of the relevant committee. At the end of Board of Directors meetings, the Chairman will hold, at his discretion (including at the request of a director), a discussion attended only by directors.

41 plenum meetings  
took place

97% directors  
attendance

Board of Directors' meeting: 2020





## Board of Directors' Committees

10 Board of Directors' Committees

66 Discussions

97% Attendance at all Discussions

All committee's composition as of December 31, 2020



### Audit Committee

#### The committee's composition:

- Mr. Arie (Arik) Forer  
Accounting and financial expertise
- Mr. Shlomo Arbiv  
Accounting and financial expertise
- Mr. Manela Avraha Mordechay  
Accounting and financial expertise
- Mr. Meir Ben Uri Spigler
- Mr. Rafi Taterka  
Accounting expertise
- Ms. Mona Bkheet ended her term in office as a director on June 25, 2020 - Accounting and financial expertise.

12 discussions  
97.2% attendance  
Audit Committee : 2020



**Main powers:**

- Discussing audit reports and other reports which pointed out deficiencies in the Company which require dealing with.
- Approving the Internal Auditor's work plan and providing the Board of Directors with recommendations in respect thereof.
- Discussing extraordinary cases, or as required at the request of the Chairman of the Board of Directors, the Chairman of the Committee, the CEO or the Internal Auditor.
- Discussing and monitoring employees' complaints and public complaints.
- Controls over compliance with laws and Company's procedures.
- Discussing and approving transactions with controlling shareholders and extraordinary transactions.
- Assessing the integrity of the Company's process of hiring relatives of its employees.

**The committee's activity:**

- The Chairman of the Committee updates the Chairman of the Board of Directors on any material issues arising from the audit reports, and the Audit Committee monitors the Committee's decisions on a regular basis.
- The Chairman of the Audit Committee updates the Board of Directors' plenum on the committee's activity at least twice a year. This is done in writing or orally during a meeting by arrangement between the Chairman of the Board of Directors and the Chairman of the Committee.
- **During 2020, the internal function distributed 95 audit and follow-up reports; during this period, the committee held 12 discussions regarding the reports.**

### Compensation Committee



#### The committee's composition :

- Mr. Arie (Arik) Forer
- Mr. Shlomo Arbiv
- Mr. Rafael Mordechai Taterka
- Ms. Mona Bkheet

5 discussions  
100% attendance



#### Compensation Committee : 2020

#### Main powers :

- To provide the Board of Directors with recommendations regarding officers' compensation policy, including extending the term of the policy, the need to update it from time to time and assessing its implementation.
- To provide the Board of Directors with recommendations regarding the approval of an annual compensation model for officers employed under personal employment contracts.
- 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 assess and approve transactions regarding the service and employment terms of officers requiring the approval of the Compensation Committee under the Companies 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 Companies Law.

**The committee's activity :**

- Discussing the 2020 compensation model:
  - \* Updating the salaries and employment terms of senior officers employed under personal employment contracts - VP Marketing and Regulation and the Company's Spokeswoman.
  - \* Approving the studies of Company senior officers in accordance with the Companies Authority's circular "Special Study Programs for Senior Managers".
  - \* Updating the salaries (for 2020) of senior officers employed under personal employment contracts.
  - \* Approval of payment of compensation to senior employees employed under personal employment contracts based on the 2019 model.
  - \* Approval of the employment terms of VP Human Resources.
- Approval of compensation for 2019:
  - \* Renewal of letters of indemnification to officers (structural change, assets arrangement, GMTN).
  - \* Approval of Ms. Anat Oren-Elad's employment agreement.
  - \* Updating the status of compliance with the 2020 compensation model.
  - \* Making preparations for the 2021 compensation model.

### Budget, Financial Management and Risk Management Committee



#### The committee's composition:

- Mr. Yiftah Ron-Tal  
(Chairman of the Board of Directors)
- Mr. Efraim Refal Henig  
(started serving on December 3, 2020)
- Mr. Arie (Arik) Forer
- Mr. Yaki Ya'akov Vadmani
- Mr. Shlomo Arbiv  
Chairman of the Committee
- Ms. Anat Oren-Elad
- Ms. Mona Bkheet - served as the  
chairwoman of the committee.  
Ended her term in office on June 25, 2020

14 discussions  
97.6% attendance



Budget, Financial Management and  
Risk Management Committee : 2020

#### Main powers:

- Reviewing and discussing the Company's budget and recommending the Board of Directors' plenum to approve it.
- Discussing and providing recommendations to the Board of Directors regarding the raising plan and present and projected cash flows, and management and implementation of control over the holding of short-term and long-term excess liquidity.
- Discussing the raising of funds (debt and capital), including the exposure to foreign currencies.
- Assessing the Company's financial structure, including its debt structure.
- Discussing key aspects of the Company's financial policy (provisions to pension, various financial transactions).
- Approval of immaterial changes in the general terms of debentures, and the approval of the amount and rate of interest in any issuance.
- Discussing key issues relating to the Company's financial policy (provisions to pension, various financial transactions).
- Discussing the Company's risk management policy and the controls in place in respect thereof.
- Assessing the Company's risk management function at least once a year.
- Discussing and providing the Board of Directors recommendations about transactions for the repayment of an accumulated debt higher than NIS 50 million.

### The committee's activity:

- Setting financial goals (in accordance with the Companies Authority's document of September 10, 2019).
- Discussing the circular on corporate risk management in government companies and government subsidiaries.
- Presenting the status of the plan for reducing the risk of embezzlement and fraud - fourth quarter 2019.
- Information security and cyber risk.
- Purchase by credit card.
- Policy discussion on: system management.
- Cash flow forecast for the period from February 2020 to March 2022, including scenarios regarding the impact of the spread of the coronavirus,
- Discussing cash flow-related issues under the different scenarios, as part of dealing with the coronavirus crisis and making preparations to an issuance in accordance with market conditions.
- Risk management in connection with the coronavirus crisis.
- Ongoing control over financial aspects of the Company's dealing with the coronavirus crisis.
- Performance report regarding the Company's budget for the period January-September 2019.
- Discussing environmental risks.
- Approval of the determination of the principal and interest - institutional stage.
- Approval of the determination of the principal and interest - public stage.
- Presenting an annual activity report on risk management for 2019.
- Risk Management Report, first quarter of 2020.
- Discussing the workplace safety and occupational health risks.
- Discussing the financing structure of the system management company.
- Discussing the raising plan and the required buffer for the period from September 2020 to December 2021.
- Discussing work assumptions and budgetary frameworks for 2021 and for the 2022-2025 financial planning.
- Discussing cash flow-related issues under the different scenarios, as part of dealing with the coronavirus crisis.
- Presenting a risk survey (sensitive position).
- Semi-annual report - plan to reduce the incidence of embezzlement and fraud.
- The risk relating to the implementation of the Company's strategic plan.
- The risk relating to explosions and fires.
- Discussing the risk relating to CRM.
- Risk management report - third quarter of 2020.
- Presenting a five-year plan - including an investment plan in comparison to the reform's goals.
- Discussing the goal of reducing the financial debt.

### Corporate and Social Responsibility, Regulation, Environment and Tariff Committee



#### The committee's composition:

- Major General (Res) Mr. Yiftah Ron-Tal (Chairman of the Board of Directors)
- Mr. Shlomo Arbiv
- Ms. Diana Halabi Hassoun
- Mr. Manela Avraha Mordechay
- Ms. Anat Oren-Elad
- Mr. Rafael Mordechai Taterka

Three committee members - Mr. Yiftah Ron-Tal, Mr. Taterka and Mr. Manela have many years-worth of management experience and also experience in the field of corporate and social responsibility and sustainability.

3 discussions  
83.3% attendance  
Corporate and Social Responsibility,  
Regulation, Environment and Tariff  
Committee : 2020



#### Main powers:

- Laying out policies in the field of corporate and social responsibility, including corporate governance, ethics, administrative enforcement, environmental protection and community outreach.
- Regulating the relationship between the Company's Board of Directors and its management, including the committee's power to ask that procedures/directives are prepared in accordance with its guidance.
- Supervising the Company's compliance with the provisions of the law and of 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 internal regulation in the Company, monitoring the implementation of the Code of Ethics and the Company's internal enforcement plans.
- Ongoing assessment, as and when needed, of the text of the corporate governance code, discussing the corporate sustainability report and the reports of the State Comptroller, where they deal with the IEC.
- Management of the interaction between the Company and government ministries, its regulators, enforcement agencies, the courts and other government entities upon which the law confers powers in connection with the IEC. 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 activity:**

- Updating the semi-annual status of the enforcement plan in connection with securities laws, companies laws, and government companies laws.
- Condensed review of the annual enforcement report 2018-2019.
- Discussing and approving the revised Code of Ethics.
- Review of the prohibition on bribing civil servants.
- Discussing open issues with the Israeli Electricity Authority - review and status.
- Review of tariff.
- Supervising the laying out and implementation of procedures relating to: conflict of interest of civil servants following the Supreme Court's judgment in criminal appeal 3817/18 - the State of Israel vs. Alon Hassan.
- Report on the 2019 antitrust enforcement plan.
- Report on the status of the handling of the enforcement plan regarding environmental issues.
- Review of enforcement plans in connection with securities laws, companies laws, and government companies laws.

