

# 2024 SUSTAINABILITY REPORT

Israel Aerospace Industries 



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## About the report

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### Reporting period and cycle

This report presents the Israel Aerospace Industries (IAI) performance on Environmental, Social, and Governance (ESG) issues, as of December 31st, 2024. This is the company's ninth consecutive annual report, published on March 31st, 2024. In some cases, previous years were considered for the sake of comparison, trend analysis, and future goal setting. When such cases appear in the report, this fact is explicitly noted. Parts of the report were audited for limited assurance by BDO Ziv Haft (see pages 83-86), and professional consultation on the report was provided by KPMG Somekh Chaikin.

No significant changes occurred in the organization's sector, value chain or business activities compared to the previous reporting period.

IAI's 2024 financial statement period, from January 1st to December 31st, and concerns IAI's global activity. Unless otherwise mentioned, all the sustainability data (other than financial) included in this report applies to IAI's activities and operational sites in Israel alone, and reflect the consolidated data from these sites. In some cases, relevant information was given for specific sites only. When such cases appear in the report, this fact is explicitly noted.

ELTA Systems Ltd., included in this report as an IAI group, has a dual status, as it operates both as a group and as a subsidiary.

This report is written in English. A full version is also available in Hebrew. These reports are available on IAI's website.

### Reporting 'in accordance' with the GRI Standards



#### UN SDG targets: 12.6

This report has been prepared in accordance with the GRI Standards. These reporting standards are available at the GRI website: [www.globalreporting.org](http://www.globalreporting.org). This level of reporting is in line with the company's resources and the requirements of its stakeholders.

For the GRI Content Index – Essentials Service, GRI Services reviewed that the GRI content index has been presented in a way consistent with the requirements for reporting in accordance with the GRI Standards, and that the information in the index is clearly presented and accessible to the stakeholders.

The GRI Content Index is located at the end of this report, on page 75.

### Restatements

Change in the measurement or in the definitions used to: No.

### Significant changes to the report

No significant changes were made compared with previous reports.

### Reporting scope

IAI has a worldwide business and financial activity, with the majority of its managerial and manufacturing activities taking place in Israel's territory. Relevant financial data specified in this report is aligned with



## From the CEO

2-22

I am honored to present, herewith, the sustainability report for Israel Aerospace Industries alongside the company's performance for 2024.

For more than a decade, the company has been taking care to report its performance in Environmental, Social, and Governance fields as an integral part of its reports, near the time of publishing its financial statements.

Sustainability in wartime is not an oxymoron, but quite the opposite holds true: ensuring the management of all Environmental, Social, and Governance aspects is a cornerstone of the resilience and stability of companies and an essential element of their functional continuity, which is so material in wartime. Challenges notwithstanding, the company has continued to provide vital services to its customers in Israel and around the world, while paying maximum attention to the safety of our employees and maintaining financial stability.

2024 posed many challenges for the State of Israel and Israeli society. Israel Aerospace Industries is a devoted, full partner in the most important national mission in the history of the country: ensuring the security of its citizens. We have witnessed the impressive achievements of groundbreaking systems made by Israel Aerospace Industries, in operational activity in the air, at sea, on land and in space, combined with the close cooperation of the defense establishment and increasing investment in research and development; these factors will all strengthen our ability to develop advance technologies and provide appropriate solutions for the future battlefield.

Alongside the unprecedented rise in the company's activity volumes, we have continued to advance our activity in the ESG fields. We started to implement derivatives of the new five year plan of the 2030 sustainability strategy plan, while setting ambitious goals that correspond with the company's major issues, expanding the scopes of reports and compliance with regulations. We are acting to reduce greenhouse gases and increase energy efficiency. For the first time ever, we have set climate objectives for reducing emissions and in a year in which energy continuity has become increasingly important, we have brought the company a natural gas generation station that will allow for power generation near the consumption source, thus relieving the load on the national transmission grid. We are taking action to improve efficiency in waste management at the company and reducing landfill usage.

In social aspects, I am proud that the company won the 2024 human resources excellence contest and of its achievement as an "outstanding employer" for being a splendid example by hiring injured military and security forces personnel, men and women alike, in the last year. The percentage of women employed in the company's management has increased, exceeding the 20% level for the first time. Furthermore, extensive activity is being held to promote diverse populations in the company. We are proud to have achieved the vision of building a manufacturing plant in the town of Ofakim and our contribution to employment resilience for residents of the south and helping the recovery of Israel's society. At the same time, the company is continuing to invest in and promote voluntary work and community involvement channels as part of its worldview.

In safety and hygiene aspects, the company is also demonstrating impressive achievements while setting ambitious future goals. These achievements are also reflected in the company's BDI rating, where we have been promoted to seventh place in the rating of the hundred companies that are best to work at, reflecting the company's rise to new heights in terms of care for wellbeing of our employees, who are a highly significant asset for it.

In technology aspects, Israel Aerospace Industries, as the largest R&D company in Israel, earned a prominent place in 2024 for products and systems at the spearhead of technology, as evidenced by the company's unprecedented order backlog of 25 billion dollars. In an age in which autonomy is becoming a force multiplier and a tiebreaker in the modern battlefield, there is also a concurrent developing trend of diffusion of autonomous arrays from the military market to its civilian-environmental counterpart. In sustainable innovation aspects, innovation centers and partnership that also promote energy and environment fields have been established. In addition, there are signs of increasing sustainable innovation in energy universes, and it is not by chance that SAF has become the new aerospace watchword as a requirement for sustainable fuel.

As noted, 2024 stands out as the year in which the company had its best business performance ever.

Israel Aerospace Industries is continuing to push Israel forward, in economic, defense and technological terms. The growth trend and expansion of its activity have led to a record year in all parameters. All these and more represent an expression of trust in IAI, which in the last year has maintained its Platinum Plus rating by the Maala Index for Social Responsibility, measuring companies listed on the Tel Aviv Stock Exchange, and has been rated first place in the electronics and defense sector. These achievements reflect IAI's stability and resilience, which contributed to the resilience of Israel both as a society and as a state. We are happy that we have accomplished our business objectives and commitments to our customers and partners in military and civil markets in Israel and internationally, while facing global challenges that include geopolitical instability and interruptions to supply chains. Despite the continuing war, IAI's factories did not shut down even for a single day and worked around the clock whenever necessary to fulfill our obligations to the company's customers and to the defense establishment, without exception. We were determined to maintain our business priorities while continuing to invest in long-term growth and R&D.

Israel Aerospace Industries is committed to developing in the present the answer to tomorrow's threats, and intertwines sustainability aspects into its business activity as part of a commitment to and out of concern for future generations too.

**Boaz Levy**  
President and Chief Executive Officer



## Statement of the EVP COO

2-22

I am happy to present to you Israel Aerospace Industries' tenth sustainability report.

2024 was a year in which the defense systems and groundbreaking systems from Israel Aerospace Industries fulfilled their purpose in defending Israel's security.

The company operated at emergency capacity, expedited and expanded its activity to delivery systems for Israel's defense establishment out of its commitment Israel's resilience and security.

At the same time, the company maintained its functional continuity and took care to fulfill its obligations to all of its customers around the world.

Managing ESG aspects of the business in wartime is challenging, particularly in the case of a nationally and globally leading defense company. Challenges included in environmental aspects, supply chain management and human capital management during a complex period.

And despite this, we continued to advance the company in sustainability terms this year as an integral part of maintaining its responsible, sustainable management.

The VPs' Steering Committee that I head convenes once a quarter to monitor and track indices and objectives in the environmental, societal and corporate governance field. We frequently report to the Board of Directors' Corporate Governance, Sustainability, Women's Advancement and Diversity Committee. This hierarchical structure allows for a constant dialog with stakeholders.

In 2024, we started to implement a new multiannual sustainability plan (2030 Strategy Plan), consisting of long-term ESG aspects and setting advanced objectives in the realm of human capital, advancing women and diverse populations, and safety and hygiene, sustainable supply chain, sustainable innovation and environmental objectives.

This year, for the first time, we set a climate objective of reducing emissions and we are acting to improve our energy usage mix. I am proud that our natural gas generation station is nearing completion of construction and will soon start to operate, based on an understanding of the environmental importance and the ambition to achieve energy resilience as a defense enterprise.

We have many collaborations with startups and academic institutes and we have also established new innovation centers in the country's periphery for advancing environmental issues, with emphasis on renewable energy and fuels. We have expanded our activity in cooperation with the IAEG organization that is acting to advance the entire defense sector in universes of content. We are witnessing developing regulations and requirements coming from our customers around the world, so the company's response to these

requirements is the key to maximizing the company's value and allows its business to be expanded and its resilience and stability maintained. We are continue to promote knowledge and systems management in order to provide an answer to environmental regulations in the materials and substitutes field.

The company's human capital is a major asset, and in 2024, the company's employees were supported by a generous envelope: career tracks, promotion of women to management functions and advancing diverse populations – these are all parts of the company's values and identity.

Given this extensive activity, there have been major achievements in 2024 in terms of the company's ratings in Israel and overseas for our ESG performance – we have maintained our Platinum Plus rating in the Maala index and were rated at the top of the defense and electronics sector, alongside an increase in our CDP rating for greenhouse gas emissions. This leap in ratings is highlighted by this challenging year, which calls for business continuity in the face of global challenges of geopolitical instability and supply chain disruptions.

Of significance in 2024 was the company's best business performance ever, in which it serves as a driving force for Israel's economy as a whole – a technology, business and social engine alike. The increasing demand for the company's system bear witness to the trust we have from our customers around the world. There is no doubt that to maintain our global lead and ensure the company's continued resilience and growth, we must continue to act with determination to accomplish the objectives of the strategic plan based on our planning for tomorrow and ensuring the future of our next generations.

**Menashe Ben Haim**  
Executive VP Chief Operating Officer



**STRATEGY & VALUE CREATION**

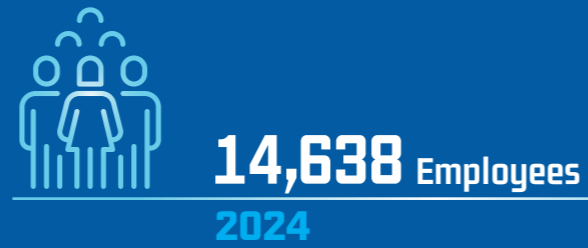
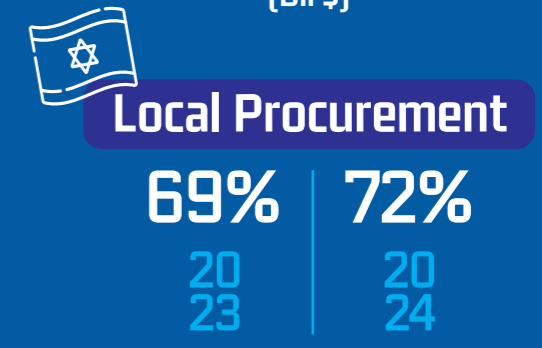
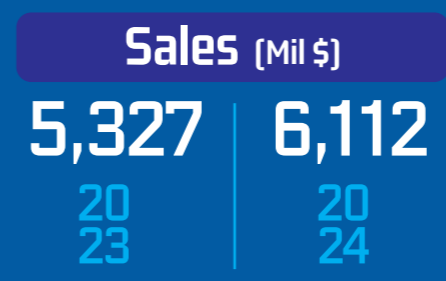
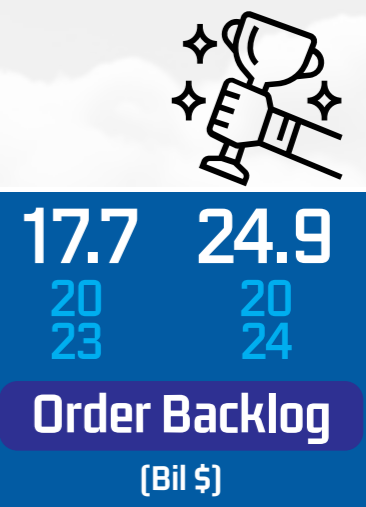
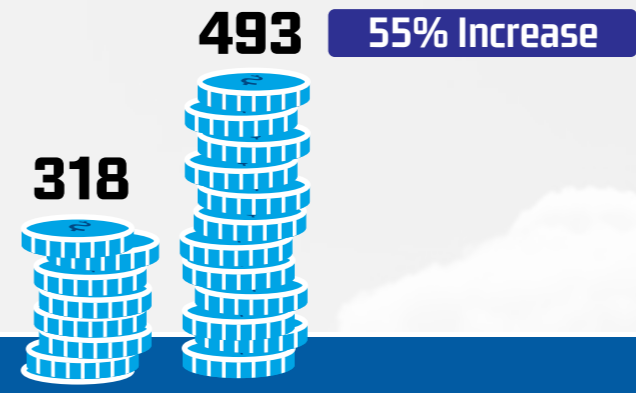


# Our business

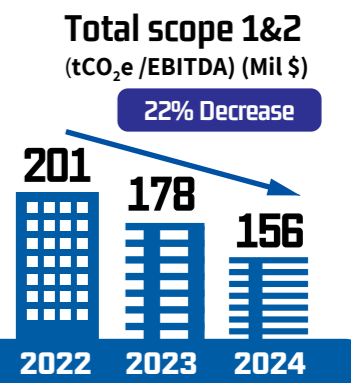
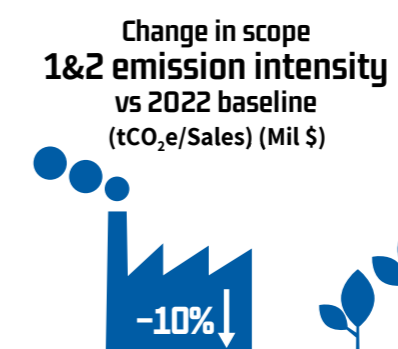
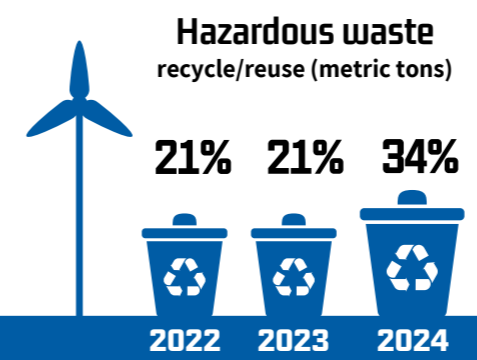
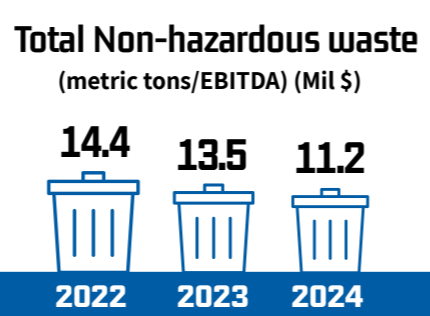
2-1 | 2-2 | 2-6

Israel Aerospace Industries (IAI) is a global Aerospace and Defense (A&D) company, and the largest governmental company in Israel, delivering state-of-the-art technologies and systems in all domains: sea, air, land, space, and cyber for defense and commercial markets. We have been developing and supplying comprehensive solutions and services for customers around the world for nearly seven decades, allowing them to meet their unique security and commercial objectives. IAI was founded in Lod, Israel in 1966. Prior to its establishment, it operated as a supporting unit in the Ministry of Defense, established in 1953. Its name changed to Israel Aerospace Industries Ltd. In 2007.

IAI's headquarters is located near Ben-Gurion Airport, Lod. Overseeing multiple distributed operational sites across Israel, IAI is the largest employer of engineers in Israel, 24.3% of which are women. The company sustains over 30,000 households nationwide, across all circles of employment.



Percentage of women in senior management  
**20.7%**






## Managing sustainability

2-9 | 2-12 | 2-13 | Limited assurance

In IAI, sustainability management is cross-organizational and includes all the company's Groups, Divisions, R&D, operations, and manufacturing. The program is managed hierarchically, by a Board of Directors' Corporate Governance, Sustainability, Women's Advancement and Diversity Committee, overseen by a senior management Sustainability Steering Committee, led by the Executive Vice President of Operations, Procurement and Logistics. The Steering Committee in turn supervises the Sustainability and Corporate Responsibility Directorate, and is responsible, among other things, for the approval of IAI's annual sustainability reports. Through these authorities, we form manageable, measurable, and consistent work plans, strategically directing IAI's progress in the main issues of sustainability.

Our sustainability management is directly derived from our sustainability policy, which in turn reflects our material topics (see page 17). This policy dictates both the focus of IAI's senior management and the strategic work of the Sustainability and Corporate Responsibility Directorate, as well as the targets and objectives assigned to the various functional units acting to promote sustainability issues (for example, Human Resources and Career Advancement, Finance, Procurement, and Logistics). The Sustainability and Corporate Responsibility Directorate collates progress reports from the company's various units and reports back each quarter to both the Senior Management Sustainability Steering Committee and the Board of Directors' Sustainability Committee. The program supports the company's long-term business objectives and is reviewed annually by the company's senior management and the Board of Directors' Sustainability Committee to ensure its completeness and effectiveness.