**Additional committees**

6 discussions  
97.2% attendance

**Engagements and Assets Committee : 2020**

2 discussions  
100% attendance

**Business Development, Marketing and Service and Regional Cooperation Committee : 2020**

2 discussions  
94.5% attendance

**Committee for Assessing Company's Preparedness for Emergencies : 2020**

8 discussions  
100% attendance

**Financial Statements Review Committee : 2020**

6 discussions  
98.6% attendance

**Strategy, Structural Change, Image and Innovation Committee : 2020**

8 discussions  
100% attendance

**Human Resources and Organization Committee : 2020**

## Senior officers' and directors' compensation policy

The senior officers compensation policy is set in accordance with criteria set out in the Companies Law, including Amendment No. 20 to 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 the Company's being a government company subject to the provisions of the Government Companies Law and the regulations promulgated thereunder, the provisions of the Government Companies Authority and Section 29 to the Budget Foundations Law, 1985, which limits the Company's ability to operate independently on matters pertaining to salaries and benefits to its employees.

The compensation of senior officers in the IEC is subject to the Government Companies Authority's circular on "Principles for a Compensation and Incentives Model for Senior Officers in Government Companies".

On July 26 2018, the Company's Board of Directors reapproved the revised senior officers compensation policy, at the recommendation of the Compensation Committee of May 31 2018. On October 14, 2018, the Compensation Policy was approved by the Company's general shareholders' meeting. The approved Compensation Policy updated, among other things, parameters pertaining to the assessment of the terms of compensation, the terms of compensation of Company officers, compensation upon termination of employment and provisions relating to insurance and indemnification of Company officers.

On December 20 2020, the Company paid compensation of NIS 4.4 million to senior employees, after obtaining the required approvals. As of December 31 2020, the Company employs 89 senior employees who are eligible to the aforesaid compensation; said employees are employed under a personal employment contract.

## Sustainability compensation metrics<sup>4</sup>

The IEC's 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 Company has a set of "Company Metrics" 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 Metrics scores are weighted into the overall score of each manager).

<sup>4</sup> For more information, see Periodic Report for 2020, under Chapter A – Description of the Corporation's Business, page 70

Furthermore, if a certain organizational unit bears direct responsibility for the execution of a “Company Metric”, this metric will appear again in the set of metrics of that unit and will be weighted accordingly in the overall score of that unit’s senior managers. 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. Other sustainability “Company Metrics” include the employment security metric, the hiring of disabled employees metric, and more.

Furthermore, the Company has compensation metrics that affect only the managers in charge of the fields that are relevant to the metric. Examples of sustainability compensation metrics:

- The customers satisfaction metric that was replaced by the “combined service” metric; this metric assesses various aspects of customers satisfaction. The metric applies to the VP Service, Marketing and Regulation.
- The set of gender equality metrics - applies to the officer in charge of gender equality in the Company.
- Set of metrics relating to the development of human capital - applies to the deputy manager of the development and organization consulting department.
- 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.

## Compensation of senior officers<sup>5</sup>

Section 7.6 to Company Procedure prohibits the use of insider information, fraud and manipulation involving securities; the procedure also prohibits “insiders” from executing transactions involving the Company’s securities, unless they do so through a blind trust mechanism. The definition of “insider” in accordance with Section 4.1 includes the Company’s directors, CEO and any employee whose position or role in the Company or whose relations therewith has given him/her access to inside information. Section 7.6 to Company Procedure “Prohibition of Use of Insider Information, Fraud and Manipulation Involving Securities” referred to above also applies to the Company's directors.

The Company’s CEO does not hold Company shares and other Company securities

Shares held by directors:

Yiftah Ron-Tal.....	one ordinary share
Rafael (Rafi) Taterka.....	one ordinary share

<sup>5</sup> For more information, see Periodic Report for 2020, under Chapter D – Additional Details about the Corporation, page 5

## Performance-based compensation - incentives to senior officers<sup>6</sup>

The Company's Compensation Policy for senior officers includes a clawback clause, whereby the Company may recover certain payments made to such officers :

*“The Company may demand that an officer repays some or all of the bonus if the officer's term in office is terminated under circumstances whereby the Company may legally revoke the right for severance pay, or under circumstances where the officer participated in actions that caused extraordinary damage to the Company, by breaching the law, breaching fiduciary duty, intentional breach or gross negligence due to ignoring the Company's policy, rules and procedures. At the recommendation of the Compensation Committee, the Board of Directors will issue a written and reasoned decision as to whether the circumstances justifying recovery of bonus as aforesaid have been met; such a decision will be made after hearing the officer's arguments and after taking into account all the relevant considerations, including the extent to which the officer failed to comply with the law or the binding norms; the scope of damage caused to the Company and its consequences; the officer's level of responsibility and the extend of his/her involvement in the issue in question. Should the Company's Board of Directors decide that the officer should repay the bonus, the Company will take all reasonable steps, including legal proceedings, to implement this decision.*

The Compensation Policy does not include a negative incentive mechanism (malus clause)

## Directors' compensation policy

The compensation paid to directors from among the public is determined in accordance with the Company's classification<sup>7</sup> 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. Since the Company is a publicly-traded company, the compensation paid to external directors is in accordance with the Companies Regulations (Rules for Compensation and Expenses for an External Director), 2000.

<sup>6</sup> Section 13.8 to the Policy).

<sup>7</sup> The Government Companies Authority classifies government companies in accordance with different parameters such as: the integrity of the company's activity; its efficiency; complexity and more. The Company's classification is relevant to a number of issues related to the Company, such as payment of compensation to directors in accordance with the Government Companies Regulations. In view of its size and the complexity of its activities, the Israel Electric Corporation was classified to the highest classification level by the Government Companies Authority.

## Transactions with related parties

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The Company's interested parties and related parties are as defined in the Securities Law, 1968 (hereinafter - the "Securities Law") and in IAS 24 - "Related Parties".

The Company's only controlling shareholder is the State of Israel (holding approx. 99.85% of the Company's share capital); therefore, the State of Israel and companies and institutions under its control (including government companies, government ministries and agencies and other corporations in which the government has a certain ownership interest) constitute a related party and an interested party in the Company (the following data do not include activity with companies owned by local councils).

- **Balance of state guarantee** - the Company is almost wholly-owned by the State of Israel. The State of Israel provided a guarantee to a financial institution in respect of a loan raised by the Company; as of December 31 2020, the balance of the loan is NIS 215 million.
- **Undertakings towards the State of Israel including loan balances** - in the 1990s the Company received loans totaling USD 1.5 billion from the Industrial Development Bank of Israel Ltd.; the loans are guaranteed by the State of Israel. In October 2009, the Bank and the State of Israel signed a letter of assignment whereby those loans were assigned to the state. No change has taken place in the terms of the loans following the assignment. As part of the assets

arrangement, those loans were converted into a CPI-linked NIS-denominated loan in accordance with prevailing market terms. As of December 31 2020, the balance of the loan is NIS 1,773 million.

- **Recurring revenues from a related party** - these are mainly revenues from Mekorot Ltd., the Ashdod Municipality and local authorities. Total of NIS 1,620 million as of December 31 2020.
- **Purchases from a related party** - during the year ended December 31 2020, payments to Israel Natural Gas Lines Ltd. in respect of transmission of natural gas amounted to NIS 265 million, and the cost of construction of property, plant and equipment totaled NIS 33 million.

## Shareholders' meetings

### The manner of voting by shareholders

According to the Company's Articles of Association, votes are cast by show of hands or on a poll (the Company is exempted from Companies Regulations with regard to voting ballots and position notices, whereby shareholders may vote through a voting ballot); 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. The Company is a publicly-traded company and a reporting corporation. However, 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, including the approval of officers and directors' employment terms (other than external directors and the Chairman of the Board of Directors whose employment terms are approved by 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 of 1990 and incorporated in Section 46B whose title is "Voting Rights"; according to this section, publicly-traded companies are legally required to maintain equal voting rights. The Tel Aviv Stock Exchange is not

allowed to list shares of a company that issued share classes with different voting rights. This is also incorporated in Section 66 to the Company's Articles of Association.

### The percentage of shareholders required to pass a resolution in an annual general meeting

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 is fulfilled:

A. 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 personally interested parties 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.

B. The total number of votes against among the shareholders stipulated in paragraph 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%.

#### Percentage of shareholders required to convene an “extraordinary 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.

#### Restrictions on legal action on behalf of shareholders

The instigation of certain legal actions (such as the ones listed in Section 11 to the Government Companies Law) requires the government’s approval, as in the case of other actions that require the ministers’ approval. The aforesaid restrictions are in accordance with legal provisions applicable to the Company due to its nature and its activity, including the legal provisions it is subject to as a government company and as a provider of an essential service.



## Public complaints

The IEC has an ombudsman function that works together with the internal audit unit, as a reflection of the objectivity and independence of the Company’s process of investigating complaints and the importance of the synergy between the two functions. This structure reflects the importance we place on the ombudsman function as one of the key tools to achieve constant improvement of work processes for the benefit of our customers and the general public. As part of this approach, we investigate public complaints on their own merit but also consider any potential organization-wide consequences.

2020 was a particularly challenging year in view of the global coronavirus pandemic. In quantitative terms, public complaints increased by 25%, but the rate of justified complaints has not changed. The increase in the number of claims received by the Company required management to be highly attentive to changes and to maintain increased preparedness levels, alongside the Company’s need to deal internally with the ever-changing circumstances. To ensure that, we at IEC adhered strictly to all provisions of the government’s guidance that changed frequently, and where required we went far and beyond those provisions, having the health of our employees and customers in mind.

Breakdown of types of complaints by topic in 2020:

●	Claims for monetary compensation for damages . . . . .	34%
●	Accounts and collection . . . . .	27%
●	Reliability of power supply . . . . .	17%
●	Grid works and household connections . . . . .	11%
●	Service level . . . . .	9%
●	Environmental quality . . . . .	2%







### **Claims and legal proceedings**

For complete information about claims and legal proceedings, including the subject of the claim and the status of the proceedings, refer to the Company's financial report for 2020, Chapter C - Consolidated Annual Financial Statements, Note 35 - Agreements, Claims, Contingent Liabilities, and Labor Disputes in the link:

<https://www.iec.co.il/investors/DocLib1/meshulav1220.pdf>

**Public Complaints Report for 2020** published on the IEC website, at:

<https://bit.ly/3jQaYru>

**Public inquiries** and how to contact the ombudsman on the Company's website:

<https://www.iec.co.il/ombudsman/pages/default.aspx>



# External Assurance Statement

## GRI Index

## Appendix

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## 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 2020. 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 due diligence for corporate responsibility reports.

This external assurance was performed in November 2021 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 first time that Good Vision performed due diligence for the IEC. The company's consultants who deal with ethics, corporate governance, community involvement and the environment took part in the due diligence process.

The external assurance findings are intended for publication among all IEC stakeholders (internal and external).



### Methodology

This due diligence review is based on two methodologies for reviewing the compliance of the report with the mandatory reporting requirements: GRI reporting guidelines based on SRS, and principles of due diligence based on AccountAbility's AA1000AS V3 standard, at 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 2020 was tested by reviewing and analyzing documents that record relevant data and work processes, as well as several rounds of questioning and clarification conversations 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, part of the due diligence findings that were 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 opportunity was given to all stakeholders to respond and impact decisions that concern them.
- **Materiality** - reviewing the extent of reporting on significant sustainability issues for various stakeholders.

- **Responsiveness** - reviewing the extent of transparency in reporting material sustainability issues and their implications, and the IEC's progress and responsiveness with regard to them.
- **Impact** - review of the indices used to enable monitoring of the IEC'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 due diligence review, the process as described above and based on the material given to us, we can conclude that the IEC's Sustainability Report for 2020 complies with the reporting requirements of the GRI-SRS reporting guidelines. Furthermore, the report also complies with the AccountAbility reporting principles.



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As part of the due diligence review, we found that the report addresses material topics as required by the GRI-SRS. 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 improving this report and for future reporting

- To address the issue carbon according to one of the known international methodologies: TCFD/CDP/SBT.
- To address the issue of Scope 3 carbon footprint in the report.
- To add information pertaining to the practical application of engaging in agreements with women-owned suppliers/businesses in conflict zones, etc.
- To expand the reporting of data according to the SASB standard.
- To present the goals set in the 2019 Report and a breakdown of the Company's compliance with them.
- To present a breakdown of goals and schedules set for the various segments, including: in the chapters on Human Capital and Safety and Hygiene, and adequate business culture.

Yours sincerely,

**Ivri Verbin, CEO**

Good Vision - Corporate Responsibility  
Consultants

November 2021

## GRI Index

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Disclosure	Description	Pages / response
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<b>GRI 406: Non-discrimination 2016</b>		
<b>GRI 103: Management Approach 2016</b>		
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103-3	Development of the management approach	94, 100, 105
<b>GRI 103: Management Approach 2016</b>		
406-1	Incidents of discrimination and corrective actions taken	No such incident was filed during the reporting year

Disclosure	Description	Pages / response
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## Appendix A - Environmental Data

**Table 11: IEC fuel consumption for power production and vehicle fleet and consumption of raw materials**

	2015	2016	2017	2018	2019	2020
Coal (in Ktons)	10,700	9,100	8,200	7,800	8,300	<b>7,200</b>
Natural gas including LNG (in Ktons)	2,989	3,390	3,700	3,900	3,600	<b>3,800</b>
Fuel oil (in Ktons)	18	19	26	22	20	<b>13</b>
Diesel fuel for heating (in Ktons)	91	46	115	55	107	<b>30</b>
Transport diesel fuel (in Ktons)	9,831	9,106	7,882	9,528	10,034	<b>11,594</b>
Gasoline (in Ktons)	3,366	3,835	3,340	3,562	3,431	<b>2,206</b>








**Table 12: Data on IEC air emissions from combustion of fuels for power production (ton/year)**

	emissions (ton/year)				
	Nitrogen oxides (NOx)	Sulfur Dioxide (SO <sub>2</sub> )	Particulate matter (PM)	Carbon dioxide (CO <sub>2</sub> )	Carbon dioxide equivalent (CO <sub>2</sub> eq)
2015	66,925	67,636	2,336	33,757,748	33,893,752
2016	51,888	52,663	2,041	30,938,165	31,055,231
2017	44,800	37,592	1,856	29,978,814	30,087,822
2018	41,957	29,951	1,516	29,006,456	29,109,700
2019	35,876	21,425	1,327	29,525,691	29,634,047
2020	<b>33,116</b>	<b>18,198</b>	<b>1,317</b>	<b>27,300,821</b>	<b>27,387,896</b>
<b>2020 vs. 2019</b>	<b>-8%</b>	<b>-15%</b>	<b>-1%</b>	<b>-8%</b>	<b>-8%</b>

**Table 13: Breakdown of IEC water consumption data for 2015 through 2020 [m3]**

	Total IEC water consumption	Fresh water consumption	Brackish water consumption					Rate of brackish water consumption out of total sources*
			Sanitation effluents from external sources of used at the cooling towers*	Sanitation effluents from independent sources for irrigating garden areas	Industrial effluents and drainage water from independent recycling sources	Boron enriched water from external sources	Total consumption of brackish water	
	<b>9,475,723</b>	<b>4,866,935</b>	<b>3,867,815</b>	<b>97,039</b>	<b>643,934</b>	<b>0</b>	<b>4,608,788</b>	<b>49%</b>
2016	<b>9,386,035</b>	4,565,698	4,067,951	102,502	649,884	0	4,820,337	51%
2017	<b>10,307,870</b>	4,797,440	4,443,348	101,774	554,362	410,946	5,510,430	53%
2018	<b>11,450,972</b>	4,851,136	5,172,668	103,140	686,161	637,867	6,599,836	58%
2019	<b>11,005,705</b>	5,341,845	4,144,109	87,241	663,795	768,715	5,663,860	51%
<b>2020</b>	<b>8,302,609</b>	4,910,415	2,159,270	102,881	542,993	587,051	3,392,194	41%

\*Additional site where wet cooling with sanitation effluents is used through cooling towers is the Alon Tavor power plant. This power plant 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.