To achieve our objectives and meet the expectations of the company's stakeholders regarding transparency and access to information, the program relies on a wide range of issues and quantitative metrics that are systematically measured throughout the year. Based on the objectives defined in the 2030 sustainability strategy plan, we continue to advance those issues that have matured in the intra-organizational monitoring and review process, set ourselves ambitious future objectives, in view of a constant aspiration to expand our public reporting. Examples of processes and topics added to the company's reports through to the publication of this report include public reports on a range of mechanisms, such as the international Carbon Disclosure Program (CDP) climate reporting mechanism, the Ministry of Environmental Protection's voluntary greenhouse gas emissions reporting scheme, the Maala index at the Tel Aviv Stock Exchange, and supporting the UN's 2030 Sustainable Development Goals (SDGs).


[Link to IAI's sustainability policy](https://www.iai.co.il/sites/default/files/2019-12/sustainability-policy.pdf)  
<https://www.iai.co.il/sites/default/files/2019-12/sustainability-policy.pdf>

## Our stakeholders

2-29 | Limited assurance

We work proactively to develop trust-based relationships with our internal and external stakeholders, including our employees, customers, business partners, suppliers, contractors, regulatory authorities, civic organizations, and communities in which we operate. We seek engagement with our stakeholders through various processes and approaches. In 2024, we continued to engage with new stakeholder dialogues, and strengthen processes that were set in previous years in order to advance cooperation, learning, and improvement, based on valuable insights on our material topics and performance.

Stakeholders	Internal/ External	Proposed material topics for engagement	Engagement approach
Israel's government (owners)	External	All materials topics (see page 17)	Annual reports; Meetings, Participation of a representative of the Companies Authority as an observer in the Board meetings and its committees
Regulatory authorities (including environmental and social compliance)	External	All materials topics (see page 17)	Annual reports; Meetings; Joint seminars, conferences and seminars; Site visits and audits; Professional forums
Employees, employees' families, our retirees	Internal	All materials topics (see page 17)	Intranet; Internet; Mobile app #weareIAI; Newsletters and emails; Social media posts; Forums and gatherings; Company events; Surveys; Round tables
Board of directors and senior management	Internal	All materials topics (see page 17)	Management reviews; Professional training; Steering committees; Surveys; Round tables
Customers	External	Corporate governance ethics and corruption prevention; Safety and quality of products and services; Innovation and technological leadership; Resource management and environmental efficiency; Climate change related activities; Responsibility within the supply chain; Cyber defense and information security;	Annual reports; Trade shows and technical conventions; Audits and site visits; Surveys; Meetings; Joint seminars, conferences and seminars; Social media posts; External website



Stakeholders	Internal/ External	Proposed material topics for engagement	Engagement approach
Suppliers and contractors	External	Responsibility within the supply chain; Corporate governance ethics and corruption prevention; Resource management and environmental efficiency; Climate change related activities; Occupational health; and safety; cyber defense and information security;	Internet; Meetings; Joint seminars and conferences; Audits; Supplier training; Surveys
Communities	External	Social impact and community engagement; Resource management and environmental efficiency; Climate change related activities;	Internet; Strategic partnerships; Volunteering and local initiatives; Meetings; Round tables; Surveys; Social media posts
Local and international partnerships and industry associations	External	Innovation and technological leadership; Resource management and environmental efficiency; Climate change related activities; Social impact and community engagement; Corporate governance ethics and corruption prevention; Cyber defense and information security;	Strategic partnerships; Professional committees and forums; Joint seminars and conferences; External website
Civil organizations	External	Social impact and community engagement; Responsibility within the supply chain; Corporate governance ethics and corruption prevention; Resource management and environmental efficiency; Climate change related activities; Innovation and technological leadership; Diversity, inclusion and gender equality;	Surveys; Meetings; Joint seminars, conferences and seminars; Social media posts; Internet; Surveys; Round tables
Academia	External	Technological innovation; Impact on Israel	Strategic partnerships; Technical conferences; Internships and higher education training; Joint R&D projects
Future generations	Internal/ External	Technological innovation; Human resources management	National-level Long-term outlook forums; Future women engineers of tomorrow project
Investors and financial stakeholders	External	All material topics (see page 17)	Annual reports; Meetings; External website

## Strategic alliances and memberships

2-28 | Limited assurance

IAI is active in various associations, forums, and alliances, both local and international, that focus on promoting collaborative efforts and knowledge sharing around our material topics. These important connections inform our responsible business practices and our policies, as well as their implementation. During 2024, we continued to strengthen these partnerships as an integral part of our sustainability and business continuity management.

### In Israel

As the largest governmental employer in Israel, we take part in, and in some cases lead, important efforts to advance both environmental and social-based projects.

**Among our partners are:** The Manufacturers Association of Israel (professional and sustainability groups); the Standards Institute of Israel; The Israeli Association of Systems Engineering; The Association of Engineers, Architects and Graduates in Technological Sciences in Israel (AEAI); the joint government and business forum for a competitive low-carbon economy; the forum for corporate responsibility of the Government Companies Authority; the forum for corporate responsibility of the Israel-America Chamber of Commerce; the socio-economic forum of the Israeli directorate of business organizations; the voluntary GHG emissions reporting scheme of Israel's Ministry of the Environment, and more.

### Maala

Maala is a nonprofit organization promoting corporate social responsibility in Israel, and established the Maala Index at the Tel Aviv Stock Exchange. In 2024, IAI maintained its "Platinum Plus" ranking [the highest-possible ranking for comps in this index] and also headed the list of companies ranked in the electronics and defense sector.

### International Aerospace Environmental Group (IAEG)

An international trade association formed by the world's largest aerospace and defense companies focuses on compliance with future laws and regulations regarding the environment. The association advances mutual efforts to aid the industry's value chain in becoming more sustainable, reduce potential risks, and drive continual improvements to help companies make their products more environmentally friendly. As sole Israeli participant in this association since 2013, IAI is involved in various working groups, such as reporting in the world of materials in supply chain, advancement of substitutes, ESG management aspects and recently the Partnering in a group that deals with sustainable aviation fuel - SAF.

### International Forum on Business Ethical Conduct (IFBEC)

An international forum of major member companies in the aerospace and defense sector, focusing on the promotion of global principles and standards, as well as sharing best practices on ethical business conduct. IAI joined the forum in 2021.



## ESG risk management

2-12

Environmental, social, and governance (ESG) risks and their impacts are included in the company's periodic risk review (see page 44) and tracked regularly by the senior management sustainability steering committee and by the Board of directors' committee on corporate governance, sustainability and the advancement of diverse populations. The Sustainability and Corporate Responsibility Directorate carries out ongoing monitoring and evaluation of all of the impacts that derive from the material topics with respect to the company's business activity, leads processes to improve preparedness among group and division managers, and leads processes to improve preparedness among group and division managers with respect to internal and external stakeholders.

Information on all key corporate risks is located in Section 30 of the First chapter (Description of the corporation's business) of the 2024 Financial Statement of the Company (in Hebrew), pages 130-140. The table below outlines the main ESG risks that could potentially affect our business activity.

Risk area	Potential impact	Organizational mechanisms for managing and reducing impact
<b>Coping with crises and emergency events</b>	Harm to people and equipment, disruption of business activity, failure to meet objectives and deliveries, loss of opportunities	Risk management (see page 44) and business continuity (see page 33)
<b>Cyber defense and information security</b>	Disruption of business activity, shutdown of systems, loss of information, security breach, information leakage including sensitive commercial and personal information	Cyber defense and information security (see page 45)
<b>ESG-related regulatory developments (local and international)</b>	Infrastructure investment for meeting regulatory requirements, prohibition or limitation on the use of specific raw materials in the company's products	Compliance with laws and regulations on environmental issues (see page 65) and socioeconomic issues (see page 40)
<b>Human capital management vis-a-vis current and developing labor trends</b>	Competitiveness in recruiting and maintaining human capital in accordance with the company's needs	Career at IAI (see page 50)
<b>Climate-related risks (transition and physical)</b>	Mid to long-term potential impact on operations and supply chain due to resource price and taxation changes in transitioning to a global low-carbon economy and due to severe weather trends	GHG emissions (see page 70), business continuity (see page 33) and Environmental R&D (see page 71)

## Materiality

2-14 | 3-1 | 3-2 | Limited assurance

Underlying the 2030 strategic sustainability plan and sustainability policy are Israel Aerospace Industries' material topics, which were found to be important for the company's long-term business growth and reflect the organization's significant economic, environmental and social effects on stakeholders, including both risks and opportunities.

During 2023, a materiality analysis process was performed using the GRI Standard reporting methodology. The list of material topics also applies to the 2024 activity year.

The subjects were approved by the Senior Management Sustainability Committee and the Board of Directors' Corporate Governance, Sustainability, Women's Advancement and Diversity Committee, the process allowing future flexibility to the extent required given emerging changes. The Senior Management Sustainability Committee reviews the company's progress in relation to the objectives of the strategic plan, alongside new, emerging issues requiring impact assessments and decision making. If necessary, a systematic process is undertaken with relevant stakeholders to assess the need to add the issue to its list of material topics.

### Look for the MT mark!

This icon stands for "material topic", and is placed throughout this report wherever a strategically managed material topic is discussed.

<sup>1</sup> See the 2023 sustainability report for further information on the full materiality analysis process.



3-2 | Limited assurance

# Materiality

 Responsible supply chain page 31 Governance	 Cyber defense and data protection page 45 Governance	 Innovation and technological leadership page 27 Governance	 Corporate governance, ethics and corruption prevention page 37 Governance	 Safety and Quality of Products and Services page 29 Governance
 Occupational health and safety page 53 Social	 Social impact and community engagement page 57 Social	 Human capital management page 49 Social	 Diversity, Inclusion and Gender Equality page 51 Social	
 Resource management and environmental efficiency page 65 Environment	 Climate change related activities page 68 Environment			

## Our Sustainability Roadmap 2030<sup>1</sup>

### Limited assurance

Sustainability is a significant strategic business driver for IAI. The company continues its commitment to integrate sustainability aspects into its operations, believing that maximizing business value and strengthening environmental and social aspects are intertwined.

During 2024, the company continued to implement the Strategic Sustainability Plan for 2030, while establishing work plans to advance the goals, monitoring and tracking actual performance, and identifying trends throughout the year. The following are the main actions carried out during the year to achieve the goals: Goal of reducing greenhouse gas emissions from complexes 1 and 2: Due to the intensive nature of IAI's activities, ongoing and up-to-date monitoring of energy consumption data is essential for effective operational management. To this end, IAI has developed an advanced internal monitoring system, which displays fuel consumption data from all the company's activities in real time. This system allows:

- Continuous monitoring of compliance with energy consumption targets.
- Analyzing trends and identifying anomalies in consumption.
- Producing operational insights and accurate management reports.
- IAI aims to expand the use of this system and integrate automatic data collection from additional sources.

In 2024, considering the significant surge in demand and activity volumes, increased activity in development and production processes continued, including working in three shifts on significant production lines.

However, part of the required increase in electricity consumption was offset by operation of the wind tunnels which was reduced more than planned, so overall consumption remained approximately similar to that in 2023.

<sup>1</sup> See the 2023 sustainability report for further information for the full materiality analysis process.

### Social Objectives:

There is an evident increase in the number of women in management positions, exceeding 20%, owing to the extensive activity described in this report. The objective of hiring women in all functions demonstrates a trend exceeding the five year plan objective too. In terms of hiring women in core professions, a large amount of activity is being held to meet this challenging objective. In diversity, the five year plan objective has been updated to a staffing objective and we are witnessing the extensive results of actions that human capital has been investing in to promote this issue.

### Safety And Hygiene Objective:

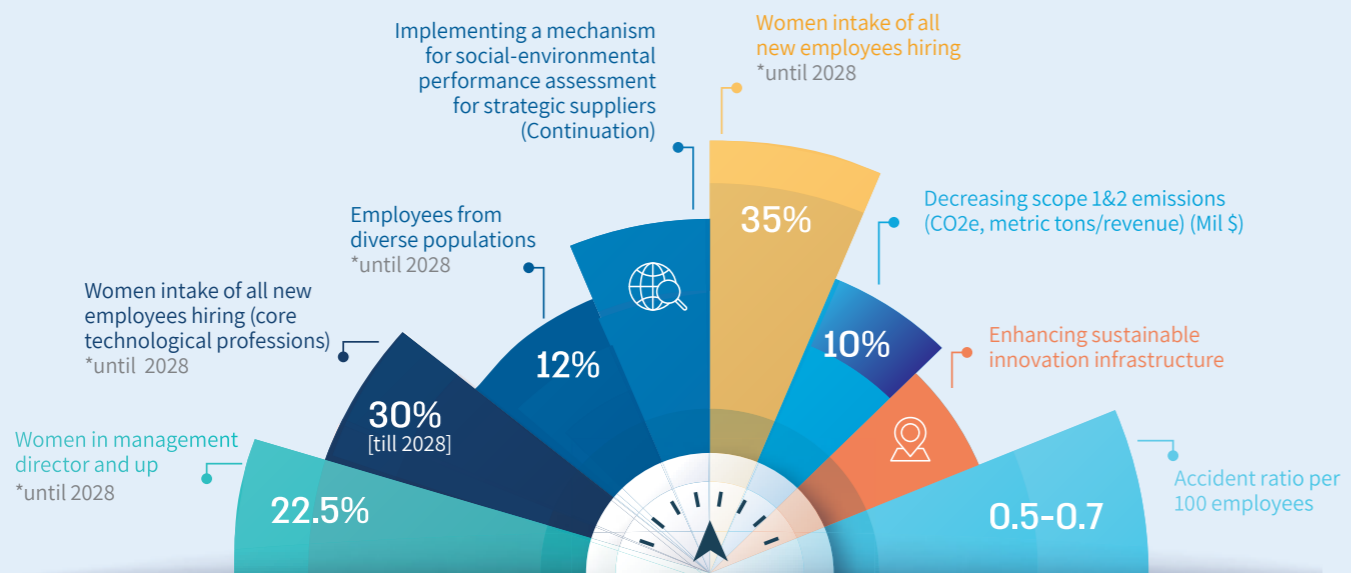
The proactive prevention plan allowed for reaching a stable objective in numbers of accidents relative to number of workers (a ratio of 0.5-0.7 or less accidents per 100 employees per year).

### Key Qualitative Objectives:

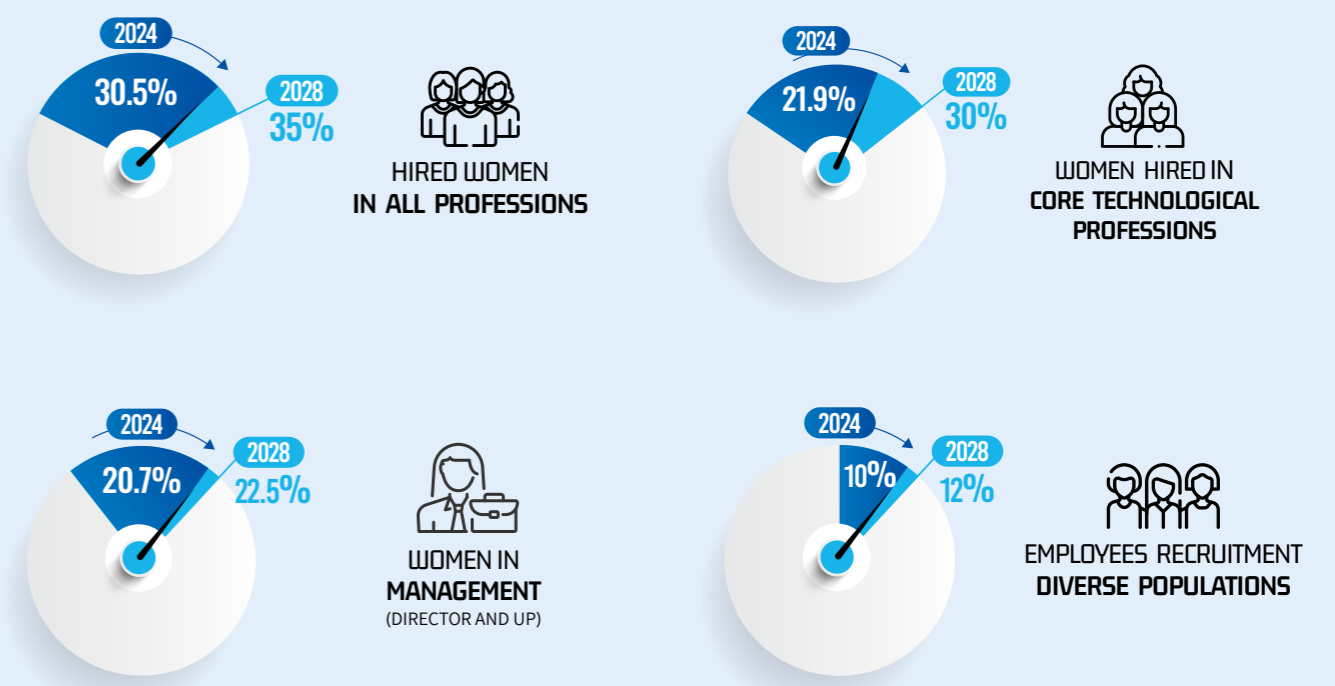
Pilots have been started to use platforms that rate suppliers in terms of ESG performance and using platforms for declarations of suppliers in the field of materials.