	Total IEC water consumption - excluding seawater used for cooling at the coastal power plants [m3]*
	Fresh water consumption
Brackish water consumption:	
	Sanitation effluents from external sources of used at the cooling towers*
	Sanitation effluents from independent sources for irrigating garden areas
	Industrial effluents and drainage water from independent recycling sources
	Boron enriched water from external sources
	Rate of brackish water consumption out of total sources*

**Table 14: Breakdown of seawater consumption for cooling of the coastal power plants in 2015 through 2020 [m3]**

Total seawater consumption for cooling at the IEC's coastal power plants [m3]	
2015	5,865,870,606
2016	5,835,648,997
2017	5,896,219,446
2018	5,522,770,404
2019	5,464,694,022
<b>2020</b>	<b>5,588,037,522</b>

**Table 15: Data regarding treated effluents discharged into the sea at IEC sites in 2015 through 2020 [m3]**

Total treated effluents discharged into the sea at the IEC power plants [m3]	
2015	400,092
2016	370,722
2017	389,054
2018	357,940
2019	375,419
<b>2020</b>	<b>306,332</b>

**Table 16: Production and use of coal dust in 2015 through 2020 (Ktons)**

	Total production of coal dust	Total use of coal dust	Used in cement production	Used in production of concrete and other concrete products	Used for infra-structures	Used for agriculture and other uses
2015	1,055	1,054	603	385	30	36
2016	848	848	519	280	14	35
2017	804	805	480	273	17	35
2018	719	719	382	331	0	6
2019	758	741	344	389	0	8
<b>2020</b>	<b>657</b>	<b>634</b>	<b>268</b>	<b>361</b>	<b>0</b>	<b>5</b>



## Appendix B - Statement on Prevention of Bribery and Corruption

- 1 -

### Managerial structure and areas of responsibility for managing the prevention of corruption in the Company

As a public company and reporting corporation, the Israel Electric Corporation is committed to proper disclosure to its investors, through its financial statements and immediate reports on material events in the Company, as required by law.

In its corporate vision statement, the Israel Electric Corporation declares its commitment, among other things, “to act with dignity, integrity, fairness and reliability towards customers, employees, competitors, suppliers, lenders, shareholders and government officials”.

The Company pursues an uncompromising policy of compliance with the law including against embezzlement and fraud, bribery and corruption (hereinafter - “Bribery and Corruption”), which includes adopting many proactive measures to prevent Bribery and Corruption at all levels in the Company. The Company is committed to conducting its business in a moral manner and with integrity, and it is actively working to comply with the requirements of any applicable law with respect thereto.

Such actions include, among other things, comprehensive management of the risk of embezzlement and fraud, and the issue of prohibition of bribery, by appointing an embezzlement and fraud controller in the Company, conducting risk surveys with regard to embezzlement and fraud, and preparing a master plan for reducing the risk of embezzlement and fraud for the Company as a whole that was approved by the CEO and Board of Directors of the Company, and a control system. As part of this, implementation of the risk reduction plan is monitored in the various units of the Company, training is provided on the issue of embezzlement and fraud, relevant Company procedures are implemented, and status reports on the subject are sent by the risk controller to a steering committee dedicated to embezzlement and fraud that is headed by the VP that bears the risk and the various Board of Directors’ committees. Furthermore, in light of the significant increase of awareness in the Company to these issues, the Company continues to act at all times to expand and update its policy on these matters, as well as to assimilate the relevant procedures throughout the Company.

The foregoing plan for reducing embezzlement and fraud risks includes, among other things, execution and implementation of an internal enforcement program regarding the prohibition on bribery of public servants (the “Enforcement Program”). The Company formulated an outline for the program based on the guiding criteria, among others, that were set by the OECD and the UN, prohibition of bribery rules under Israeli law, directives of the State Attorney and various authorities, etc. Under the program, in 2016 the Company published its Prohibition of Bribery and Corruption and Enforcement System Procedure (the “Enforcement Procedure”) and other relevant guidelines.

The Company is acting to adopt and assimilate awareness of the issue and to implement the Enforcement Program at all Company levels. These actions include, among other things, the following courses of enforcement: adopting policies and clarification regarding the prevention of bribery prohibitions; measures to prevent, locate and correct violations of the law; appointing the Company's

Legal Counsel as the enforcement officer on this subject and the appointment of teams, a coordinator and key personnel; conducting periodic training for the relevant Company employees, as well as for management and the Board of Directors; refreshing and writing additional procedures and guidelines on the subject and publishing revisions of the laws and case law on the subject in Israel and worldwide, to all levels in the Company; submitting annual reports; activating a mechanism for reporting violations or concerns of violations; executing proactive controls, documentation and providing ongoing and available advice and response to the Company's units by a national task force.

Below are links to a brief policy in Hebrew and English on the subject, published on the Company's website:       <https://bit.ly/2UduHnO>       <https://bit.ly/3nbVaPo>

The Company is currently working on drafting a comprehensive policy for the legal compliance currently implemented as practice in the Company, and publishing it in Hebrew and English on its website. The policy will include many aspects of compliance, including with respect to the prohibition of corruption and bribery, and will incorporate the provisions of the existing procedures, codes and guidelines on this matter in the Company, under a single comprehensive policy paper.

The responsibility for implementing and supervising the Enforcement Program was imposed on the Company's Legal Counsel and Deputy CEO, who was appointed by the CEO as the internal enforcement supervisor for the prohibition on bribery (the "Supervisor"). The structure of the enforcement system is set out in the Enforcement Procedure, which relates to the general prohibition on the involvement of the Company and its employees in bribery offenses. It also sets out principles and courses of action, including training, control, and reporting for the purpose of internal enforcement of this matter, and regulates the structure of the enforcement system, the responsibilities, and instructions for implementing an effective internal enforcement plan in the Company. Under this procedure, each of the Company units has enforcement teams and coordinators and a national liaison and task force were appointed to assist the Supervisor in executing the Procedure and Enforcement Program and in implementing the Supervisor's instructions.

The national task force convenes regularly to review, implement and control the Enforcement Program from all aspects as set out above. The task force also meets with the embezzlement and fraud risk controller for the same purpose regularly, at least twice a year. Key personnel were also appointed in the various units of the Company. These key personnel are employees who are responsible, as part of their routine duties, for actions that may be related to the relevant provisions of the law regarding the prohibition on bribery. They are required to participate in periodic training courses, and to sign key personnel statements, confirming their understanding of the Procedure and their commitment to comply with its provisions.

**Involvement of senior management, including the Company's Board of Directors**

Under the Enforcement Procedure, each VP and Head of Division / District is responsible for implementing the provisions of the Procedure for their areas of responsibility.

The Board of Directors has appointed a Corporate Governance, Regulation and Rate Committee (hereinafter - the "Committee" or the "Corporate Governance Committee"), whose duty is to supervise the Company's compliance with the provisions of the law and of the Procedures, circulars, guidelines, government resolutions, etc. that may apply to it. Once a year, the status of the Enforcement Program is presented to the Committee, including the findings of the annual report, revisions in the law and case law, and highlights in the Program, by the Supervisor and/or coordinator, and the Committee reviews the Program accordingly. The Board of Directors is updated on the progress of executing the Program, according to the discretion of the Enforcement Supervisor or the Corporate Governance Committee, and any event of principle issues that may arise from it.

The Supervisor provides periodic training for the entire management, including the status of the Enforcement Program, annual report, and relevant updates. Furthermore, the entire management and the Chairman of the Committee receive the annual report that the Supervisor submits to the CEO, which consolidates the annual reports of all the units as well as the Supervisor's memorandi regarding revisions to the law and the Enforcement Program.

With regard to the management of embezzlement and fraud risks, the Board of Directors receives a quarterly report on the activities of the disciplinary committees submitted to the Audit Committee of the Company's Board of Directors. In addition, 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, in cases where concerns arise of violations of the law or of integrity.

IEC is acting to also integrate enforcement and/or reporting mechanisms at its subsidiaries, investees and associates, as applicable. The Company continues to act at all times to continuously implement, expand, enhance and adapt its policies in these areas, as necessary, to the legal and regulatory climate, the scope of activities, their essence and materiality and to actively assimilate compliance with the law while adopting a zero-tolerance policy.



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### **Policy on the prevention of bribery and corruption in the Company**

As aforesaid, the Company pursues an uncompromising policy of compliance with the law, including against bribery and corruption, and as part thereof it adopts many active measures to prevent bribery and corruption at all levels in the Company.

In addition to the foregoing, the Company maintains procedures, guidelines, policies, codes and programs for dealing with the prevention of bribery and corruption and that address the various issues involved in this matter, including:

- Procedure for the Prohibition of Bribery and Corruption and Enforcement System, see details in Section 1 above;
- Procedure for the Prevention of Conflict of Interest and Maintaining Moral Integrity (“Prevention of Conflict of Interest Procedure”), which provides that all Company employees must perform their duties honestly and fairly and avoid situations or actions that may result in a conflict of interest between the good of the Company and the personal good of the employee, and to maintain moral integrity. The purpose is to bring the rules of conduct to the attention of the employees in order to maintain integrity of the Company and to prevent situations of conflict of interest. The Procedure also anchors the prohibition applicable to Company employees of accepting benefits for themselves or their relatives with respect to their performance of their duties (as well as exceptions to the prohibition);
- Procedure for Gifts and Advertising Products for External Parties” (“Gifts Procedure”), that sets out the types of gifts, and their monetary value, that may be given to external parties, the external parties to whom such gifts may be given, entities authorized to approve the granting of gifts, and the work processes and means of supervision and monitoring for these issues.
- This Procedure includes provisions based that were based on prevalent provisions and procedures in the country;
- Procedure for the Management of Embezzlement and Fraud Risks, which includes guidelines pertaining to the plan for reducing embezzlement and fraud risks as part of the Company’s risk management duties, and also prescribes the work processes, the people participating in these processes, and the rules for reporting about embezzlement and fraud risks;
- The Company’s Code of Ethics under which the Company and its employees are obligated to maintain the law, procedures and moral integrity, to avoid corruption, offering or accepting of bribes, directly or indirectly, personal exploitation of the Company's business opportunities or acts which may raise conflict of interest. The Company conducts ongoing training on issues in the Code of Ethics, which can also be found on the Company's website. The principles and values of the Code of Ethics also apply to the subsidiaries of the Company.
- The corporate governance code includes a chapter on the rules of ethics for directors, which emphasizes compliance with the law, prevention of conflicts of interest and benefits, prevention of

exploitation of personal opportunities, prevention of use of insider information and of maintaining confidentiality, and the duty to report misconduct and suspicion of any criminal offense.

- An enforcement program for securities addresses the issue of locating personal interests and potential conflicts of interest, including in a questionnaire for officers and the Company's Procedure for Transactions with a Controlling Shareholder and an Officer, under which a list of companies/entities in which officers and/or their relatives may have personal interest was prepared. Under this Procedure, the chairman of the tenders committee or any other party in the Company who is authorized to approve a transaction, is responsible for ensuring that any contractual engagement with the companies/entities listed is forwarded without delay to the attention of the Company's legal counsel for reviewing the existence of a personal interest in the contractual engagement. The Company operates in accordance with the provisions of the Procedure for the Enforcement System of the Securities Law, Companies Law and Government Companies' Law and the Company's Procedure for the Prohibition of the Use of Insider Information, Securities Fraud and Manipulation. This issue was recently further reinforced in executive statements collected as part of the gathering information for the financial statements, including declarations regarding a known/founded suspicion of a scam, material breach of a law, code of ethics, actions performed not in accordance with moral integrity, fraud or suspicion of fraud (including embezzlement, forgery, deception, corruption, conflict of interest, acceptance of bribery or benefits) brought to their attention that involved managers or employees of the Company.

Moreover, the Company has internal guidelines that elaborate and clarify the provisions set out in the Company's internal procedures, and/or further address relevant aspects.

Thus, for example, a comprehensive Company-wide guidelines from the Legal Counsel concerning Rules of Conduct with regard to compliance applicable to the Company in contractual engagements with suppliers and business development activities (the "Compliance Guidelines"), which include practical rules of conduct required by the Company's units for reinforcing compliance regarding bribery, anti-terror and money laundering issues. The Guidelines contain, among other things, instructions for the Company's units regarding the wording of statements and commitments that are to be included in the documents for contractual engagement with third parties (suppliers, service providers, customers where the IEC initiates proactive business development, partners and intermediaries), that relate to the operations of such third parties while maintaining proper conduct in their contractual engagements with the Company, and emphasizing their non-bribery conduct, prevention of corruption and other areas of compliance. For example: prohibition on money laundering, prohibition on terror financing, and prohibition on trading with enemy states, and with persons with whom it is prohibited to trade ("Anti-terrorism"). Furthermore, in cases as specified in the Guidelines, based on the scope and level of risk, to examine any "red lights" (convictions, indictments, investigations and proceedings conducted against the supplier in the relevant areas of compliance, etc.), and carry out due diligence in the cases set out in the Guidelines. The Guidelines also include an obligation to examine a Blacklist with the software used by the Company for entities from abroad with which the Company engages.

- The declarations and contract clauses pertaining to the prohibition of corruption and bribery that suppliers, customers where the IEC initiates proactive business development, consultants,

intermediaries, and business partners are required to sign, were also distributed to the Company units (and are available in the internal organizational portal) also in English. The Enforcement Procedure also includes a relevant section on compliance that is intended for a contractual engagement with a third party - in English.

- Regarding intermediaries, as a rule, the Company very seldom engages in intermediary agreements. Nonetheless, the Company's CEO issued a transitional provision regarding rules of conduct with respect to engagement with intermediaries, if any will be executed, and required declarations, commitments and approvals.
- With regard to guidelines pertaining to contractual engagements with consultants, there are rules regarding the manner of approval of such engagements, which are stricter than those for engagements with service providers, requiring reasons for their necessity according to established parameters, supervision and control of the consultants' work by drafting a work schedule and practical and measurable goals throughout the contract period, monitoring the service progress, scope of work invested, compliance with goals and outputs, and all this before payments are approved. Furthermore, periodic reports are prepared regarding such engagements with consultants for the management and Board of Directors, and the Company's internal audit periodically conducts audits on this issue.
- The Company's Procedure for Suspected Criminal Offenses by Company Employees provides that it is the duty of an employee who becomes aware of an act that raises concern of a criminal offense being committed by another Company employee (as a rule - relating to their work), to report such immediately, as well as which persons such report should be sent to, how the Company will treat such suspicion and the link between such treatment and the existence of internal disciplinary measures.
- 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.
- With respect to donations, sponsorships, and contributions to political activity, as a government-owned company, the Company and its subsidiary (which is also considered a "government subsidiary") are prohibited from making donations (Government Companies Authority Circular "Donations by Government Companies, Government Subsidiaries and Combined Companies"). Sponsorships or collaborations are limited to the rules set out in the Companies Authority Circular "Sponsorships and Collaborations by Government Companies and/or Government Subsidiaries". This Circular provides that a government company is not permitted to provide sponsorship of any kind that involves payment by the Company in cash or cash equivalents, including its assets or rights, whether directly or indirectly. In the case of sponsorship that does not involve payment in cash or cash equivalents, such sponsorship will require the prior approval of the Company's Board of Directors which will give reasons for its decision after it has taken the considerations as set out in the circular into account. In the reports by the Chairman of the Board of Directors to the Authority pursuant to the Government Companies Law, he is required to specify

the sponsorships granted during the report period, including the person with whom the Company engaged, the purpose of the engagement, and the Board of Directors' reasoning for approving the engagement. Provisions pertaining to the use of Company's sites are also fixed in the Company's Procedure "Use of the Company's Facilities by an External Party for Community and Cultural Activities".

- With regard to the prohibition on political contributions, as a government company, the Company and its employees are prohibited from using the Company's resources or name for political or partisan activities, and restrictions also apply with regard to the political and partisan activities of the Company's employees and officers, whether during an election or not. These provisions are anchored in the Government Companies Authority Circular - Use/Restriction of use of Company Resources during Elections - "Duty of Proper Conduct during General Elections, Primary Elections and Local Authority Elections, and Avoidance of Political and Partisan Activities in Government Companies", which prohibits, among other things, the use at any time, whether directly or indirectly, of the Company's funds and assets, tangible or intangible, including real estate, portable property and rights in the Company, with regard to political and partisan activities, election propaganda, partisan primary-election propaganda. These provisions are also prescribed in an internal Company Procedure on "Conduct During Elections and Avoidance of Political and Partisan Activities in the Company".
- With regard to gifts, the Procedure for the Prevention of Conflict of Interest and Maintaining Integrity ("Prevention of Conflict of Interest Procedure"), provides that all Company employees must perform their duties honestly and fairly and must avoid situations or actions that may result in a conflict of interest between the good of the Company and the personal good of the employee, and to maintain integrity. This includes refraining from giving or offering any gifts to any third party, including public servants, other than in accordance with the Company's Procedure on "Gifts and Advertising Products for External Parties" and sets a limit of the amount above which approval by management is required, as provided therein. As for accepting gifts from any third parties, the Prevention of Conflict of Interest Procedure prohibits receipt of benefits from another employee or an external party, if receipt of such benefit is related to being an employee of the Company or the employee's position in it, This Procedure also sets out the exceptions to this rule and the persons authorized to approve them.
- With regard to business entertainment, invitations or requests to entertain third parties will be handled in accordance with the rules set out in the Prevention of Conflict of Interest Procedure and its overriding principle, according to which all Company employees must perform their duties honestly and fairly and must avoid situations or actions that may result in a conflict of interest between the good of the Company and the personal good of the employee, and to maintain integrity. This procedure specifically states that Company employees will not hold business meetings to conduct business negotiations with external parties (with whom the Company employee has business relations due to the performance of their role in the Company, or that have had or may have an effect on determining the contractual engagement with them or the terms or manner of execution and operation thereof) in the private residence of such external party, in a restaurant, cafe, hotel or

other public place where meals are served, other than in cases where such invitation is customary in the circumstances, in which case the CEO, VP and Branch/District Head may accept an invitation or authorize an employee to do so.