**Look for the SP Mark!**  
 This mark stands for "Strategic Progress", and is placed throughout this report wherever progress in our strategic sustainability roadmap is discussed (beyond these goals which are monitored by the Board)

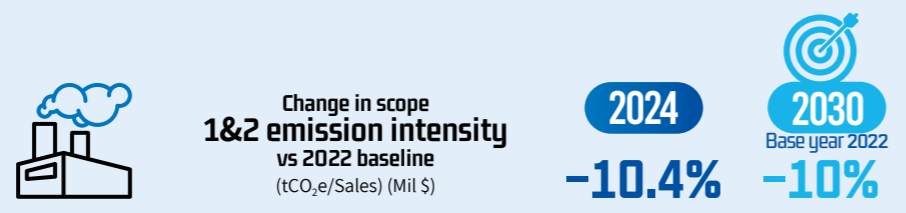
**STRATEGIC GOALS UNDER THE MONITORING OF THE SUSTAINABILITY COMMITTEE**



**SOCIAL**



**ENVIRONMENT**



**SUPPLY CHAIN**

Development and implementation of a mechanism for the socio-environmental evaluation of suppliers [See progress on page 18, 31](#)

**INNOVATION**



Expansion of infrastructure for sustainable innovation within the company [See progress on page 18, 27](#)





## Our alignment with the UN Sustainable Development Goals (SDGs) 2030

In 2015, the United Nations Assembly launched 17 Sustainable Development Goals (SDGs) intending to make sustainability a uniting global agenda for 2030. Six SDGs were identified as most relevant materials to our business. Our contribution to each is measured and reported annually. Under each of the six goals, we note the specific targets that the Company's activity relates to.

UN SDGs	UN Targets	Our alignment and contribution
 <p><b>4</b> QUALITY EDUCATION</p> <p>Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all.</p>	<p><b>Target 4.3:</b> By 2030, ensure equal access for all women and men to affordable and quality technical, vocational and tertiary education, including university.</p> <p><b>Target 4.4:</b> By 2030, substantially increase the number of youth and adults who have relevant skills, including technical and vocational skills, for employment, decent jobs and entrepreneurship.</p>	<p>Our social impact strategy focuses on developing future technological human capital in the fields of aviation and space, with an emphasis on promoting gender equality. This strategy is implemented, among other things, in joint activities with NGOs and cooperation with the Socio-economic forum to advance diversity and equal opportunity. In addition, IAI operates a professional school, part of the ORT network, which combines conventional studies with a weekly program of practical employment. The school's curriculum is based on three areas of expertise: Aircraft Mechanics, Electrical and Electronic Systems and Unmanned Aircraft.</p>
 <p><b>5</b> GENDER EQUALITY</p> <p>Achieve gender equality and empower all women and girls.</p>	<p><b>Target 5.1:</b> End all forms of discrimination against all women and girls everywhere.</p> <p><b>Target 5.5:</b> Ensure women's full and effective participation and equal opportunities for leadership at all levels of decision-making in political, economic and public life.</p>	<p>IAI promotes a diverse and inclusive work environment and equal opportunity employment. Our gender equality plan was built in order to increase the percentage of our women employees in both core and general professions. "Future CEOs academy" program encourages women to apply for management positions. In addition, our social impact programs such as "Women Engineers of tomorrow" aim at empowering girls and young women to pursue STEM professions.</p>



UN SDGs	UN Targets	Our alignment and contribution
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 <p><b>8</b> DECENT WORK AND ECONOMIC GROWTH</p> <p>Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all.</p>	<p><b>Target 8.1:</b> Sustain per capita economic growth in accordance with national circumstances.</p> <p><b>Target 8.2:</b> Achieve higher levels of economic productivity through diversification, technological upgrading and innovation, including through a focus on high-value added and labor-intensive sectors.</p> <p><b>Target 8.4:</b> Improve progressively, through 2030, global resource efficiency in consumption and production and endeavor to decouple economic growth from environmental degradation, in accordance with the 10-year framework of programs on sustainable consumption and production, with developed countries taking the lead.</p> <p><b>Target 8.5:</b> By 2030, achieve full and productive employment and decent work for all women and men, including for young people and persons with disabilities, and equal pay for work of equal value.</p> <p><b>Target 8.8:</b> Protect labour rights and promote safe and secure working environments for all workers, including migrant workers, in particular women migrants, and those in precarious employment.</p>	<p>IAI's employees are the heart of our business, going above and beyond to create value through demonstrable innovative achievements and products. Being one of the largest employers in Israel, we strive to provide secure and long-term job opportunities, while ensuring safe, ethical and empowering working environment. We invest in employees' professional development and foster diversity and inclusiveness with equal pay and remuneration for work of equal value. In addition, the company invests in environmental management systems and infrastructure that promote business growth with an environmental perspective, such as a circular economy.</p>
 <p><b>9</b> INDUSTRY, INNOVATION AND INFRASTRUCTURE</p> <p>Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation.</p>	<p><b>Target 9.4:</b> By 2030, upgrade infrastructure and retrofit industries to make them sustainable, with increased resource-use efficiency and greater adoption of clean and environmentally sound technologies and industrial processes, with all countries taking action in accordance with their respective capabilities.</p> <p><b>Target 9.5:</b> Enhance scientific research, upgrade the technological capabilities of industrial sectors in all countries, in particular developing countries, including, by 2030, encouraging innovation and substantially increasing the number of research and development workers per 1 million people and public and private research and development spending.</p>	<p>IAI regularly maintains and upgrades its facilities and infrastructures, and ensures all our operational sites work in accordance with highest standards of quality, environmental management, safety management and information security. IAI is also dominant in patents applications and registry, and offers innovative solutions in all arenas: space, air, sea, land and cyber.</p>

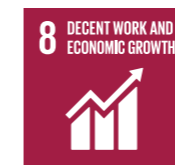


## Business development and performance

2-1 | 2-6 | Limited assurance | SP

UN SDGs	UN Targets	Our alignment and contribution
 <p><b>12</b> RESPONSIBLE CONSUMPTION AND PRODUCTION</p> <p>Ensure sustainable consumption and production patterns.</p>	<p>Target 12.2: By 2030, achieve the sustainable management and efficient use of natural resources.</p> <p>Target 12.5: By 2030, substantially reduce waste generation through prevention, reduction, recycling and reuse.</p> <p>Target 12.6: Encourage companies, especially large and transnational companies, to adopt sustainable practices and to integrate sustainability information into their reporting cycle.</p> <p>Target 12.8: By 2030, ensure that people everywhere have the relevant information and awareness for sustainable development and lifestyles in harmony with nature.</p>	<p>IAI continually invests in minimizing the environmental footprint of its production lines, and in environmental R&amp;D (Clean sky, Green labeling) We look to expand the implementation of “Design for sustainability” principles in our processes as part of our 2019-2023 strategic sustainability roadmap, and increase real-time accessibility to our sustainability performance data, for continual improvement of our operational decision-making.</p>
 <p><b>13</b> CLIMATE ACTION</p> <p>Take urgent action to combat climate change and its impacts.</p>	<p>Target 13.1: Strengthen resilience and adaptive capacity to climate-related hazards and natural disasters in all countries.</p>	<p>IAI acknowledges the importance of action on climate change and its global effect. We manage a cross-organizational carbon control program, focusing on the reduction of CO2 and other air emissions, expanding tracking and reporting capabilities (CDP climate, the voluntary GHG reporting scheme of the Israeli ministry of environmental protection) and actively participating in important industry collaborations (such as IAEG). IAI is also advancing new products that have joint added value, such as building a concept for a forest fire extinguishing solution.</p>

### Financial performance



**UN SDG targets: 8.1 | 8.2**

IAI is a “wholly-owned Governmental Company”, with Israel’s government holding 100% of its shares, as stipulated in the Israeli Governmental Companies Law - 1975. The company’s debentures were issued and listed for trade on the Tel-Aviv Stock Exchange effective May 2007, whereas the company’s shares are not listed for trade. The company’s Board of Directors oversees the execution of its policy by the Senior Management - IAI Chief Executive Officer and Vice Presidents.

The company’s financial statements have been prepared in conformity with IFRS, and fully comply with the Israeli Securities Regulations and the Israeli Government Companies Law - 1975. On December 31, 2024, IAI held a backlog of orders amounting to 24.9 billion US Dollars which equals to 4.1 years of activity. The total company equity stands at 1,870 million US Dollars and the total company’s scope of obligations stands at 8,526 million US Dollars.

In 2024, IAI was ranked 28 out of 100 companies in the international A&D sector index by Defense News.

### Business development

The goal of IAI’s Business Development to support the company’s entry into new markets, identifying and developing new business opportunities, while creating value and leveraging synergy with the company’s activities.

In addition, the organization is responsible for the external growth strategy that maximizes IAI’s sustained competitiveness and its position as a dominant leader in its core and other are-as. The major instruments used in business development are: Mergers and

Acquisitions; establishing Joint Ventures; creating additional value through business synergy; acquiring required technologies for continual development and new business plans; offering business support for innovative programs; converting military technologies to civilian applications.

### Sustainability aspects in business development

In-depth due diligence is done as a part of Mergers and Acquisitions and business investments processes, involving a wide spectrum of business and legal aspects. Sustainability aspects are reviewed in these processes to ensure that the risk assessments of potential transactions are up-to-date and complete.



# Products and services

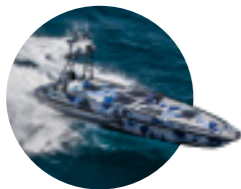
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## Defense



### Air

IAI specializes in a variety of air defense solutions and services, supplying mission aircraft, advanced unmanned aerial vehicles, guided weapon systems, missile defense systems, aircraft and helicopter upgrades, and advanced ISTAR-I4C solutions and navigation systems.



### Naval

With many years of proven expertise in the naval battlefield, IAI provides naval combat suits and anti-aircraft and missile defense systems. In addition, we also provide maritime reconnaissance and surveillance systems using our array of unmanned aerial vehicles, coastal and economic water protection solutions, and unmanned marine and underwater vehicles.



### Land

The company has a leading position in the world of land combat systems thanks to a wide range of innovative solutions – from multi-mission and multi-sensor payloads, special forces vehicles with high mobility and navigability, to advanced and precise weapon systems, air defense systems and robotic and autonomous solutions for land. The company's portfolio includes customized solutions that provide the decisive advantage needed to achieve superiority on the battlefield. These solutions include effective capabilities to support border security and the protection of critical infrastructure, as well as counter-terrorism operations.



### Space

As Israel's national space house, the company leads space programs for national security, scientific research and commercial applications for the Israeli Ministry of Defense, foreign governments and private entities. IAI's impressive capabilities in the space sector are reflected in more than 40 years of experience and expertise in space technologies and a New Space approach to achieving the highest level of performance. Focusing on small to medium-sized satellites and spacecraft, IAI offers end-to-end solutions, including a state-of-the-art ground system. Through extreme precision and dedication, IAI tailors its systems to customer needs, delivering innovative and proven space solutions that deliver superior performance at affordable life cycle costs.

Link to defense products and services  
<https://www.iai.co.il/defense>

## Commercial

### Aviation

IAI's Aerospace Division is involved in all aspects of the aviation industry, from design and development, through engineering and manufacturing of aerostructures and complete aircraft, to testing and certification. IAI's Aircraft Manufacturing Center is responsible for the design, manufacturing and integration of mid-sized executive aircraft. IAI manufactures these aircraft from scratch, starting with the processing of raw materials into aerostructures and aircraft parts – fuselage, tail and landing gear. At the same time, IAI provides a wide range of advanced aerostructures for various advanced platforms. Our production lines produce composite assemblies, metal composites and metal processing for the world's leading aerospace products. In addition, the Aviation Division provides comprehensive, high-quality maintenance services for aircraft, engines and components, under one roof. These services include heavy maintenance, modifications and improvements, upgrades of civil and military aircraft, as well as the world's leading service, with over 45 years of experience, for converting passenger aircraft to cargo aircraft.

## Cyber and Homeland Security

### Cyber

IAI's Cyber Unit is a center of excellence, combining unique cyber technology and intellectual property with systems integration capabilities, focusing on the most challenging cyber areas such as national-level solutions, critical infrastructure, law enforcement and security forces. The Cyber Unit has developed unique solutions for defense, protection, monitoring, prediction and detection of attacks. The solutions include national-level early warning centers, cybersecurity for critical systems, cybersecurity for aviation, maritime and smart mobility, and critical infrastructure protection solutions. IAI leads the Israeli Cyber Consortium (3IC), which offers end-to-end solutions for national cyber centers and is comprised of Israel's leading cyber companies; the Israeli Aviation Cyber Consortium (3IAC), which offers cybersecurity solutions for the commercial aviation ecosystem; and #Cylts, the Israeli Cyber Center for Intelligent Transportation Systems.

### Homeland Security

With a wide range of tailored operational solutions, combining vast experience with an extensive array of state-of-the-art technologies, IAI's comprehensive, turnkey systems enable customers to swiftly and accurately detect, locate and target threats to public security, 24 hours a day, even in adverse weather and low visibility conditions.

Link to Commercial products and services  
<https://www.iai.co.il/commercial>

Link to Cyber & HLS products and services  
<https://www.iai.co.il/cyber-hls>



# Innovation and Technological leadership

3-3 | MT



## UN SDG targets: 9.5

Technological innovation is at the foundation of IAI's culture, promoting our success. IAI's CTO's team and the divisions' business units guide these efforts toward supporting the forefront of

the company's strategy. As a company guided by principles of progress and creativity, we support and lead a set of initiatives and activities that promote and encourage innovation, both internally and externally, creating significant innovation-driven value for IAI and our partners. IAI is equipped with the most advanced research and development tools, materials laboratories, multiple wind tunnels, ground test facilities, and flight test facilities. These strong capabilities enable significant progress from low Technology Readiness Levels (Low TRLs) to high TRLs. We implement Innovation using two complementary approaches - organic innovation and open innovation.

### Organic Innovation

IAI has an active and vibrant entrepreneur innovation community that contains innovation leaders, active entrepreneurs, and alumni. The program is open to all IAI employees, who are invited to contribute and develop their ideas using an innovation system and grow them into Minimum Viable Product (MVP) at our Innovation Center. Ideas uploaded to the system are reviewed by the division innovation team with the guidance of divisional content and business experts. The innovation committee then proceeds to secure budgets for relevant ideas and add them to the company's product lines.

### Open Innovation

IAI is a significant player in the global innovation ecosystem. The company's business divisions are extensively engaged with startups, and we continue to support, develop, and nurture the local and international industry, to maintain our position as a leading technology-based solutions provider. For this purpose, our divisional engineers cooperate with various partners in the ecosystem (startups, defense entities, and academia), to grow products to MVP maturity, and later on, to form joint projects. The cooperation also manifests in partnerships with investment funds in relevant fields to provide startups cooperating with us added value.

## IAI's Innovation Center

The Innovation Center is at the core of IAI's overall innovation strategy, which seeks to foster both organic and open innovation, while training and grooming innovation champions. The center was established in 2019 at the heart of Israel's startup ecosystem. Since 2022, it has been located in Tel Aviv. The center functions as an accelerator to promote new initiatives based on advanced technology. We use open innovation methodologies to encourage technological diversity and internal entrepreneurship, while also cooperating with potential partners. In 2024 employees from all company divisions, took part in the innovation process, after submitting preliminary development proposals. The center runs several programs:

- **The Innosphere**, a 13-week accelerator program, is open to all IAI employees. The program may operate with startups or with the defense establishment partners to shorten development timelines (TTM) and achieve MVP. The program includes workshops and guidance by technological and business experts, both local and international. Upon completing the program, teams return to their divisions for further development and integration of the project in future projects, while upholding the values of excellence and innovation in the organization.
- **An international technological scouting program**, designed to discover evolving and disruptive technologies led by startups and academia and to form partnerships for developing innovative projects while maintaining the company's technological edge over all divisions.
- **ASTRA space program**, in partnership with the STARBURST global aviation and space accelerator. In the program, the company calls aerospace and defense startups to cooperate with it, with IAI serving as a beta site.
- **Partnerships to establish innovation centers** in Israel's periphery, with the aim to encourage seeding and growth of startups and promote high-tech in these regions. These centers will operate in fields that interface with IAI activities such as robotics, space, AI, renewable energy, advanced industry and biotechnology.
- **Global partnerships** - establishing an accelerator in the United States, excellence centers in India and Morocco, and collaboration with academia.
- **International and domestic research cooperation** the Technion, Tel Aviv University, Ariel University, MIT, and CMU - joint emerging technologies studies.