- The Procedure also provides that an employee who is involved in conducting the process of engaging in an agreement in which an external party participates, will not participate in a workshop organized by such external party while the contractual engagement process is still in progress, whether the participation of such employee in such workshop involves payment or not. Without derogating from the aforesaid, there is nothing preventing Company employees from participating, as part of their job, in seminars organized by external parties, free of charge or for a lower than usual fee. This is subject to the location of such seminar being reasonable, as is customary in the circumstances, and that the refreshments provided as part thereof is part of the content. It is forbidden to accept tickets for traveling to such seminar or participation in other expenses such as lodging/accommodation from an external party.
- The Company has a Procedure for “Arrangements for Protection for Employees who Report Violations of the Law, Offenses and Breaches of Moral Integrity” (the “Whistleblower Procedure”). This Procedure is based on the provisions of the State Comptroller Law (Consolidated Version) 1958, Encouragement of Ethical Conduct in Public Service Law 1992, Protection of Employees (Exposure of Offenses, of Unethical Conduct, and of Improper Administration) Law 1997, and on the directives of the Government Companies Authority.
- The Whistleblower Procedure sets out the manner for filing complaints, which is defined as “Any report on violation of laws, an offense, an act of corruption and breach of moral integrity or improper administration”, as well as the manner of handling them. The Procedure also provides that the identity and details of complainants who request to prevent the disclosure of their names will be kept confidential during the investigation of the complaint, and the complaint will be investigated as an anonymous complaint. It also provides protections for employees who have filed complaints, including that “the working conditions of employees that filed complaints will not be affected and they will not be dismissed for filing a complaint, or for assisting another employee to file a complaint, or for providing information to the internal auditor as part of the investigation of a complaint, or for providing information to the internal audit department or for cooperating with it”. The Procedure also includes reference to the possibility of conducting an investigation and disciplinary hearing for an employee that lodged a complaint, in the event that a false complaint was filed.

The provisions of the law and of the Company's internal procedures are binding and apply to all of the Company's units and employees.

The Company's procedures, the main points of the Enforcement Plan documents, the training materials and other relevant guidelines are made public to all the Company's employees on the Company's internal intranet website.

The Company is currently considering joining a relevant forum on the prohibition of bribery and corruption.

## **Policies for prevention of corruption with respect to suppliers**

As part of contractual engagements with third parties (suppliers, service providers, customers where the IEC initiates proactive business development, partners and intermediaries), suppliers are required to include statements pertaining to the activities of such third parties, while maintaining proper conduct in their engagements with the Company, and to emphasize their conduct from the aspects of refrain from bribery, prevention of corruption and other areas of compliance: prohibition on money laundering, prohibition on terror financing, and prohibition on trading with enemy states, and with persons with whom it is prohibited to trade (“Anti-terrorism”).

As an example, below is a link to the Company's website, to a document setting out the general terms for procurement procedures that are exempt from a tender, section 43 “Lawful Activity”: [HYPERLINK "https://bit.ly/37JBPjZ" https://bit.ly/37JBPjZ](https://bit.ly/37JBPjZ).

Furthermore, as of June 2019, the Company's Procurement Division sent a letter to the Company's suppliers, in Israel and abroad, regarding the Code of Ethics. The letter describes the principles of the IEC's Code of Ethics, the importance it places on its compliance with the highest standards of ethical conduct, and its expectation from the Company's managers, employees, suppliers and all interested parties, to conduct themselves in accordance with such high standards, in a manner that will reinforce the trust and cooperation between them and the Company. The suppliers are requested to sign the letter and return it to the Company.

For further information concerning the Compliance Guidelines and statements required from the Company's suppliers, see section 2 above (guidelines from the Legal Counsel concerning Rules of Conduct with regard to compliance applicable to the Company in contractual engagements with suppliers and business development activities).

## **Prohibition on bribery and prevention of conflict of interest**

### Definition and prohibition of bribery

The Enforcement Procedure regarding prohibition of bribery stipulates that the Company is working to maintain and strengthen compliance with the provisions of the law and convention regarding the prohibition of bribery by Company employees, and that "Company employees may not offer and will not pay a bribe and will not be involved in bribery, whether directly or through a third party (for example: an intermediary, agent, representative, business partner or any other party related to a transaction in which the Company is a party)". Pursuant to the Israeli Penal Law, bribery is defined in the Procedure as follows:

- 5.1 Bribery can, among other things:
  - 5.1.1 Be given and/or taken in cash or in kind, a service or any other benefit;
  - 5.1.2 Be given and/or taken for an act or an omission, for a delay, acceleration or

impediment, for preference or for discrimination;

5.1.3 Be given and/or taken for a specific act or to obtain preferential treatment in general;

5.1.4 Be given and/or taken for an act of the person who took it or for his influence on the act of another person;

5.1.5 Be given and/or taken by the person himself or through another person; whether it was given directly to the person who took it or to another for him; whether in advance or after the event; and whether it is enjoyed by the person who took it or by another;

5.1.6 Be given and/or taken whether the function of the person who took was one of authority or service, permanent or temporary, general or specific, and whether its performance was with or without remuneration, voluntarily or in the discharge of an obligation;

5.1.7 Be given and/or taken for a deviation from the performance of his obligation or for an act which the public servant must perform by virtue of his position.

The Prevention of Conflict of Interest Procedure defines what is considered a benefit, and also determines the rule under which a Company employee will not accept, whether in person or through a relative, for himself or for another on his behalf, any benefit from another employee or from an external party, whether directly or indirectly, if receipt of such benefit is because he is a Company employee or in return for his work in the Company or related to the fulfillment of his position in the Company, or whether it might be used for the purpose of advertising for such external party (as well as the exceptions to the rule). The Procedure further clarifies the general principle under which Company employees must avoid any appointment and/or action in which they have a personal interest or benefit, or that might generate concerns of conflict of interest between the fulfillment of their duties in the Company and such appointment and/or action, and to inform their direct manager, in writing, with regard to any case as aforesaid.

Likewise, the Procedure for the Management of Embezzlement and Fraud Risks contains definitions for “embezzlement” and “fraud”, as follows:

- **Embezzlement** - financial, image or other damage caused to the Company as a result of the actions of a party in the Company. Such actions are intended to deceive the Company, among other things while circumventing regulation, law or policy.
- **Fraud** - financial, image or other damage caused to the Company as a result of the actions of an external party and sometimes with the participation of a party in the Company. Such actions are intended to deceive the Company while circumventing regulation, law or policy.

#### Prohibition of bribery in Company policy

See information concerning the Company’s abbreviated policy that was published on the Company’s website (see link above), the Company’s procedures including the Enforcement Procedure, the instructions of the Supervisor and the CEO, and the effective Enforcement Program regarding prohibition of bribery that is implemented, as set out in section 1 above, which constitute the Company’s

actual policy on this issue.

The Company is working to maintain and reinforce its compliance with the provisions of the law and convention with regard to the prohibition of bribery by the Company's employees, including by establishing rules for checking them, certification and documentation of documents and operations in this area, and adopting measures to prevent violations of the law and the convention, and locating and correcting any such violations. In this context, the Company is acting to adopt and assimilate, effectively and comprehensively, awareness of this issue and to implement the Enforcement Program at all Company levels. As aforesaid, the Company is currently working on formulating and publishing an extensive policy to publicly establish the foregoing actions, in Hebrew and English, on its website.

#### **Prohibition and definition of Facilitation Payments**

Contrary to some foreign legal systems, there is no exclusion in the Israeli Penal Law regarding facilitation payments, and therefore any benefit of any kind or value can be considered a bribe (subject to the general provisions regarding the prohibition on giving bribes and gifts/receiving benefits, as set out above).