- **Strategic partner in the Climate Launch Pad program** - an international acceleration program for energy and sustainability topics.
- **Strategic partner in a program of the Innovation Authority** Military Veterans and Reservists for High-tech training and promotion of initiatives for high-tech and startups in all disciplines.
- **Strategic partner in social hackathons and supporting** an ecosystem promoting alternative energy, jet fuel, environmentally friendly materials and more.
- **Leading a cluster of the Innovation Authority** for SAF - sustainable aviation fuel.

As of the publication date of this report, covering 4.5 years of activity, 64 innovation initiatives have reached the MVP stage, and 18 patent applications have been filed. Additionally, we work with academia to promote engineering excellence, through student scholarships, excellence programs, and a master's degree in system engineering at the Technion for IAI employees. We also collaborate on applied research projects with various academic institutes in Israel.

### Corporate Knowledge Management

Technology companies compete in the development, design, and production of products with high degrees of sophistication and complexity, and at cost-effective prices. In order to realize these capabilities, support innovation, and maintain a competitive advantage, the company is required to manage and utilize its accumulated knowledge in a cross-company and systematic manner. After decades of operation, the company possesses extensive, complex, and detailed engineering and technological knowledge that is managed and implemented horizontally and strategically by the knowledge management system based on representatives from headquarters and all divisions. This system includes many dozens of knowledge leaders who have undergone specialized training in order to integrate innovative tools and methodologies in the field and with the support of advanced technologies. In this way, we

ensure that knowledge, which is a fundamental strategic asset for the company, will be preserved, utilized, made accessible, and continue to be a cornerstone for promoting business activities and human capital. As part of the company's strategy and in recognition of the importance of the issue, the company has appointed a VP of Corporate Knowledge Management who is responsible for leading the knowledge management at the corporate level and for implementing the strategy for knowledge management, which includes, in addition to establishing the knowledge management system, also establishing and nurturing professional communities of practice, extracting and preserving expert knowledge, leveraging the company's technologies and integrating generative AI tools in work processes, processes for capturing knowledge in work routines, and training managers to integrate knowledge management into their role perception and management processes. Over the past year, many knowledge preservation projects have been carried out, cross-organizational knowledge communities have been established, and work plans have been developed for the actual implementation of the vision, all while creating collaborations and joint work processes with all relevant partners in the company.

### Patents Limited assurance

Patents are considered an important asset and an indicator of innovation. A company's Research and Development process is risky and expensive, thus requiring a realization of the full economic value of the inventions. By defending our ideas, we ensure freedom of action for using technologies developed by our people, encourage further innovation, and support the continual advancement and expansion of our knowledge base and intellectual property. IAI manages a strategic process of application and registry of patents, both locally and globally. A cross-organizational company lays out the steps for executing an effective invention and patent application. In addition, a rewards system is in place for compensating employees based on successful inventions that have been accepted by the patent registry.

# Safety and Quality of Products and Services

3-3 | 403-7 | 417-1 | MT

## Customer Service

The pursuit of continuous improvement is at the core of Israel Aerospace Industries' (IAI) business model. In 2024, the customer service system strategy was approved, in accordance with IAI's overall strategy. The main points of the strategy are: a shift from Customer Service to Customer Care to ensure a comprehensive response to the company's customers, a focus on selling services to maximize the value proposition to customers, providing service in the customer's country, and digital transformation to improve service, transparency, and availability.

The process is led by the EVP COO, and the Head of the Customer Service Administration. The process is in line with the requirements of the AS9100D standard - Quality Management Systems - Requirements for Aviation, Space, and Defense Organizations, the updated version of the standard for which all IAI production plants are currently certified.

Furthermore, IAI sees customer service as one of its most important focus areas for the coming years.

In 2024, we continued implementing a Customer Relationship Management (CRM) system, which is part of our approach to better communication with our customers, development of post-delivery support, and high customer satisfaction for all our products



and services. In addition, we continued to develop our relationships with our customers, including utilizing solutions in the customers' countries.

## Security of Third Party Information

IAI protects the confidential and sensitive information received from its customers and other third parties, including technological, commercial and personal information.

These obligations are anchored, inter alia, by information security infrastructures, our Code of Ethics and employee training.

## Quality Management at IAI

IAI perceives the quality, safety, and reliability of its products as leading values, serving as the basis of our customer satisfaction and leveraging our growth. Managers and employees alike are committed to a culture of business excellence, which allows us to deliver high-quality products and services, adhering to our customers' requirements and expectations, while complying with all laws, regulations, and applicable standards.

We drive continual improvement through:

- Operating a Quality Management System to ensure consistent and continual compliance.
- Focusing on customer satisfaction.
- Setting measurable quality objectives and targets throughout the company groups and divisions.
- Training and developing our managers and employees and cultivating their personal and business skills.
- Encouraging processes for incident reporting, investigation, and cross-organizational learning.



- Integrating our suppliers as partners to meet our quality goals.
- Investing in the implementation of advanced tools and methods that contribute to our products' level of quality, safety, and reliability.
- Joining in mutual efforts as members of professional societies and associations that lead the industry to quality improvements.

As a part of this commitment, all IAI's engineering, manufacturing and supply chain activities in our groups and divisions own a valid AS9100 certification issued by the Standard Institute of Israel (SII). All IAI's support divisions at the headquarters hold an ISO 9001 certification.

IAI's aviation group also holds certifications from regulatory bodies such as the European Union Aviation Safety Agency (EASA), the US Federal Aviation Administration (FAA) and the Israeli Civil Aviation Authority (CAAI).



## Avoidance of counterfeit parts

IAI has set rigorous processes and measures to detect and prevent counterfeit parts from entering into our production and products. All suppliers are required to demonstrate counterfeit avoidance procedures and comply with IAI's processes by contract. Parts are also being regularly validated and recorded for authenticity conformance upon supply.

## Environmental Management system ISO 14001:2015

All IAI's divisions hold a valid ISO 14001:2015 certification issued by the Standards Institution of Israel (SII). For more details, please refer to the environmental management section in this report (see page 65).

## Safety Management system ISO 45001:2018

All IAI's divisions hold a valid ISO 45001:2018 certification issued by the Standards institution of Israel (SII). This completes the transition done as part of IAI's strategic sustainability roadmap. For more details, please refer to the safety management section in this report (see pages 53).

## Responsible supply chain

2-6 | 3-3 | SP | MT

The Aerospace and Defense industry has a highly complex and dynamic network of suppliers, requiring effective management of costs, quality, and delivery timelines. The constant flow of materials and data presents many opportunities for sustainable thinking. A&D Original Equipment Manufacturers (OEMs) play a critical role in setting expectations and leading the suppliers and subcontractors in following humane practices, implementing economic values, and achieving environmental excellence.

IAI is a unique player in the A&D supply chain, since it serves as the OEM for some of its products and as a Tier 1, 2, and 3 suppliers for others. As such, IAI is exposed to an intricate network of relationships and has varying degrees of impact on the sustainability practices of its suppliers. Regardless of IAI's position in a certain product's supply chain, we believe that raising the bar translates into higher standards for all those who engage in business with us.

### Suppliers' Certification Process

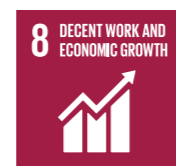
As an OEM, IAI is working only with suppliers that are certified by our company. These suppliers are obligated to hold valid and current permits, authorizations, and standard certifications relevant to their business. In addition, IAI is investigating their economic stability prior to engagement and continues to track their financial performance throughout the entire business relationship.

Both the supplier certification process and the continuous quality assurance procedures are supported by IAI's Quality Assurance Organization. These include, inter alia:

- A system for supplier quality assurance management, designed to assure that the quality of the products supplied meets IAI requirements and includes the implementation of any follow-up requests. Our goal is for all our suppliers to embrace the same standards and commitments that IAI has set for itself as a supplier to other OEMs.

- An online Suppliers' web portal (IAI SupplierNET), containing all the data and information required by suppliers that engage in business with IAI. Through this portal, the suppliers report on any use of sub-contractors and Tier 2 suppliers, thus enabling higher levels of supply chain transparency and control.
- Keeping our Israeli supply base up-to-date through different initiatives regarding requirement changes, supplier delivery schedule, accounting, and billing through e-sources.

### Sustainable Practices in the Supply Chain



**UN SDG targets: 8.1 | 8.2**

IAI's procurement and logistics organization manages structured processes and mechanisms that ensure that sustainability considerations constantly guide decision-making. In 2024, the procurement and logistics organization continued to lead in-depth processes to bring about excellence, implementing agility and tightening cooperation and transparency between headquarters and the divisions. This included:

- Use of dashboards that allow transparency and standardization of purchasing indicators' measurement and control.
- Developing procurement employees through e-learnings and training that relate to the Code of Ethics and interpersonal communications, with emphasis on interactions with suppliers.
- Implementing a one-stop-shop portal for suppliers management (SRM).
- Use of a central logistics center that promotes the company's Industry 4.0 approach, decreases storage spaces and excess inventory and enables traceability and automation of manual processes.

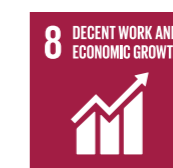
- Starting a process of transferring international transport from air to sea freight processes.
- Support of local suppliers ("blue and white"), small businesses, and suppliers from peripheral regions in Israel is strategically managed by the company to increase their capabilities and their portion of the international aerospace and defense industry.
- Setting annual savings targets, inventory values, and distribution targets for raw materials, services, and procurement of resources via a database system, and preventing the purchasing of items marked as unnecessary.
- IAI is participating in the ESG engagement workgroup in IAEG, aiming to address suppliers' reporting on social, environmental, and governance issues (see page 14).
- Implementing human rights protection as part of our company's human rights statement (in the process of approval), for the establishment of long-term, respectful, and fair relationships with our suppliers.

We continue to expand our sustainable processes in the supply chain as part of the strategic sustainability roadmap.

## Local Procurement

Direct and indirect economic effect on Israel

203-2 | 204-1 | Limited assurance



**UN SDG targets: 8.1 | 8.2**

As a government-owned company, IAI contributes to the development of Israel's economy in general, while paying particular attention to purchasing locally ("Blue-and-White"). The majority of our suppliers overseas are engaged based on economic grounds, expertise, and requests of our customers or by the terms of reciprocal trade (offset obligations). In 2024, total procurement from local sources increased to 72%.



Suppliers site link  
<https://www.iai.co.il/suppliers>

## Business Continuity

### Limited assurance | SP

IAI serves national security needs and constitutes a vital enterprise providing services essential for existence, as confirmed by of the Minister of Labor.

To ensure national continuity and resilience, the company is committed, in coordination with the relevant authorities, to carrying out all actions and allocating the resources necessary to take part in the State of Israel's emergency preparedness plans.

IAI has adopted clear procedures, mechanisms and work instructions to ensure continuous operations in the event of potential, unexpected, and severe incidents, (major fires, earthquakes, state of war, terrorist and cyber-attacks, etc.).

IAI has effective response procedures against incidents, ability to deploy skilled emergency response teams and employ restoration strategies and crisis management methodologies whenever needed. In doing so, IAI ensures the survival and continued functioning of its key, critical processes as a vital enterprise.

During the Swords of Iron War, IAI has successfully implemented and employed the business continuity methodology, providing security agencies and their wartime needs logistic peace of mind.

As a learning organization, we keep improving the company's business continuity plans, including sustainability aspects as part of our sustainability strategy plan. See page 70 for a review of climate-related risks.

## Performance Scorecards

### 201-1 | 201-4 | 204-1 | Limited assurance

Indicator	2022	2023	2024
Sales (Million \$)	4,973	5,327	6,112
Tax income (Million \$)	0	0	0
Total economic value produced (income) (Million \$)	4,973	5,327	6,112
Operating costs (including salaries and benefits) (Million \$)	4,657	4,951	5,614
Finance expenses (Million \$)	31	[29]	[129]
Tax expenses (Million \$)	77	93	134
Dividends (Million \$)	0	0	0
Total economic value distributed (Million \$)	4,765	5,015	5,619
Total economic value gained <sup>1</sup> (Million \$)	208	312	493
Net income (Million \$)	213	318	493
EBITDA (Million \$)	560	664	792
Government support: R&D grants (Million \$)	7	5	8
% Revenues by operating segments: Systems, Missiles and Space	38.7	41.2	43.4
% Revenues by operating segments: Military Aircraft	10.9	11.3	10.5
% Revenues by operating segments: Elta	24.2	23.6	24.2
% Revenues by operating segments: Aviation	26.2	23.9	21.8
% Revenues by operating segments: Other	0	0	0
Spend on local procurement (Bn\$)	2.8	2.96	4.4
% local procurement (of total procurement)	63	69	72
Number of patents granted <sup>2</sup>	48	46	28
Number of patents applications <sup>2</sup>	34	33	41

<sup>1</sup> Calculated as the total value produced less total value distributed.

<sup>2</sup> The data represents the number of patents submitted to the Israeli Patents registry, and the number of patents granted by the Israeli Patents Registry, on a specific year subject to the data collection timing.





# Corporate Governance, Ethics and Corruption Prevention

2-9 | 3-3 | Limited assurance | MT

## IAI's Corporate Governance Structure

Israel Aerospace Industries Ltd. ("IAI") is a private corporation wholly owned by the State of Israel, (i.e. A Government Company as defined in the Government Companies Law - 1975 (hereafter - "the Government Companies Law"). In 2007 IAI conducted its first public offering of debt and became a reporting corporation. The Government Companies Law stipulates various instructions and corporate governance regulations that are applicable to IAI as a Government Company, including, inter alia, instructions regarding the composition of the Board of Directors and its work, the powers of the Board of Directors, qualifications of the Directors and the process of their appointment, Directors' compensation, and regulations ensuring the accuracy of the financial statements and the Director's Report. Similar and additional corporate governance provisions appear in the Companies Law -1999 (hereinafter - "the Companies Law") and the provisions thereof apply to the Company, subject to the regulations of the Government Companies Law.

The Articles of Association of the Company are included in a prospectus published on December 29, 2011 (Document No. 2011-01- 379344). Being a "Reporting Corporation" the Company is also subject to the regulations of the Securities Law - 1968 (hereinafter "the Securities Law"). IAI applies corporate governance principles following its standing as a global company, active in the defense and international aviation sectors. The regulatory entity to which IAI is subordinated is the Government Companies Authority (hereafter, the "Authority"). IAI maintains current communications with the Government Companies Authority, inter alia, through a representative of the Authority, present at meetings of the Board.

## Company Secretary

IAI's Company Secretary is responsible for the ongoing communication and coordination between IAI's Board of Directors and the Company's Management. Inter

alia, the Company Secretary is entrusted with the management, coordination, and documentation of Board Meetings, and is also responsible for the reception, training, and interfaces in between new directors and IAI. The company secretary is also responsible for communication between the company and the Government Companies Authority as well as for reporting to the Securities Authority on issues relevant to the company secretariat.

## IAI's Internal Auditor

The company's internal auditor operates in accordance with the law and regulations. The internal auditor regularly reports to the company's Board of Directors Audit Committee and to the full Board of Directors as required.

## Management of the Internal Enforcement Plan with Respect to the Securities Law

IAI maintains an internal enforcement plan concerning the Securities Law, to respond to possible exposure cases relating to potential breaches of this law. The Board of Directors has appointed the Company's VP General Counsel as responsible for internal enforcement of these matters for IAI.

## Limitations and Supervision over the Company

For information on restrictions and supervision over the company see Section 21 in the First chapter (Description of the corporation's business) of the 2024 Financial Statement of the Company (in Hebrew), pages 97-110.

## Prohibition on Financial Contributions and Donations

As a government-owned company, IAI is prohibited from financial contributions or donations under any

2-9 | 2-10 | 2-11 | 2-14 | 2-15 | 2-16 | 2-17 | 2-18 | Limited assurance

circumstances, public or otherwise. IAI has established an internal procedure to ensure this requirement is met, and all senior managers are required to review and approve the procedure on an annual basis.

## Approval of Financial Statements

IAI's Board of Directors is entrusted with overall control of the company and approval of its financial statements. The company established a Board Committee for financial statements review, investments, and business development (hereinafter - "the Committee"), following the Companies Regulations (instructions and conditions for the process of approval of the financial statements) - 2010 ("Financial Statements Approval Regulations"). The Committee discusses the Company's financial statements alongside developments in the Company's business activities, and makes appropriate recommendations to the Board, relating to such financial statements. The Board discusses the Committee's recommendations and ultimately chooses whether to accept and approve the Company's financial statements, or to seek further information, commentary, and/ or revisions before providing such approval.

## The Board and its Committees

The Board of Directors sets company policy and oversees management activity, including decision-making on ESG-related impacts. The company's management is responsible for implementing this policy in practice and reporting to the Board of Directors.