#### **Prohibition on, and definition of, conflict of interest**

The Prevention of Conflict of Interest Procedure defines conflict of interest as “a conflict between the personal good of an employee of the Company or his relative and the good of the Company, arising from the fulfillment of the employee’s job in the Company”, and it further clarifies that a conflict of interest does not necessary require that there is an economic interest and that a close or friendly relationship or acquaintance between the Company employee or his relative and a party related to an action or appointment can also create concern of a conflict of interest.

Prevention of conflict of interest in the hiring of staff - the procedures for hiring staff in the Company, including recruitment, are carried out in a way that ensures equal opportunities for all candidates and maintaining fairness, professionalism, practicality and transparency of the procedure. In addition to the applicability of the general provisions regarding prevention of conflict of interest, the procedures regarding recruitment of employees include explicit reference to the issue of candidates whose relatives are employed by the Company, based on the provisions of the Government Companies Regulations (Rules Regarding the Employment of Relatives), 2005. Staff recruitment procedures are carried out in a centralized manner and exclusively through the Company's recruitment and mobility center.



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### Plan for reducing embezzlement and fraud risks

The Company conducts extensive business transactions totaling billions of shekels every year, and is therefore exposed to a wide range of embezzlement and fraud risks that could lead to financial and image damage. These risks include, among other things, misuse of assets, means of payment, bias in tenders, etc.

The Company's key work processes are supported, among other things, by a number of information systems. Embezzlement and fraud risks may materialize within the work processes or through the information systems that support them.

**The Company adopts numerous proactive measures to prevent bribery and corruption at all levels in the Company. Such measures include, among other things, comprehensive management of the risk of embezzlement and fraud, and the issue of prohibition of bribery, by taking the following actions:**

- **Appointment of an embezzlement and fraud controller in the Company.**
- **Conducting embezzlement and fraud risk surveys** – the Company regularly conducts risk surveys on the issue of embezzlement and fraud in the divisions and in its various areas of operations. The survey recommendations are executed as part of the risk reduction plan, the gradual implementation of which includes, among other things, measures for minimizing the risk resulting from structural and functional changes in the Company; detection and prevention of new risk scenarios; training; establishing controls for the prevention of bribery and corruption, and damage to the Company's assets as part of the SOX controls; a separation of responsibilities project, enhancing the control actions for sensitive positions, etc. As part of risk management, the Company conducted a survey of risk centers and a number of targeted surveys in 2014 through 2019, and prepared risk reduction plans in various areas and acted (and is acting) to implement them.
- **Drafting of a master plan for reducing the risk of embezzlement and fraud** throughout the Company (based on results of the risk surveys and additional sources such as internal audit reports and manifestation of events), which was approved by the CEO and Board of Directors of the Company, and the control system. As part of this, implementation of the risk reduction plan is monitored in the various units of the Company.
- **Training and steps to implement an organizational culture in accordance with the procedure for the prevention of embezzlement and fraud** - in this context, training on the issue of embezzlement and fraud is provided and seminars are held for employees in sensitive positions with high risk and very high risk; for the separation of authorizations in the computer systems; and for the implementation of control measures regarding employees in sensitive positions with very high risk, high risk and medium risk. Relevant Company procedures for this issue are implemented and status reports on the issue are forwarded to the Corporate Governance Committee and other Board of Directors' committees. Furthermore, in light of the significant increase of awareness in the Company

to these issues, the Company continues to act at all times to routinely expand and update its policy on these matters, as well as to assimilate the relevant procedures throughout the Company.

- **Subsidiaries** – the Company's risk controller supervises the Israeli National Coal Supply Corporation with regard to the prevention of embezzlement and fraud aspects and monitors the progress of the National Coal Supply Corporation's risk reduction plans. In addition, the Company conducted a risk assessment for its subsidiary Netiv Haor - Orot Rabin Ltd., and reviewed and implemented necessary risk reduction measures. The risk controller regularly monitors changes in the subsidiaries and adjusts the reduction actions if necessary.
- **Reports** – once every period, the risk controller reports the status of progress of the multi-year Risk Reduction Plan to a steering committee dedicated to embezzlement and fraud that is headed by the VP that bears the risk. The status report is also reported to the various Board of Directors committees.

#### **Internal enforcement program on the issue of prohibition of bribery**

As aforesaid, the program for reducing embezzlement and fraud risks an internal enforcement program is executed and implemented, among others, regarding the issue of prohibition on paying bribes to public servants. The Company formulated an outline for the program based on the guiding criteria, among others, that were set by the OECD and the UN, prohibition on bribery rules under Israeli law, directives of the State Attorney and various authorities, etc.

**Below is a breakdown of the main measures adopted as part of this program that are implemented in the Company:**

- The Enforcement Procedure that was established places emphasis on the prohibition to offer or pay bribes or to be involved in bribery, whether directly or through a third party (for example: an intermediary, agent, representative, business partner or any other party related to a transaction in which the Company is a party), and defines methods of bribery and the legal source of the prohibitions. The Procedure imposes on each VP and Head of Branch/District the responsibility to implement the provisions of the Procedure in their areas of responsibility and together with key personnel to act to revise and check their relationships with third parties to which the prohibition of bribery applies, from the perspective of the law and the Convention on Combating Bribery, and all this while paying special attention to the fact that bribes could also be given by a third party not directly related to the transaction to which the Company is party (such as an intermediary, business partner, representative, etc.). Moreover, they are also required bring the provisions of this Procedure to the attention of third parties that engage with the Company (including business partners, representatives, intermediaries, etc.), among others, by including clear provisions in any contractual engagement with a third party.
- Relevant procedures and guidelines on this matter – see information concerning the policy in section 2 above.

- Appointment of officers – see section 1 above.
- Ongoing and available advice and response for the Company's units is provided by the national task force and documented in accordance with the Supervisor's instructions - based on the provisions of the Enforcement Procedure, the Supervisor, with the assistance of the national task force, guides the Company's units through the coordinators or division/branch/district prohibition of bribery teams. The task force also provides ongoing and available advice and response for the Company's units, and documents such treatment as well.
- Inspection of documents and activities and their approval - in accordance with the provisions of the Enforcement Procedure, documents and activities relevant to this Procedure are inspected systematically within the division/branch/district, and the documents and activities are checked whether they reflect the Company's policy.
- Periodic training mechanisms and frequent revisions - for all levels in the Company, including the Company's key personnel, senior management and the Board of Directors, as well as key personnel in the subsidiaries.
- For information concerning training and employee involvement, see details below.
- The Procedure of Prevention of Conflict of Interest is included in the list of the selected organizational procedures (TOP) with regard to which specific assimilation measures are implemented. In addition, once a year revisions and refresher courses are presented to the Company's Board of Directors.
- Revisions of the laws and case law on the subject in Israel and worldwide are issued to all levels in the Company; according to the guidance of the Supervisor, the national task force periodically reviews the existing law, including cases of violation in Israel and around the world, and as necessary, summarizes these revisions in a memorandum, which is forwarded to the Company units, as well as to management and the Board of Directors.

### **Reports and controls for the purpose of locating, preventing and treatment**

- **Annual reports** – the Company's units submit annual reports to the Enforcement Supervisor, who summarizes them and presents an annual report to the Company CEO and Board of Directors of the Company's efforts on this issue, the manner in which the Program is implemented and the findings reported by the units, if reported, and how these are handled.
- **Routine reports** - according to the Enforcement Procedure, Company employees who become aware of an act that violates the Procedure, the law or the Convention or any concern of such, will report it to the Supervisor and the relevant officers as set out in the Program. The Supervisor will investigate the case and the nature of the violation and will act in accordance with the Procedure for Suspected Criminal Offenses by Company Employees (see below). The case will be managed among others, subject to the provisions of the Whistleblower Procedure for employees who report violation of the law, offenses and breach of moral integrity.

- **The Company also acts to implement reporting mechanisms in its subsidiaries and investees or associates.**
- **Proactive Controls** - in accordance with the guidelines for appointing the national task force, proactive controls are carried out during the course of the year in selected units based on the level of their exposure to this issue, in order to ensure proper implementation of the Procedures and Guidelines.
- **Documentation and maintaining documents** - according to the provisions of the Procedure, it is mandatory to keep documents and to document activities relating to the Company's obligation to act in accordance with the Procedure, the law or the Convention, for a minimum of 10 years, and the units appointed an individual who is responsible for this in their unit.
- **Contact with external parties regarding this issue** - knowingly and in coordination with the Supervisor.
- **Internal audit involvement in the Company** - according to the Procedure, if information is brought to the internal auditor as part of the routine course of his work, that raises suspicion of a violation of the Procedure, the internal auditor will forward such information to the Supervisor
- **Subsidiaries and investees or associates** - the Company works to implement enforcement mechanisms in its subsidiaries and investees or associates, as the case may be. As part of this, the Company mapped risk exposures of its subsidiaries and investees or associates, in which it provided as follows:
  - \* **With regard to subsidiaries** - the Company instructed that actions for the implementation and assimilation of enforcement programs are to be carried out, including with regard to the issue of the prohibition of bribery, with required changes based on their operations, including 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/annual reports in accordance with the level of exposure, etc. Moreover, the Company maps exposures, reviews issues as they arise, periodically monitors and supervises with representatives of the subsidiaries, and acts to provide guidance accordingly and as required.
  - \* **With regard to investees or associates** - 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 to take actions such as establishing/examining the existence of mechanisms/procedures for receiving information, maintaining compliance procedures appropriate for their operations, and monitoring implementation thereof.
- **The Company conducts the required due diligence before making investments and acquisitions accordingly.**
- **Mapping and compliance, the prevalence and effectiveness of the Program** - in addition to all the foregoing, the Company works to map the provisions of the law and exposures, examining the effectiveness of the Program and keeping it up to date. Within this framework, the Company's representatives participate in professional conferences, it conducts annual benchmark comparison with similar companies, explores its participation in forums on this issue, and issues guidelines, legal revisions, and ongoing advice and support for the Company's units.

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### Training and guidelines regarding conduct that is considered appropriate

The Company's Procedures, as well as its Enforcement Program, training, reports and the legal revisions it contains, include clear guidelines regarding appropriate conduct and unacceptable conduct, as set out above.

The Company's procedures, the main points of the Enforcement Plan documents, the training materials and other relevant guidelines are made public to all the Company's employees on the Company's internal intranet website.

Furthermore, as a way of generating deterrence, educating and conveying a message regarding conduct that is considered appropriate and conduct that is considered unacceptable, the following actions are carried out:

- The Human Resources Department publishes information for the employees concerning violations and the penalties imposed, in order to clarify the prohibitions.
- In addition, training and refreshers are conducted to keep abreast of developments in general or for specific units as needed.
- Notices of disciplinary committee cases and incidents of breaches of moral integrity are also published on bulletin boards and/or through the corporate email system. Messages on the subject are sent regularly through the managerial chain.

### Training and assimilation activities carried out in 2019

During 2019, the Company's Embezzlement and Fraud Risk Management Department, with the assistance of a company specializing in this area, led an extensive organization-wide process for assimilating the issue of prevention of embezzlement and fraud in the organizational culture, as part of which the following actions were taken:

- **Challenge of the Safes** is an award-winning experiential learning competition. Ninety-eight Company departments participated in the competition, which were required to deal with tasks related to embezzlement and fraud in order to "crack the safe"
- **Six awareness conferences were held for managers from the departmental manager level up to vice presidents;** each conference was attended by between 60 and 100 managers, who took part in an extreme-digital challenge using the smartphone game system, tasks and group challenges, a card game that dealt with the investigation of cases of embezzlement and fraud, and after this experience, each manager received a kit designed for passing on this activity to their employees.
- **One-day training workshops for officers in sensitive positions** - in 2018-2019, eleven such workshops (four in 2019) were conducted for all sensitive positions in the Company. As part of this, some 600 employees participated in hands-on activities focusing on how to manage cases of fraud and breach of trust, prevent conflicts of interest and maintain moral integrity, ethical dilemmas and warning lights.

- **A sensitive position** is a position in the Company as part of which exposure to the risk of embezzlement and fraud is an integral part of the carrying out the job. The level of sensitivity in the position (very high, high, medium, low, very low) is determined on the basis of the extent of the damage that may be caused to the organization as a result of the employee abusing his authority or his actions while carrying out the job. The level of sensitivity of the position is determined on the basis of a number of criteria: the scope of its financial impact, the contact with external individuals, access to information systems, and time of execution.
- **Training for embezzlement and fraud risk trustees** - twelve embezzlement and fraud risk trustees from the various divisions were appointed at the end of 2019, and underwent initial training at the end of 2019 and further training at the beginning of 2020. The Department of Embezzlement and Fraud Risk routinely provide support for the risk trustees for monitoring control of sensitive positions, conducting targeted surveys in the various divisions, etc.

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## **Program, processes and means for exposing cases of corruption, embezzlement and fraud (hereinafter)**

### **Protecting whistleblowers**

The Company has a specific Procedure for “Protection for Employees who Report Violations of the Law, Offenses and Breaches of Moral Integrity” (the “Whistleblower Procedure”). See information of the system for handling whistle blowers as set out in Whistleblower Procedure in section 2 above. The Internal Enforcement Procedure clarifies that an employee whose complaint is under investigation by the internal audit division is entitled to protection pursuant to the foregoing Procedure. Furthermore, the Internal Enforcement Procedure on Prohibition of Bribery provides that the reported case will be managed subject to, among other things, the provisions of the Whistleblower Procedure. These Procedures (as with all Company procedures) are made public for the employees in the procedures system in the Company’s internal organizational portal.

The audit unit operates in accordance with the Whistleblower Procedure and each case is examined according to its own merits, in coordination with the legal unit. It should be noted that, in accordance with 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.

The procedure for Internal Audit and Public Complaints Commission includes a reference to the foregoing Procedure, as set out in section 2.

### **Channels for reporting Cases of Corruption**

Reporting Cases of Corruption and breach of moral integrity is carried out through the channels for filing complaints that are non-consumer complaints, and which are handled in the Company by the audit unit. The contact details for this unit are available on both the organizational portal and the Company’s external website. Publication on the external website is accessible to the general public, including suppliers, customers and other third parties. Publications in both channels include information on how to contact the internal audit unit by phone, fax and email, and also include a link to a Hotline, which allows complaints to be filed anonymously (however, it is emphasized that complaints can also be filed anonymously over the other channels noted). In the periodic training sessions under the Enforcement Program, management and employees were informed that it is possible to report anonymously. The organizational portal also has a link to the internal audit procedure, which includes, among other things, a detailed reference to the issue of handling non-consumer complaints, and as aforesaid, it also refers to the Whistleblower Procedure.

Link to the public complaints page on the Company's website . . . . . <https://bit.ly/35B5xVY>

Link to contact information for filing complaints on breach of moral integrity,

including the Hotline: . . . . . <https://bit.ly/2Huxjv3>

### **Structured processes and procedures for addressing reports of corruption**

As noted above, the Procedure for Suspected Criminal Offenses provides that it is the duty of an employee who becomes aware of an act that raises concern of a criminal offense being committed by another Company employee (as a rule - relating to their work), to report such immediately, and particularly the persons to whom such report should be sent, how the Company will treat such suspicion and the link between such treatment and the existence of internal disciplinary measures.

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.

According to the foregoing Enforcement Procedure, Company employees who become aware of an act that violates the Procedure, the law or the Convention or any concern of such, will report it to the Supervisor and the relevant officers as set out in the Program. The Supervisor will investigate the case and the nature of the violation and will act in accordance with the Procedure for Suspected Criminal Offenses by Company Employees. The case will be managed among others, subject to the provisions of the Whistleblower Procedure for employees who report violation of the law, offenses and breach of moral integrity.

The issue of reporting is emphasized and clarified in the Company's periodic training courses.

Under the Government Companies Law, it is mandatory to report violations of the law or breach of moral integrity/omission by the CEO, a director, and the Chairman of the Board of Directors to parties outside of the Company, as provided by law, and that the Board of Directors hold a hearing on the matter.

### **Measures adopted by the Company for proper disclosure of Cases of Corruption reports**

Proper disclosure of the number of reports received, the types of misconduct and the steps taken to deal with the report, is executed over the following channels:

- The Company's units submit annual reports to the Enforcement Supervisor, who summarizes them and presents an annual report to the Company CEO and Board of Directors of the Company's efforts on this issue, the manner in which the Program is implemented and the findings reported by the units, if reported, and how these are handled.
- The Board of Directors' Corporate Governance Committee reviews the Program at least once a year or more frequently, as necessary, including with respect to the annual report and its findings, if any, as well as issues of principle arising from the Program (such as reports of violations/suspected violations).
- The Board of Directors receives a quarterly report on the activities of the disciplinary committees submitted to the Audit Committee of the Company's Board of Directors. In addition, 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, in cases where concerns arise of violations of the law or of integrity. Under the Government Companies Law, it is mandatory to report violations of the law or breach of moral integrity/omission by the CEO, a director, and the Chairman of the Board of Directors to parties outside of the Company, as provided by law, and that the Board of Directors hold a hearing on the matter.

For details regarding Human Resources publications for the employees concerning violations and penalties imposed - see section 4 above.





THE END