In 2024, the following committees of the Board convened: (1) Financial Statements Review, Investments and Business Development Committee; (2) Audit Committee; (3) Remuneration Committee; (4) Corporate Governance, Sustainability, Women's Advancement and Diversity Committee; (5) Risk Management Committee; (6) Strategy and Privatization Committee. This year, the Company's Board of Directors and its committees have held 52 meetings.

## Prevention of Conflict of Interest

Members of the Board of Directors sign a declaration verifying non-conflict of interests, and also undertake to refrain from conflicts of interest between their activities in the Company and elsewhere. The prevention of conflict of interest is also included in the company's procurement policy and code of ethics (see page 42) and supported by internal procedures. The Chairman of the Board does not serve in a managerial role at IAI.

## Board Nomination, Composition & Tenure

As a governmental company, IAI's Directors are appointed by the government ministers responsible for the Company, namely the Minister of Defense and the Liaison Minister between the Government and the Knesset, in consultation with the Committee for Appointments Review at the Government Companies Authority. Generally, candidate directors at government companies are selected from the Israel Board of Directors Team pool. Under the Government Companies Law, the Nominations Review Committee approves the nomination of candidates and reviews their qualifications. Directors undergo training, including on ESG impacts, as part of their tenure in the Company's board. Directors' performance evaluations are not conducted at IAI.

## Accounting and Financial Expertise

Under Section 92 (a) (12) of the Companies Law, the Board of Directors determined, at its meeting on May 27, 2015, that the minimum number of Directors with Accounting and Financial Expertise required by the company is one (1). For the Directors' expertise see Section 14 in the Fourth Chapter of the 2024 Financial Statement of the Company (in Hebrew), pages 12-14.

## Independent Directors

According to Sections 219c and 239 of the Companies Law, at least two external directors are required to serve in a "Debenture Company". In addition, an independent director also serves on the Board.

2-9 | 2-12 | 2-14 | 2-16 | 2-19 | 2-20 | 2-23 | 2-24 | Limited assurance

### The Diversity of the Board of Directors



**UN SDG targets: 5.5**

Three out of eight members of the Board of Directors in 2024 are women. Diversification of Board Members is achieved subject to approval of representatives of the relevant authorities.

and the Sustainability and Corporate Responsibility Directorate, including periodic reviews and updates.

IAI's Sustainability policy and other ESG-related documents align with the expectations and values of our stakeholders on environmental, social, and corporate governance issues, and are supported by internal company procedures. These documents are available on IAI's website.

### The Board of Directors ESG Responsibility

The Board Committee for Corporate Governance, Sustainability, Diversity, and the Advancement of Women was established in 2012 (under the name "the Corporate Governance and Sustainability Committee"). The committee oversees the following aspects of EGS management: corporate responsibility; corporate governance; sustainable development; and internal enforcement of the securities laws. This committee discusses IAI's material topics and ESG performance quarterly. The committee also discusses the annual sustainability reports and chooses whether to accept and approve their publication or seek further information, commentary, and/or revisions before approval.

### IAI's ESG Codes and Policies

IAI operates subject to cross-company policies which dictate our expectations from managers and employees and require accountable and responsible business conduct. These policies cover a range of topics - environmental, social, and ethical - such that our impacts are understood and internalized. ESG-related topics are also covered in our sustainability policy and in our human rights policy statement, which is in the process of completion and approval. These policy Commitments are overseen by the Board and implemented by the Senior Management Sustainability Steering Committee

### Senior Managers compensation Policy

IAI has a policy in place for executives compensation, based on the company's risk management policy; The company's size and nature; components relating to the specific function, and his/her contribution to meeting the company's long-term goals. An updated reward policy was approved by the Board of Directors in May 2023, based on the recommendations of the remuneration Committee.

## Compliance

2-25 | 2-27 | 205-2

IAI is uncompromising in its commitment to comply with all laws and regulations governing our operations. We make every effort to guarantee compliance with both existing and emerging rules. A variety of compliance mechanisms are in place to ensure the identification, prevention, control, and minimization of regulatory risks and their integration into our code of ethics and our bribery and corruption prevention program. If a failure to comply is identified, senior management is notified and corrective action is taken. When appropriate, the event is reported to our Board of Directors and/or external auditors and, if the relevant criteria are met, disclosed to the public. For further details, see Section 21 in the Fourth part of the 2024 Financial Statement of the Company (in Hebrew), pages 97-110. For environmental compliance, see Section 20 pages 95-97, for health and safety compliance see Section 12.1.2 page 60, and for competitiveness see Section 11.7 page 53.

### Compliance and internal enforcement to prevent corruption and bribery (FCPA)

IAI manages its business activities in strict compliance with the applicable laws of the State of Israel and of other countries relevant to its operations and is committed to running its business with integrity, fairness, reliability and professionalism. Throughout its operations, IAI has implemented a compliance program for the prevention of corruption and bribery of foreign public officials. This program is regularly updated in line with current regulations and is subject to the company's risk assessment for its activities. To ensure the implementation and currency of the compliance program, the Board of Directors has appointed an Executive Vice President level Compliance Officer, which reports directly to the CEO on a regular basis, and also makes biennial reports to the Board and quarterly reports to the Board's Auditing Committee and to the Risk Management Committee regarding this risk, which is managed as one of the corporate key risks.



The Company's comprehensive program on prevention of bribery and corruption of foreign public officials reflects the State of Israel's adherence to the OECD's Convention on Combating Bribery in International Transactions. It also reflects IAI's core values, which maintain zero tolerance for such violations. To implement this program, the company takes analysis, oversight and control measures in relevant areas and strictly records all the program's processes based on principles of risk management that take into account regional, sectorial, due diligence and activity field-related exposures.

IAI publishes the main elements of its compliance program on its website, along with its Code of Ethics. Website users may also access an anonymous whistleblower procedure to report on corruption or bribery. Furthermore, IAI has been a member of the International Forum on Business Ethical Conduct (IFBEC) since 2021.

In 2024, IAI led by the Compliance Organization and the Risk Management Organization, was certified with ISO37001 standard for anti-bribery management systems. The adoption of this standard reflects IAI's commitment to managing its business affairs with commercial fairness and ethics and improves its reputation and credibility for customers, business partners, investors and regulatory agencies alike. The standard provides a systematic framework for managing and evaluating bribery risks at IAI, helps establish internal anti-bribery controls and procedures in aspects of due diligence, financial reviews, reporting mechanisms, training programs and more. The standard also helps it adopt an organizational culture that is ethical in business respects for employees in the organization and identify and report potential bribery risks.

As part of the organization's activity, an annual training program has been devised and IAI provides regular comprehensive training for employees and managers who conduct business on behalf of the company on the prevention of corruption and bribery of foreign public officials. Training is given to employees at all levels of seniority and authority. Learning may take place online



## Competitiveness

206-1

or in person, depending on the degree of interaction the employee or manager has with third parties. These training sessions highlight IAI's strict anticorruption policies, lay out the potential risks and exposures the company faces and outline additional relevant regulations in fields such as marketing, contracts and finance.

In addition, further to a wide-ranging risk management survey that the Company undertook in 2022 to evaluate the capacity of the compliance program and its controls to contend with company exposure, with the assistance of outside advisors, adjustments were made to the compliance program as necessary and the company also purchased a new internal software to facilitate independent due diligence, to widen the population monitored by the compliance unit.

### Defense Export Control

IAI operates under Israel's laws and regulations governing defense exports. The Defense Export Control Law, 2007 (hereinafter "The Export Law") regulates the export of defense-related equipment, knowledge, and services through the Israeli Defense Export Controls Agency (hereinafter "DECA") in the Israeli Ministry of Defense (IMOD). Among other things, the Export Law requires that companies obtain licenses for marketing and exporting, or an exemption therefrom, prior to any defense export deals. In addition, IAI must appoint a senior employee as the Chief Defense Export Control Officer, subject to approval by DECA. As the person charged with supervising defense exports, this officer must embed export laws, rules, and regulations in company operations, remain knowledgeable and up to date regarding any changes in regulation or DECA policy, serve as an expert in these matters, and ensure the operation of an appropriate training program with regards to the Export Law. IAI carries out a designated e-learning on export controls, alongside an annual training program that is conducted within IAI's divisions and groups. For further information, see Section 21.3 in the Fourth part of the 2024 Financial Statement of the Company (in Hebrew), pages 118-120.

Most markets in which IAI operates are characterized by intense competition, both from local and international companies. Further restrictions in local contract requirements by both customers and authorities continue to form, alongside a growing global competition against regional companies, due to, but not limited to, mergers between large international organizations and preferences of governments favoring domestic defense contractors, which is usually also backed up by binding laws and regulations in these countries. IAI continued its implementation of a strategic growth strategy, including various initiatives and actions that aim to support our position in existing markets and allow growth in our market share. For further information on our markets and their development, see Section 8 in the Second part of the 2024 Financial Statement of the Company (in Hebrew), pages 8-16.

IAI is committed to fair competition and refrains from anti-competitive activities, creating monopolies or illegal partnerships with competitors. We expect our employees and anyone who works on behalf of the company to maintain the privacy of IAI's customers in every context, and not to engage, discuss, or make use of insider information that is not public. IAI participates in tenders in accordance with the rules detailed in them, and according to the laws and regulations of the country in which each tender is published.

To the best of our knowledge, and up until the date of issuance of this report, no sanctions, fines, or letters of violations were submitted to IAI concerning competitiveness practices in 2024.

## Business Ethics

2-16 | 2-23 | 2-24 | 2-26 | 205-2 | Limited assurance | SP

### Code of Ethics

AI Code of Ethics expresses the fundamental values that guide the behavior of IAI employees towards one another and those external to the company, including customers, suppliers, and other stakeholders. As a leading technology company and a major player in Israel's economy and national defense effort, IAI is committed to ethical behavior rooted in the values of mutual respect, integrity, fairness, professionalism, and excellence.

IAI seeks to create a work environment based on trust and open communication, where employees feel free to report ethical violations if they arise. IAI's Code of Ethics is built on the key principles that make for acceptable and fair behavior, and we expect our managers and employees, at all levels to behave accordingly.

We convey this expectation through training, work regulations, and supervision. Our Code of Ethics and related instructional material are available internally on the company's Intra-net, and the code can also be found on the company website (in Hebrew and English). We encourage our employees to raise their ethical concerns with representatives from Human Resources or with their direct supervisors, especially in cases where the law makes no clear determination. The code addresses a wide variety of issues. Among other things, these include domestic and international law, the compliance program for the prevention of bribery and corruption, gender equality, the work environment, individual responsibility to expose ethical violations, fairness in trade, customer service, permits and licenses, avoiding conflicts of interest and inappropriate personal gain, government-community relations, data security, protecting the assets and information of the company and of others, occupational health and safety, and environmental issues. Publication, accessibility, and distribution of the code and related materials help

embed its values in the organizational culture of Israel Aerospace Industries.

IAI's Code of Ethics was revalidated by the Board of Directors and senior management in 2023.

### Employees' Ethics Training

As part of their onboarding process, all new employees receive an orientation booklet containing a summary of our Code of Ethics with a link to the full document. Once every two years all employees must study a mandatory syllabus on ethics. The syllabus covers a variety of topics from the code and illustrates some of the ethical dilemmas that may arise in practice. To date, 96% of IAI employees have completed the syllabus for 2023-24.

 Link to the code of ethics  
<https://www.iai.co.il/about/code-of-ethics>



## Prevention of Harassment and Workplace Abuse

IAI strives to create a respectful, safe, and pleasant workplace environment, free of discrimination, harassment, or abuse. Preventing sexual harassment and abuse is a top priority for us. We therefore provide tools for our managers and employees of all ranks to identify, report, and contend with such problems if and when they arise.

Every company division has an officer in charge of handling sexual harassment and workplace abuse, alongside a professional consultant from outside the company. This external consultant is equipped to investigate complaints and conduct investigations in line with the Prevention of Sexual Harassment Law and to administer training on the subject for IAI employees.

During their onboarding process, new company employees are provided an onboarding booklet containing an overview of provisions of the Prevention of Sexual Harassment Law and a link to the prevention of sexual harassment regulations applying to the company, detailing the means of contacting the officer in charge of preventing sexual harassment throughout the company.

Once a year, employees of the company complete mandatory courseware on the subject, copies of a summary of the regulations are posted throughout the company, workshops are held on prevention of sexual harassment at factories and a prevention of sexual harassment campaign is held, including a video with actresses to showcase the subject.

IAI operates steadfastly to investigate efficiently, speedily and exhaustively any complaint it receives while offering complainants full protection, including safeguarding the privacy of the parties involved and discretion in the procedure.

We encourage all of our employees to respond whenever they suspect ethical violations have been committed in this regard.

## Risk Management

As part of implementing globally accepted advanced management methods, IAI strives to identify and manage risks optimally with an integrated and corporate-wide perspective, so that risk management constitutes an integral part of the company's strategy and by that leads to improved operations and the ability to meet its business and strategic objectives.

IAI operates continuously and regularly to manage its business, while maintaining compliance with the law, adhering to ethical standards, and including prevention of risks of embezzlement and fraud.

For implementing the Enterprise Risk Management process, IAI operates according to the international COSO-ERM model (Committee of Sponsoring Organizations - Enterprise Risk Management), which is an acceptable international model for managing risks, according to the principles outlined in the Government Companies Authority circular, "Enterprise risk management in governmental companies and governmental subsidiaries" from January 8th, 2020. The company has implemented these principles in its Enterprise Risk Management policy, which is updated periodically and approved by the Company's Board once a year.

This company's policy takes into account the company's activities across all units, individually and collectively, and allows the corporation to manage a "portfolio" of all risks and potentially damaging events, in parallel to the individual risk management defined in each unit. The Company's risk management methodology reflects and embodies the added value derived from implementing an effective risk management process, while creating an opportunity to leverage risks into business and strategic opportunities.

IAI's enterprise risk management process is a management tool that manifests as part of an ongoing process performed as part of the Company's regular management, aimed at providing a reasonable degree of assurance to prevent the materialization of risks, through performing a systematic process to locate and identify risks, assess their impact and likelihood of occurrence, define a method for mitigating them, establish the investment required for this mitigation method and reviewing the performance of activities arising from this action.

According to the risk management processes implemented at IAI, the Company holds a periodical process to identify and examine its material risks.

Once every four years, the company conducts a full and comprehensive risk survey process that includes, inter alia, the structure and activities of the company, company strategy, changes in the business environment, review of risks that are managed in other companies and more. The survey examined and included, among other things, all risk categories defined in the requirements of the Authority Government Companies and of international methodologies (for example operational risks, financial risks, compliance and regulatory risks, reputation, information technology risks, embezzlement and fraud risks, ESG risks, etc.).

Following the analysis of the survey's results, the company's key risks are set. These risks are ratified and updated as needed by the company's CEO and Board of Directors, on an annual basis.

The Company conducted a full survey process in 2024, which was approved by the Company's management and Board on August 14th, 2024.

The company's process of risk management to prevent bribery and prevent embezzlement and fraud was examined and reviewed by the Standards Institution of Israel during 2024 and from November 14th, 2024, the Company has ISO 37001 certification.

### Project-Level Risk Management

A specific mechanism exists under IAI's project management methodology, to ensure the identification and mitigation of all risks, including environmental risks. Direct risk management responsibility in our projects rests with project managers. At the project assessment stage, a risk manager is appointed to be responsible for mapping, tracking and updating a list of risks including their classifications (based on severity and likelihood). Also, a structured process is undertaken for reducing risks. Risk identification and classification lasts throughout the project and is documented using an online tool.

# Cyber Defense and Information Security

## 3-3 | Limited assurance | MT

According to the World Economic Forum's Global Risks Report (January 2024), cybersecurity failures are one of the risks most likely to materialize in the coming decade. Accordingly, IAI is investing heavily in digital transformation and dynamic and tight risk management that encompasses all means, infrastructures, and resources in the company to ensure resilience and functional continuity in the face of threats and disruptions. IAI's Information and Computing Systems Unit, ITC, was one of the first defense industries in Israel to be certified by the Standards Institute of Israel to ISO/IEC 27032 in 2016. The approval was granted following a demonstration of the cutting-edge capabilities of the Cyber Defense Center and IAI's processes, including a unique operational methodology, advanced cyber forensics capabilities, enhanced cyber monitoring capabilities and real-time status, as well as the effective integration of ISO 27032 and ISO 27001 information security standards, including upgrading the certification to the new version of ISO 27001:2022 standard. During 2024, ITC was certified to a new cyber incident management standard (ISO 27035) and received a Star Certificate in Information Security from the Standards Institute of Israel. ITC's cyber protection activities provide end-to-end intelligence and cybersecurity coverage for IAI's computing and network infrastructure, including an advanced cybersecurity center that monitors and responds to threats and enables the investigation of complex cyber threats. In the past year, ITC has become a pioneer among Israeli security companies by adopting advanced AI technologies and automations based on artificial intelligence to manage and respond to threats in real-time. ITC continues to stand at the forefront with the most advanced international standards in everything related to cyber response plans, cybersecurity operating procedures and forensic capabilities in this field, alongside regular exercises and internal and external audits (page 26).



# Performance Scorecards

## 2-9 | 2-12 | Limited assurance

The data represented in this table is based on a cutoff analysis from December, 31st 2024 (unless otherwise stated in the table below).

Indicator	2022	2023	2024
Number of general assembly Board meetings	13	15	14
Number of Board committees meetings	30	42	38
Number of Board sustainability committee meetings <sup>1</sup>	4	4	2
Number of Senior Management Sustainability Steering Committee meetings	4	4	4
Number of Directors (Total)	9	8	8
Number of Directors in the Sustainability Committee	3	3	1
Number of directors who participated in Sustainability Committees that convened in 2024			3
Number of women members of the Board	5	4	3
Number of men members of the Board	4	4	5
Number of independent Directors	3	3	2
Number of Directors with accounting and financial expertise	2	2	2
Number of Directors representing a minority <sup>2</sup> (as of December 31st 2024)	1	1	0
Number of minority directors participating in committees convened during 2024			1
Number of Directors, ages 30 and under	0	0	0
Number of Directors, ages between 31-50	2	1	2
Number of Directors, ages 51 and over	7	7	6
Number of reported cases to IAI's hotline: Code of ethics issues	3	10	7
Number of reported cases to IAI's hotline: Sustainability issues	0	6	6

<sup>1</sup> Of the total number of board committee meetings.

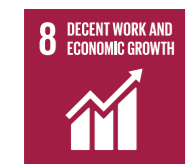
<sup>2</sup> From the Druze community.



**EMPLOYEES & COMMUNITIES**

# Human Capital Management

2-7 | 2-8 | 3-3 | SP | MT



## UN SDG targets: 8.5

IAI is proud to have an exceptional team of employees, who generate business value from a sense of pride and purpose. Professionalism and connectedness form the foundation for our relationships with customers, employees, suppliers, contractors and the communities in which we operate. IAI operates under Israel's labor laws, respects the human rights of its employees and implements organization-wide procedures and processes for managing the excellence of our human capital.

The responsibility for managing the HR apparatus and carrying out strategic plans for all aspects of employment is vested with the IAI's VP of HR, who reports directly to the company's CEO and who is a member of the senior management Sustainability Steering Committee.

In 2024, IAI ranked 7th "best place to work" in Israel's BDIndex, reflecting our long-term commitment to foster a work environment that encourages personal and professional development alongside wellbeing and innovation - from in-house services and facilities for employee welfare such as dining, employee shuttle transport, gyms, and synagogues, through 24/7 occupational health clinics, supporting professional teams of social workers, to advanced training processes and programs to and an intra-organizational communication program.

We promote a strategy of gender fairness at all levels of the organization by setting specific goals for hiring women in key professions and their promotion to management roles. Further, we seek to create a diverse and inclusive workplace by setting objectives for hiring diverse populations: Ultra-orthodox Jewish community, Druze community, Israelis from Ethiopian origin and employees with disabilities.

We continue to invest in extensive training and personal development programs, scholarships, intra-organizational mobility, general welfare

activities, and a smooth retirement process through tailored processes for supporting the retiree.

In order to ensure that we create an empowering, rewarding, and forward-looking work environment, we maintain various mechanisms of dialog with employees and managers, and transparently report on our progress through:

- Organizational climate survey and employee satisfaction surveys.
- A "speak openly" platform, which enables direct contact and dialog with the senior management, and roundtables with experts at the company and managers from various disciplines.
- Weekly and ad-hoc reports via the intra-organizational communication platform and the #WeAreIAI smartphone application.
- Extensive activities for employees' wellbeing.
- Annual public reports to stakeholders: BDIndex, Maala index on the Tel Aviv Stock Exchange, and our sustainability reports.

Our commitment to Israel's society, alongside community involvement, continues to serve as the undisputed basis of our value as an organization. This significant task mission drives us to reach as high as possible.



# Career at IAI

2-7 | 201-3 | 401-1 | SP



## UN SDG targets: 5.1 | 8.5



IAI is an attractive, groundbreaking employer, as reflected the number of candidates for jobs that we publish, our employment ratings such as BDIndex, and the choice of the vast majority of our employees to continue to grow with us throughout their lengthy careers.

## Recruitment Processes

IAI's Recruitment and Career Center is designed to offer an inviting and positive recruitment experience from the candidacy stage to the hiring contract. The center integrates all of the recruitment processes in IAI, enables a broad view, identification of duplications and improves availability and appropriate responses for candidates in the competitive job market. Furthermore, key process emphasis is placed on monitoring and reviewing the quantity and quality of resumes submitted for the various positions. From the stage of locating the most suitable candidate, there is a quality process that emphasis good candidacy experience. The locating and recruitment processes include digital measures that integrate human-based dialog. The center's teams, along with the various plants, hold recruitment events at universities and colleges, and specific recruitment events and special collaborations with emphasis on diversity and gender fairness, with the aim of promoting the recruitment of qualified employees from diverse populations. Being a defense and governmentally-owned company, recruitment at IAI normally includes a security clearance check. As for "high ranking officials" roles as defined by the Governmental Companies Law, recruitment and appointment are done based on the Government Company Regulations (Rules for Nomination of Senior Officials), 2005, and their entry into office is subject to the approval of IAI's CEO and Board of

Directors.

## Mobility and Talent Management

IAI's Recruitment and Career Center also supports all mobility and career development processes, to allow the employees to have a solid infrastructure for their development and success, in light of the wide variety of roles and positions available at IAI. This abundance of opportunities allows employees to pursue internal transfers as part of a flexible career path, and to learn, advance, and expand their expertise and skills. To promote transparency in the process, the employees who seek to change positions within IAI are required to inform their direct managers. The purpose of this step is to allow all employees to reflect on their ambitions and increase the managers' involvement and support of the employee's career path.

## Retirement

IAI offers company retirees an extensive retirement program, which aims to ensure a smooth transition to the new stage of their lives. This program generally includes seminars and weekends for employees and their spouses, which include lectures on relationships in retirement and a recognition ceremony in which management representatives join to honor the retirees. As part of the seminars, lectures are given on the impact of retirement on family life, economic lectures, taxation in retirement, and more. In cases of early retirement, there is entitlement to a retirement preparation program that includes the study days provided to all retirees in the company. In addition, IAI has a retirees' club that provides specific training and guidance on relevant topics alongside social activities such as tours, organized trips and courses. A retirees' newsletter, which is distributed periodically, keeps retirees updated on all the latest company news and updates.



Link to IAI hiring (in Hebrew)  
<https://www.iai.co.il/heb/jobs>

# Diversity, Inclusion and Gender Equality

2-7 | 3-3 | 405-1 | Limited assurance | SP | MT



UN SDG targets: 5.1 | 8.5

IAI employees are the human power that makes IAI what it is. We believe in respect and equality without discrimination and equal opportunities in employment and seek to increase the number of diverse populations in our workforce, including Israelis of Ethiopian origin, members of the Druze community, the ultra-orthodox Jewish community and people with disabilities. In addition, IAI regularly welcomes new employees over the age of 45.

Moreover, out of a desire to create a better, more equal and fair society in Israel, even before the intake stage of employees at IAI, we lead and participate in a variety of social impact projects in accordance with the company's diversity policy.



## Diversity and Inclusion

We continued to invest considerable efforts in order to increase our recruitment rates from diverse populations, and their retention at IAI. The company manages a diversity and inclusion forum, established in 2021, which strategically manages working plans in this area. These included:

- Developing an anti-bias workshop for managers.
- A unique empowerment course for Israelis of Ethiopian origin.
- A family day for employees from the Druze community.
- A specialized meetup for Ultra-orthodox women in core functions
- Celebrating Diversity and Inclusion Week at the Company's sites.
- Dialog with our employees from diverse populations for continual improvements.
- Expanding collaborations with various parties from Government ministries and social organizations promoting employment diversity.
- Celebrating diverse holidays, such as the International Day for People with Disability, the Sigd festival and more.

## Gender Equality

IAI seeks to change the traditional management composition of defense and technology companies worldwide by gradually expanding the number of women in senior management roles. This requires long-term investment in raising awareness among company employees and managers, training and advancing skilled women from junior management roles, as well as encouraging women to submit their candidacy for management functions while adopting work-life balance processes. The percentage of women at IAI in 2024 was 24%, and the percentage of women in management (from the level of a unit director and up) rose to 20.7%. In 2024, we continued engage in many activities supporting our strategic plan of promoting women to positions in core technological and management positions at the Company. As part of this strategy, the Board of Directors appointed the position of Executive Vice President for Compliance and Gender Equality. She is leading a strategic, company-wide initiative that includes:

- A series of programs to encourage women to apply for management positions. One of these projects is the Future CEOs Academy, which seeks to build a cadre of up-and-coming managers for Israel's defense industry, for IAI's senior management, the Starting Point Program for women at the company in preparation for their first management function, for creating a middle management cadre for the Company.
- Holding personal talks for women working at the company – accompaniment and support in career development.
- Holding roundtables, "worth discussion", with women at the company with the aim of listening to what is happening "on the ground".
- Recording a preparation podcast and spotting and distribution committees using the external application.



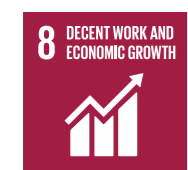
- Women working at the company participating in a directors' course in the foreign affairs and national security fields.
- Establishing a dedicated website for women working at the company to announce jobs for senior management functions.
- "Managers in Defense", a community of woman aiming to expand contacts.
- Setting gender objectives for division managers.
- Dedicated publications for hiring women in relevant groups, proactively seeking female company employees with potential for management functions to submit candidacy and regular accompaniment and support for women working at the company in career development.
- Embedding awareness to gender equality among company managers as part of Diversity Week (T1000) and workshops to eliminate subconscious biases for company employees.
- Embedding the language of gender equality in IAI's systems, thus creating inclusive spaces across organizational platforms by instilling an inclusive culture, through gender adaptation of the organization's language, manifesting in various enterprise platforms and reflected by user experience in everyday life.
- Collaboration with a range of nonprofit social organizations.

Link to IAI's Employment diversity policy  
<https://www.iai.co.il/heb/jobs/workplace-diversity>

# Occupational Health and Safety

3-3 | 403-1 | 403-2 | 403-3 | 403-4 | 403-5 | 403-7 | 403-9 | Limited assurance | SP | MT

## Managing occupational safety, health and hygiene at Israel Aerospace Industries



### UN SDGs targets: 8.8

Safety, occupational health, and environmental matters are managed operationally at all levels of the organization and under the supervision of the EHS (Environment, Health, and Safety) Directorate on a corporate level. The EHS Directorate is the professional authority that sets out the company's policy and procedures, initiates strategic processes, cross-organizational targets, and objectives for managing safety, occupational health, and the company's emergency plans, and provides professional guidance to division or group-level safety officers.

In 2024 the ratio of number of accidents per number of employees was maintained, corresponding with the set objective (less than half an accident per hundred employees per year).

### ISO 45001:2018

The safety management system (SMS) provides a basis for continuous and ongoing improvements, periodic surveys, and management reviews. All IAI's operational divisions have valid business licenses and ISO 45001:2018 certification. The scope of the safety management system includes all activities.

### Safety Committees

Expert Safety, Health, and Environment committees offer specific guidance and training requirements for issues identified as major aspects of risk assessment processes. The committees work to establish safety procedures, work instructions, guidelines, and training on topics that serve as a basis for a healthy and safe work environment.

The following topics are the main focus of the committees: compliance with laws and regulations,

environmental management, hazardous materials, contractors' safety, aircraft work safety, construction safety, ergonomics, personal safety equipment, accessibility, maintenance safety, microwave products development safety, production route card and handling of general hazards.

In addition, each division operates its safety committee, chaired by a senior manager. These safety committees are made up of 50% representatives of management and 50% representatives of employees, and safety issues derived from collective labor agreements are integrated into the annual work plans.

### Managing Safety and Health Risks

All our divisions operate based on company procedures and detailed annual safety and occupational health management plans, which are written and approved according to work safety regulatory requirements, and based on guidelines of global standards and monitored by safety officers. Each work plan is based on professional risk management relevant to the division, including risk factors and their level (probability and severity), and analyzes methods for monitoring and reducing the risks. IAI has implemented a tool for health and safety risk assessment, and each employee can view the risks in their workplace. Risk control and reduction is based on the identified level of risk.

Proactive management checks are performed based on an annual plan, aiming to identify new work safety risks and locate and remove hazards, and safety trustees are also trained to spot hazards and report for corrective action.

### Safety Incidents Prevention and Response

In cases of safety incidents, an investigation takes place based on a methodical procedure, including documentation, implementing lessons learned in the work environment, and monitoring corrective actions. Investigations are monitored and recorded in a web-

based system. The division investigation process is accompanied by a professional expert from the EHS directorate, in order to fully explore all aspects of the incident. In addition, the company's procedure includes a structured "before-action review" to assess potential risks and preventable future failures.

### Safety and Health Training

All our employees are trained in general safety issues upon their intake. Refresher training on various work safety issues takes place annually for all employees. A web-based system enables monitoring the validity of certifications and refreshers.

### Medical Services for Employees

- **The following services are provided at our occupational clinics:**
- **Urgent medical care:** including first aid services and treatment of work accident injuries, and when necessary, by a decision of an emergency care physician, referral to a hospital in the area for continued treatment.
- **Occupational health:** including general anamnesis and monitoring of employees in specific occupations that require monitoring for exposure to harmful materials, and checking the fitness of employees returning from absence due to illness, work, or car accidents.
- Carrying out certain annual employees check-ups, such as hearing, based on risks of exposure in their specific occupation.
- Treatment and first aid in emergency situations.

### Contractors and Suppliers' Health and Safety

IAI includes Occupational Health and Safety practices clauses in all contracts.

### Traffic Safety

IAI's operational areas are extensive, with an intensive presence of a variety of vehicles - from freight trucks and aircraft towing vehicles to private cars, all the way down to forklifts, small scooters, and bicycles. IAI also operates a car fleet for short employee travels between its sites and a leasing car fleet for employees. A designated Traffic Safety Organization manages all transportation requirements, ensuring adherence to traffic laws and regulations, performing traffic accident investigations, following up on traffic accidents and speeding incidents, and continually improving IAI's transportation systems.

Both the TNUFA division, which is responsible for traffic safety at IAI's sites, and the Missiles and Space Group, hold a valid Israeli standard certification ISO 9301, relating to traffic safety and quality. The major activities in 2024 included:

- Continuation of signage maps to all sites.
- Enforcement actions and handling of violations.
- Year-round campaigns throughout the company, and a special focus during Traffic Safety Week, including internal communications.
- Implementation of a new system - Pointer, for monitoring traffic violations involving company cars.





## Empowering Workplace

404-1 | 404-2 | Limited assurance | SP



UN SDG targets: 4.4 | 8.2 | 8.5

Our work allows us to express ourselves and our abilities, and find meaning and value through our profession and organizational affiliation. The new employment world calls us to reshape and update our employees recruitment, development and retention processes and map out their qualifications and skills. A special emphasis is required for populations who struggle with various socio-economic and other barriers, on their way to a stable employment.

### Professional Training and Certification

IAI greatly invests in its managers' and employees' training. Our training infrastructure is one of the leading in Israel, responsible, among other things, for the development of advanced technological courses and managerial and regulatory certifications, done through various training programs and advanced learning platforms, online and in-class. These are all important components in our employees' career path and their personal and professional development. Our training programs are designed to support:

- New employee orientation (including safety, occupational health, and ethics).
- Knowledge and skills in various fields of expertise (technologies, project management and more).
- Annual refreshers on mandatory or regulatory topics.
- Managerial level training (for existing and future management).
- Career and professional change.
- Retirement readiness and knowledge transfer.
- Generic enrichment courses.

In addition, the company offers to participate in academic degrees (bachelor's, master's, and doctorate degrees) and cooperates with universities and colleges to that end.

Training within IAI continues to be evaluated by a training effectiveness system. The evaluation of training effectiveness is supported by the certifications that IAI holds, including: ISO9001:2015, and AS9100.

### Sustainability-Related Training

Our employees regularly participate in various online courses (web-based training), focusing on ethics, environment, and social issues, such as sustainability, cyber and information security, internal use of information, traffic safety, energy savings, safety and ergonomics, and the code of ethics. These trainings support an organizational culture that is based on our material topics (see page 17), and emphasize the importance that the company places on promoting them.

IAI has a mandatory annual web-based training on sustainability for employees and managers, covering many concepts present in our sustainability reports, important initiatives and objectives, as well as expectations and actions required to keep us aligned with our strategic sustainability journey.

### Performance Evaluation

We believe that managing a performance evaluation process and feedback conversations allows us to empower our employees and increase their motivation in achieving IAI's business goals while strengthening their organizational engagement. Through feedback conversations, the manager and employee discuss goals and tasks completed in the passing year, as well as the employee's development and learning, and define targets for the new year. The process includes all IAI employees.

2-30 | 201-3 | 403-6 | Limited assurance

### Payroll Service Center

IAI's payroll integrates various activities and can be accessed through multiple communication platforms - a designated website that includes detailed information about payroll and its various components; A designated call center; An internal portal; A smartphone application for efficient and quick requests and forms submittal, as well as status tracking.

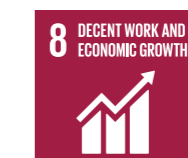
### Employees' Wellness and Benefit Plans

IAI's employee benefit plans and pensions are reported in Section 16 in the First Chapter (corporation business description) of the 2024 Financial Statement of the Company (in Hebrew), pages 85-93. For example: accommodating working mothers; Paid vacation; Paid sick days; Paid overtime (by pre-approval); Paid participation in conventions and professional training; Meals and shuttle transportation to and from work; Innovation grants; Sports activities and more.

### Medical Care and Coverage

IAI operates internal clinics for occupational health and immediate medical care at its sites, available to all employees (see page 54). In addition, each permanent employee owns extensive medical insurance and has the option to insure his family members at discount premiums. Furthermore, all employees are entitled to a once-a-year medical checkup, for early detection of various illnesses and their prevention.

### Freedom of Association



UN SDG targets: 8.8

At IAI, our employees exercise their rights of freedom of association and collective bargaining. In 2024, 59% of our permanent employees were covered by collective bargaining agreements.

### IAI-Spot

To make adjustments to the changes occurring in the new world of work and allow the company's employees the flexibility that exists in hybrid work, work close to where they live, and manage their time efficiently - the company established a new and advanced collaborative work complex near Jerusalem, while opening workstations in various complexes in the company for workers living nearby. We are also working to open another first center in Haifa.





# Social Impact and Community Engagement

3-3 | 413-1 | SP | MT



UN SDG targets: 4.3 | 4.4

IAI considers social responsibility to be a supreme value, connected to its business core, and has worked, throughout the years, to strengthen technological education based on a belief that today's investment in youth is paramount for the business and security-technological leadership of Israel. Moreover, IAI encourages its employees to take an active and meaningful part in various community volunteering activities. The desire of IAI's employees for community engagement and their willingness to contribute is another way in which their everyday work of developing and manufacturing advanced products and systems for Israel's defense creates value. IAI's social strategy focuses on developing Israeli human capital specializing in our technological fields, with emphasis on gender balancing and integration of underrepresented populations in the technology fields and promoting social resilience at the headquarters level. The social responsibility unit:

- Lays down a policy that is based on the company's business objectives.
- Builds a long-term social strategy and provides tools and infrastructure for managing and sharing knowledge and professional support for various entities in the Company.



- Managing a team of social leaders in the business developments and headquarters entities.
- Manages common value and measurable impact based social partnerships.

IAI has close partnerships and collaborations throughout the year with a wide range of social organizations, government ministries, local government agencies and more.

In 2024, our total volunteering hours reached 26,623 hours, carried out by 2,674 employees.



## Major Projects in 2024

### Flying High

The first attempt at cooperating with the Youth Protection Authority at the Ministry of Social Affairs, in which teenagers at high risk from boarding schools around the country came for a series of meetings at the company's Aviation Group. The students got to learn about advanced technologies from close up, were exposed to the various airplanes, studied and worked hands on in engine overhauling, disassembly and assembly processes and studied the aviation world from close up.

The aim of the project is to develop curiosity and provide exposure to technology work to allow its participants to integrate well into Israeli society after graduating, with the help of mentors who served as a personal and professional inspiration for them.

### Impact day

A new project of the Future General Club for employees aged up to 45, aimed at connecting social involvement with professional and interpersonal skill development within hands-on activity in the organization and for forming groundbreaking connections and collaborations among employees in a range of occupations throughout the company.

Throughout the year, 9 activity days were held, involving approximately 300 employees in a variety of activities such as beach cleaning, agricultural harvesting, joint activity with adults with disabilities and food packing for in-need populations.

### Safe@Home – keeping the home safe

A first partnership with the Michal Sela Forum NGO, within a Safe@Home hackathon – a giant event involving the invention of technological ideas for keeping women safe at home.

Three development teams from various technology units at the company, participated in the partnership to find novel solutions based on existing technology at the company to crack down on violence against women. The teams were joined by mentors with an enterprising and business orientation and a pair of referees from the company's management.

### ELTATECH & CYBER

An empowerment program for young scientists on subjects of cyber warfare and protection aimed at exposing schoolchildren to the field of cyber protection and increasing the number of recruits from Israel's geographic and social periphery being admitted to elite technology units of the IDF.

Engineers from Elta Group taught students of Makif Heh high-school in Ashdod, in 10th-12th grade Moffet classes majoring in electronics, computers and robotics.



## Performance Scorecards

2-7 | 2-8 | 202-2 | 405-1 | Limited assurance

Details regarding our HR information in 2024 are specified in footnotes to this table. The data represented in this table is based on a cutoff analysis from December 31th, 2024.

	2022	2023	2024
Number of employees (women, permanent and personal contract)	2,908	3,105	3,265
Number of employees (women, students)	306	283	240
Number of employees (men, permanent and personal contract)	10,079	10,446	10,691
Number of employees (men, students)	181	211	143
Number of employees (Total) <sup>2</sup>	13,872	14,332	14,638
Number of managers (women)	95	112	121
Number of managers (Total) <sup>3</sup>	604	569	589
% women at top 10% salary-level	11.5	12	12.4
	0.2	0.19	0.2

<sup>1</sup> As of 2020, these indicators include employees under employment relations (permanent, personal contract, temporary and students).

<sup>2</sup> The number of employees is counted according to the actual number of employees and not the number of jobs.

<sup>3</sup> As of 2020, this indicator includes managers from the level of unit directors and up.

## Performance Scorecards

2-7 | 401-1 | 405-1 | Limited assurance

Details regarding our HR information in 2024 are specified in the footnotes to this table. The data represented in this table is based on a cutoff analysis from December 31th, 2024..

Indicator <sup>1</sup>	2022	2023	2024
% employees with disabilities <sup>2</sup>	3	4.4	4.6
% employees, ages 30 and under	11	11.68	11.05
% employees, ages between 31-50	55	55.03	55.49
% employees, ages 51 and over	34	33.29	33.47
% managers, ages 30 and under <sup>3</sup>	0	0	0
% managers, ages between 31-50 <sup>3</sup>	36	35	29
% managers, ages 51 and over <sup>3</sup>	64	65	71
Number of new employees (Total)	1,335	1,231	1,117
% new employees (women, in all professions)	34	32	30.35
% new employees (women, in core professions)	30	28.4	21.9
% new employees (men)	66	68	70
% new employees from Ethiopian origins	1.4	2	1.43
% new employees from the Druze community	0.15	0.4	0.54
% new employees with disabilities	1	0.9	1.6
% new employees from the Ultra-orthodox community	2.5	3	3.9
% new employees, ages 30 and under	45	46	41.63
% new employees, ages between 31-50	49	46	49.42
% of new employees, ages 51 and over	6	8	8.95

<sup>1</sup> As of 2020, these indicators include employees under employment relations (permanent, personal contract, temporary and students).

<sup>2</sup> The number of employees is counted according to the actual number of employees and not the number of jobs. <sup>3</sup> 2022 value was updated.

<sup>3</sup> As of 2020, this indicator includes managers from the level of unit directors and up.



## Performance Scorecards

2-7 | 2-21 | 2-30 | 403-9 | 404-1 | Limited assurance

Indicator	2022	2023	2024
Annual total compensation ratio <sup>1</sup>	4	4	4.2
Number of training hours (frontal) <sup>2</sup>	443,479	430,733	493,084
Number of training hours (non-mandatory)	84,468	78,326	82,034
Average Number of training hours per employee	34	32	36
% employees completing sustainability-related training (Online Module)	80	75	76
% employees covered by collective bargaining agreements	63	61	59
Number of absence days : Aviation	877	783	1,214
Number of absence days: Elta systems	257	140	128
Number of absence days: Systems, missiles and space	148	117	418
Number of absence days: Military aircraft	99	193	21
Number of absence days: Supporting units	8	95	0
Number of absence days: Management	0	2	5
Number of absence days (Total)	1,389	1,330	1,786
Number of absence days (Total per 1,000 employees)	100	93	122

<sup>1</sup> For further information on employee compensation, see Section 16 in the First chapter (description of the corporation's business) of the 2024 Financial Statement of the Company (in Hebrew), pages 85-93.

<sup>2</sup> The number of training hours is normalized per the company's total number of employees. It excludes seminar days, compulsory learning, and online platforms It includes morning courses, factory and external training.

## Performance Scorecards

2-7 | 403-9 | Limited assurance

Indicator	2022	2023	2024
Number of accidents: Aviation	34	25	30
Number of accidents: Elta systems	11	6	7
Number of accidents: Systems, missiles and space	6	5	11
Number of accidents: Military aircraft	3	4	2
Number of accidents: Supporting units	1	4	1
Number of accidents: Management	0	1	1
Number of accidents (Total)	55	45	52
Number of accidents (Total per 1000 employees)	4	3.14	3.55
(Number of accidents (Total per working hours	0.39	0.31	0.35
Number of accidents: contractors	8	16	17
Number of fatalities <sup>2</sup>	0	0	0
Number of traffic accidents	24	24	34
Number of pedestrian injured	4	2	2
Volunteering hours <sup>1</sup>	12,912	25,760	26,623

<sup>1</sup> Volunteering hours data include employees with an employer-employee relationship (permanent, temporary, personal contract, and students) as well as retirees.

<sup>2</sup> The information presented is current as of the date of data collection in each reporting year.





# Resource Management and Environmental Efficiency

2-25 | 2-27 | 3-3 | 306-2 | SP | MT



UN SDG targets: 8.4 | 9.4 | 12.2

## Environmental Management and Compliance



All IAI's production Divisions are certified to the ISO 14001:2015 standard. This allows us to define the authority and responsibility and implement procedures, reporting and control systems, and targets and measurement indicators for consistent performance, and proactively identify possible gaps and achieve constant improvement in environmental vision at the Divisional level. Infrastructures for treatment and end-solutions are embedded to support compliance with legal requirements and resource optimization processes.



At the IAI Headquarters level, there is management responsibility for both the EHS (Environmental, Health, and Safety) and Corporate Sustainability and Responsibility Directorates, whose role is to outline policy and provide tools, information-gathering infrastructure, and professional support to the Divisions, while helping reduce risks at the corporate level and ensure compliance with the strategic environmental goals of the whole company as part of its Strategic Plan for Sustainability. In addition, a strategic view of environmental issues is integrated into a wide variety of processes in the company, such as development processes (page 71), merger and acquisition procedures (page 24), and supply chain issues (page 31).

Environmental management at the various levels of the company also includes a structured and detailed reference to emergency-related activities using defined emergency teams, response procedures, action plans, dedicated equipment, and periodic exercises, the purpose of which is to allow the company to continue to protect both people and the environment even in those cases where operational routines may be affected.

IAI's sustainability plan is based on our uncompromising commitment to comply with all laws and regulations applicable to our activities and businesses. Due to our multiple processes, transactions, and other activities, we must meet many legal requirements on an ongoing basis.

## Monitoring Legislative Requirements and Environmental Standards in Israel

IAI subscribes to a daily update service regarding environmental issues in Israel. This allows us to receive timely updates on existing legal requirements to ensure company compliance with their most updated versions. This service also covers evolving future requirements so that we can implement plans prepared in advance. Beyond that, aspects of environmental regulations and public policy, as well as publications of environmental initiatives at the national level are also included, used by the company to promote internal strategic goals, and within the various frameworks for discussion with environmental stakeholders in Israel.

## Monitoring Legislative Requirements and International Environmental Standards

The production, operation, maintenance, and scrapping of existing aviation and defense technologies all produce a considerable environmental footprint. In addition, global shortages of materials pose a growing risk to continuous production, alongside stricter regulations, which lead to many raw materials in the industry no longer being used. As members of the IAEG (page 14), we regularly monitor the updates of legislation on those materials in international markets which have a direct impact on their use in the aviation and defense sectors. IAI uses these updates as part of its reporting processes with its customers and in the development of environmentally friendly substitutes.

## Environmental Enforcement Program in the Divisions

Whenever gaps are identified, senior management is informed, and corrective actions are taken. Furthermore, there are times when the event or issue is reported to our board of directors and/or external auditors, and if the relevant criteria are met, such events or issues are also reported to the public. To the best of our knowledge, and up until the date of issuing this report, no sanctions or fines were imposed in 2024 on IAI in relation to our environmental performance.

## Environmental Risks Management

The company's board of directors and management are committed to sustainable development and establishing a corporate culture that promotes corporate responsibility. As part of this commitment, and following the instructions of the Government Companies Authority in this matter, the company's management holds regular discussions regarding the planning and implementation of these issues. In addition, specific management reports on environmental issues are discussed by the sustainability committee of the board of directors.

For more on environmental risks (including statutory regulations related to decision-making) see Section 20 in the First chapter (Description of the cooperation's business) of the 2024 Financial Statement of the Company (in Hebrew), pages 95-97.

## Soil and Groundwater Surveys and Treatment

Based on the requirement of the governmental Unit for Licensing Defense Companies, IAI conducted phase 1 of a historical soil survey in 2011, which included the collection of relevant information regarding potential areas of environmental concern from historical use of the company's real estate assets at each of its locations.

A detailed multiyear plan for additional surveys and soil and water treatment prioritized according to the scope of operations at each location, was submitted to and approved by the relevant authorities.

See page 67 for details on soil treatments done in 2024.

For additional site investigations and treatment of soil and groundwater, which are prioritized, based on the extent of operations in each site. For up-to-date progress, see Section 13 in the First Chapter (Description of the cooperation's business) of the 2024 Financial Statement of the Company (in Hebrew), pages 80-83.

# Water and Effluents

303-1 | 303-2 | 303-5 | Limited assurance

Israel is located in a geographical area that suffers from a shortage of water, therefore many companies in Israel show leadership at an international level in the development of water-related technologies. IAI considers its water consumption to be a valuable resource that must be managed efficiently. The total amount of water consumed in 2024 was 829.6 megaliters, including all water sources at each of the company's sites. All water consumption data is based on internal and external monitoring and billing information.

## Effluent Treatment

The vast majority of the company's industrial wastewater is discharged from the company's site next to Ben Gurion International Airport to a nearby treatment facility under a regulated wastewater quality agreement, and to specific streams, after pre-treatment to remove hazardous substances. All wastewater discharge data is based on internal and external monitoring and billing.



# Waste Management

306-1 | 306-2 | 306-3 | 306-4 | 306-5 | Limited assurance | SP

**12 RESPONSIBLE CONSUMPTION AND PRODUCTION**

## UN SDG targets: 12.5

Raw materials are becoming scarcer. This reality necessitates responsible waste management – both economically and environmentally – beyond pollution-prevention processes. IAI is focusing

its efforts on finding waste management opportunities, along with:

- Efficient raw material consumption in production.
- Investment in the development of environmentally friendly raw materials as an alternative to hazardous materials in products.
- Adopting the principles of a circular economy.
- Maximizing processes with waste contractors to avoid the need for landfill.

The company's operations generate hazardous waste, primarily including chemicals, paints, and mineral oils, and it works with authorized contractors to direct this waste for reuse, recycling, and energy recovery or approved landfill. In 2024, 34.2% of the hazardous waste was diverted for recycling, reuse and energy recovery, 3.1% was directly sent to landfill by a subcontractor, and 62.7% was directed to treatment processes under its responsibility, such as physico-chemical separation, chemical neutralization processes, and disposal by incineration. Therefore, the hazardous waste report is split into landfill/treatment components.

In 2024, data reporting is enhanced and kitchen oils treated by a subcontractor is transferred for registration as part of the treatment of nonhazardous waste. This change was updated for 2022-2023 too (see table on p.73).

Most of IAI's non-hazardous waste streams are separated at source to allow reuse or recycling, including office waste (such as paper, cardboard and plastic), and operational waste (such as wood, metals, used cooking oil and scrapped parts). In 2024, some 49% of the company's

waste did not reach landfills due to reuse and recycling processes. The Company started a steering team to examine improvement measures in waste management as part of the new Strategic Plan for Sustainability.

## Biological Treatment and Soil Recovery

Within IAI's plan for treating historical soil pollutants, soil contamination with kerosene resulting from historical activity of the company's factories was found. In 2024, the company restored and cleared the polluted soil in full cooperation with the Ministry of Environmental Protection. The soil was biologically treated and recovered at treatment sites within the activity of a subcontractor.



## Circular Economy

A circular economy offers an innovative concept of how companies can create sustainable business value by moving from linear to circular patterns of production, consumption of raw materials, and waste. The principles of the circular economy are already implemented by IAI in some of its business activities, for example, in passenger-to-freighter aircraft conversion – one of the company's prominent lines of business in the aviation sector – as a process that both preserves and extends the life cycle of the aircraft.

IAI has adopted cooperative business models for the drones it produces. Technologies such as 3D printing and visualization and simulation processes using virtual reality (VR) tools are an integral part of the development processes of the company's innovative and most advanced technological systems in fields such as satellites and missiles.

In addition to the benefits to the environment, by promoting circular economy principles IAI sees an opportunity for both technological innovation and business efficiency and savings. There is potential for adopting substitution processes in product design, using digital means as an infrastructure that replaces the need to use physical resources, and considering the development of additional cooperative business models and the possibility of sharing intra-organizational assets such as buildings, inventories, and knowledge. Expansion of circular economic applications is carried out in IAI within the framework of its Strategic Plan for Sustainability. The process includes extensive mapping of the potential of circularity in the company's business activities to identify opportunities for implementation, while at the same time building intra-organizational expertise in the various disciplines.

## The "Air Salon" Project

IAI is a world leader in passenger-to-freighter aircraft conversion. In the process of converting an aircraft, a large number of usable parts of the plane that are not required for its new purpose are dismantled and removed. These parts, which typically include chairs, storage compartments, and textiles, would normally be scrapped. To minimize the amount of waste and encourage reuse while also contributing to the community, IAI initiated the Air Salon project, in which designers from all fields were invited to collect discarded aircraft parts, free of charge, and use them to design items for their personal use. In exchange for the special and high-quality raw materials they were able to use, the designers were asked to donate at least one of their finished designs to the community.

# Climate Change Related Activities

3-3 | 302-1 | 302-4 | SP | LIMITED ASSURANCE | MT

## Energy Management

**8 DECENT WORK AND ECONOMIC GROWTH**

## UN SDG targets: 8.4 | 9.4 | 12.2 | 13.1

All manufacturing industries consume energy for operation and growth. Globally, countries are looking for ways to increase the renewable energy share in their total energy consumption, as opposed to the consumption of the dwindling quantities of non-renewable energy sources, responsible for air pollution and climate change. We strive to operate our infrastructures in optimal conditions, maximum economic efficiency, and eco-friendliness. Each IAI division and some of the supporting units have an Energy Officer, responsible for energy management, including data collection and reporting. Energy use is constantly monitored in all our facilities. The data is made available to our managers and energy officers. Division managers conduct programs for energy efficiency, including

**9 INDUSTRY, INNOVATION AND INFRASTRUCTURE**

**12 RESPONSIBLE CONSUMPTION AND PRODUCTION**

**13 CLIMATE ACTION**

the replacement of inefficient HVAC, lighting, and manufacturing processes. The divisions also train Energy Trustees to monitor and follow up on designated facilities, promoting employees' awareness and ensuring preventive maintenance.

The following divisions hold a valid certification of ISO 50001:2018 standard for energy management in operations: the Military Aviation Group, the Missiles, and Space Group, and TNUFA, which are responsible for the company's overall energy infrastructure management.



### Electricity Consumption

IAI's electricity consumption is mostly based on a private supplier, which produces electricity based on Natural gas (except for months in which the supplier transferred the responsibility for delivery to Israel Electric Corporation subject to the engagement agreement), and the rest from direct renewable energy production and consumption in-house.

As of 2007, IAI established a continuous working plan to implement cross-organizational efficiency and saving measures. Since 2007, 1,023 GWh has been saved in relation to the "business as usual" scenario. Savings were achieved alongside a rise in total electricity consumption in 2024, due to new buildings being populated and new processes implementation.

IAI did not sell any energy (electricity, cooling/heating, or steam) during 2024.

### Renewable Energy

In 2024, IAI continued to utilize renewable energy sources based on solar panels. These were installed at some of our facilities for purposes of energy savings and as part of the sustainability roadmap for the reduction of greenhouse gases. All renewable energy produced thereby was consumed by IAI operations.

The Company conducted current checks for the feasibility of additional photovoltaic installations, standalone and combined with storage facilities. Currently, a number of plans are progressing and may be implemented during 2025.

### Fuel Consumption for Industrial Use

In 2024, there was a decrease in the consumption of diesel for industrial uses and liquefied petroleum gas compared to 2023. This decrease is due to purchases made in 2023, which created reserves for use during 2024, thus not requiring the purchase of industrial diesel.

### Fuel Consumption in Transportation

IAI operates a fleet of leased vehicles for its employees, as well as a fleet of carpooling vehicles for short trips between its sites. In 2024, the total distance travelled was 69,230,932 kilometers. This is estimated based on the total consumption of fuel for vehicle transportation, assuming an average fuel efficiency of 12 km per liter per vehicle. IAI continues to invest in the diversification of its fleet of vehicles as part of its strategic sustainability roadmap, by introducing hybrid and plug-in vehicles and replacing in-house operational utility vehicles with electrical-based ones.

### Shuttle Service

IAI is one of the largest companies in Israel that operates an extensive shuttle service for its employees at all of its sites in Israel. This service enables employees to commute easily and efficiently while reducing private vehicle use. The company operates a seat reservation app, which allows employees to reserve seats in advance, and shuttle vehicles are assigned based on real-time capacity to increase efficiency and reduce environmental impact.

### Carpooling

Our online carpool system allows our employees to find commuting partners to all of the company's facilities in Israel while accommodating individual scheduling needs. Carpooling reduces the need for private cars, consequently reducing traffic and easing parking scarcity at IAI worksites.

## Emissions

305-1 | 305-2 | Limited assurance | SP

### Greenhouse Gas Emissions



#### UN SDG targets: 13.1

The transition to a low-carbon economy has been identified as the central tool for countries to combat climate change while adapting to the anticipated effects of climate-related change.

As part of the company's strategic sustainability roadmap, IAI seeks to reduce Greenhouse gas (GHG) emissions from operations and production processes, while partnering in the development of additional solutions:

- Aligning our climate change focus with the UN SDGs (Goal 13: Climate action).
- Annual disclosures to CDP (a global, environmental disclosure organization) and the voluntary GHG reporting scheme led by the Israeli Ministry of Environmental Protection. IAI has been reporting to both since 2017.
- Meeting internal targets for reducing greenhouse gas emissions. Measures include in-house production and consumption of renewable energy via solar photovoltaic installations, greener transportation, and effective energy utilization.
- Supporting reductions of GHG emissions in aviation.
- Collaborating on climate action and emissions reporting in the A&D supply chain, both locally and internationally (see page 14).

The sources used in our annual emissions calculations included fuels for transportation and industrial use.

The sources also include the consumption of electricity based on consumption from a private electricity consumer subject to the engagement agreement with it (natural gas/direct consumption from Israel Electric Corporation) and renewable energy generated inside the organization.

### Climate-Related Risk Assessment

As part of its strategic plan for 2019-2023, IAI performed a climate risk assessment. It examined the impacts of transitioning into a low-carbon economy, both locally and globally, and the potential physical impacts on infrastructure (acute and chronic). The assessment was done for operations in Israel, based on TCFD recommendations and climate-related databases of various Israeli authorities. The main risk it identified was a chronic one: an expected rise in average temperatures in the medium to long run. This is liable to affect the work process in some IAI facilities. The company will continue to monitor the risks of climate change to its operations, identifying and measuring them and taking remedial action.

### Air Emissions



#### UN SDG targets: 12.2

Air pollution emissions are closely linked to impacts on the environment and public health. IAI works within the framework of the sustainability roadmap, to reduce the use of hazardous materials in its production processes, and to reduce air pollution emissions from its industrial production processes and transportation sources.

Persistent Organic Pollutants (POP) are not present in IAI's operations.

## Environmental R&D

201-2 | SP



### UN SDG targets: 9.4 | 12.2 | 13.1



Design for sustainability (DFS) is an approach that considers the entire environmental life cycle of a product or service, integrating environmental risk management and leveraging opportunities from the earliest stage of definition. DFS practices yield more flexible products and services in a tightening regulatory atmosphere, reducing short-term and long-term risks throughout the product life cycle, and systematically contributing to overall cost reductions. IAI's strategic sustainability roadmap calls for expanding our innovative DFS program. In 2024 we continued to develop products using substitute, environmentally friendly materials, both at our initiative and in collaboration with external partners, contributing to the emergency of a circular economy.

The Unmanned Aerial Vehicle (UAV) Division of the company holds the following ISO standards: Green label on behalf of the Standards Institute of Israel (SII) compliant with ISO 50001 and 14001 for environmental performance and energy efficiency for a range of products such as TACTICAL, GHPT, TP, HERON.

In the design, manufacture, and use of products, our UAV division aims to minimize its ecological footprint. For instance, it uses unleaded or used fuel and unchromated, environmentally friendly paints. It also instructs users how to extend the shelf-life of products.



### IAI Participates in the XPRIZE Wildfire Contest



The XPRIZE Foundation is a nonprofit organization operating to develop "radical breakthroughs for the sake of mankind" through incentivizing competition. The organization holds many competitions, such as Google Lunar XPRIZE, within which the Beresheet program to land a space vehicle on the moon was pursued.

XPRIZE Wildfire is a contest aimed at creating technological innovation in rapid detection and extinguishing of forest fires in their early stages before becoming wildfires. Forest fires are one of the most devastating global challenges facing us today.

The motivation: major forest fires of high greater intensity and spreading without control more rapidly are increasing throughout the world. These large, destructive fires have catastrophic consequences – from an increasing economic burden and loss of life and property to destruction of ecosystems, and they are responsible for an increasing percentage of global greenhouse gas emissions.

The contest requires locating and extinguishing incipient forest fires autonomously within 10 minutes. The area that had to be scanned is 1,000 km<sup>2</sup>.

IAI, as a global leader in the UAV and airborne systems field for more than forty years, is proud to participate in the international XPRIZE Wildfire contest and bases its answer on adapting existing solutions to the civil field using an innovative, fast and autonomous solution to fight fires.

IAI's solution is called Fire Drone and involves cooperation between eight leading companies in their field.

IAI's answer is based on a central autonomous system that remotely controls a number of UAVs. The system includes autonomous drones (quadcopters) that have low operation and maintenance costs, which will be used for scanning the area and detecting the fire in real time and an unmanned firefighting (fixed wing) airplane. The drones include an advanced electro-optic payload for scanning the ground from a long distance and advanced AI based models to detect and identify a fire and fire spectral analysis models. The firefighting airplane will drop water on the fire with precision from a low altitude, without human intervention.

## Performance Scorecards

302-1 | 302-4 | Limited assurance

Indicator	2022	2023	2024
Built area (m <sup>2</sup> )	927,059	944,512	951,363
Electricity consumption: heating/cooling (TJ) <sup>4</sup>	379	396	397
Electricity consumption: lighting (TJ) <sup>4</sup>	91	95	96
Electricity consumption: air compressors (TJ) <sup>4</sup>	45	47	47
Electricity consumption: manufacturing (TJ) <sup>4</sup>	164	171	172
Electricity consumption: other (TJ) <sup>4</sup>	82	86	86
Electricity consumption: Total (TJ) <sup>1, 4</sup>	761	796	798
Electricity consumption per built area: Total (GJ/m <sup>2</sup> ) <sup>1, 4</sup>	0.81	0.84	0.84
Fuel consumption: industrial diesel fuel (GJ)	25,333	28,105	9,717
Fuel consumption: liquefied petroleum gas (GJ)	27,662	33,397	28,710
Total fuel consumption for industrial uses per built area (GJ/m <sup>2</sup> )	0.057	0.065	0.04
Fuel consumption, automotive: diesel (50) (Mega-liter) <sup>2</sup>	0.448	0.467	0.476
Fuel consumption, automotive: gasoline (95) (Mega-liter)	4.8	4.9	5.3
Fuel consumption, aviation: jet fuel (Mega-liter) <sup>3</sup>	0.68	1.17	1.43
Fuel consumption, aviation: jet fuel (Mega-liter/Aviation group EBIDTA)	525	919	1,077
No. of hybrid vehicles in company's fleet	935	842	826

<sup>1</sup> Including renewable electricity manufactured and consumed in-house.

<sup>2</sup> Used by operational fleet only.

<sup>3</sup> Data reflects jet fuel that was consumed directly by IAI. The data collection methodology was improved.

<sup>4</sup> Data refinement was performed for the years 2022-2023.



## Performance Scorecards

305-1 | 305-2 | 305-3 | 305-4 | 306-3 | 306-4 | 306-5 | Limited assurance

Indicator <sup>1</sup>	2022	2023	2024
Stationary fuel sources (CO <sub>2</sub> e, metric tons)	3,810	4,383	2,561
Mobile fuel sources (CO <sub>2</sub> e, metric tons)	14,659	16,580	18,174
Total scope 1: direct emissions (CO <sub>2</sub> e, metric tons)	18,469	20,963	20,735
Electricity consumption (CO <sub>2</sub> e, metric tons)	93,933	96,987	103,037
Total scope 2: indirect emissions (CO <sub>2</sub> e, metric tons)	93,933	96,987	103,037
Total emissions avoided by renewable energy consumption (CO <sub>2</sub> e, metric tons)	919	949	1,028
Total scope 1&2 (CO <sub>2</sub> e, metric tons)	112,402	117,950	123,772
Total scope 3: employees travel (CO <sub>2</sub> e, metric tons)	15,714	17,791	18,829
Scope 1 GHG intensity <sup>2</sup>	0.020	0.022	0.022
Scope 2 GHG intensity <sup>2</sup>	0.101	0.103	0.108
Normalised, total scope 1&2 (CO <sub>2</sub> e, metric tons/EBITDA) (Mil \$)	201	178	156
Hazardous waste, landfill (metric tons)	37	29	53
Hazardous waste, treatment (metric tons) <sup>3</sup>	943	835	1,067
Hazardous waste, recycling/reuse (metric tons)	245	227	303
Hazardous waste, waste-to-energy (metric tons)	198	183	277
Hazardous waste, total (metric tons) <sup>3</sup>	1,423	1,274	1,700
Hazardous waste, total (metric tons/EBITDA) (Mil \$)	2.5	1.9	2.1
Non-hazardous waste, treatment and/or landfill (metric tons) <sup>3</sup>	4,270	4,553	4,580
Non-hazardous waste, recycle/reuse (metric tons)	3,768	4,420	4,315
Non-hazardous waste, total (metric tons) <sup>3</sup>	8,038	8,973	8,895
Non-hazardous waste, total (metric tons/EBITDA) (Mil \$)	14.4	13.5	11.2

<sup>1</sup> Source used for data unit conversions: the 2006 guide of the intergovernmental panel on climate change.

<sup>2</sup> Calculated per built area.

<sup>3</sup> Data refinement was done for kitchen oils and years were updated retroactively.

## Performance Scorecards

303-4 | 303-5 | 305-7 | Limited assurance

Indicator	2022	2023	2024
Total water consumption (1,000 m <sup>3</sup> )	795	794	829
Total water consumption (1,000 m <sup>3</sup> /EBITDA)	1.41	1.19	1.05
Total water discharge (1,000 m <sup>3</sup> ) <sup>1</sup>	194	189	194
Total air emissions, NOx (metric tons) <sup>2</sup>	19	18	16
Total air emissions, SOx (metric tons) <sup>2</sup>	2.2	2.2	2.27
Total air emissions, VOC (metric tons) <sup>2</sup>	3.5	3.25	4.56
Total air emissions, PM (metric tons) <sup>2</sup>	1.5	1.72	2.66

<sup>1</sup> Includes the Ben Gurion airport campus only.

<sup>2</sup> Emissions are reported on IAI's two operational facilities that were found to be obligated by the Israeli Clean Air Law - 2008 regulations criteria. Those facilities underwent a series of processes to meet all legal requirements, and their performance is in accordance with stack monitoring and calculation methodologies defined in the Israeli Pollutant Release and Transfer Register - 2012.





## GRI content index

For the Content Index – Essentials Service, GRI Services reviewed that the GRI content index has been presented in a way consistent with the requirements for reporting in accordance with the GRI Standards, and that the information in the index is clearly presented and accessible to the stakeholders. The service was performed on the English version of the report.

### GRI 1: Foundation 2021

#### GRI standard

Statement of use IAI has reported in accordance with the GRI Standards for the period 1 January 2024 - 31 December 2024.

GRI 1 used GRI 1: Foundation 2021

Applicable GRI sector standards Not currently available

### GRI 2: General Disclosures 2021

#### GRI standard

#### Page

#### Omission

#### The organization and its reporting practices

2-1	Organizational details	9, 24	The company does not disclose countries of operations beyond Israel (please see in page 4).
2-2	Entities included in the organization's sustainability reporting	4, 9	
2-3	Reporting period, frequency and contact point	4, 87	
2-4	Restatements of information	4	
2-5	External assurance	84-86	

#### Activities and workers

2-6	Activities, value chain and other business relationships	4, 9, 24-25, 31
2-7	Employees	49-51, 59-62
2-8	Workers who are not employees	49, 59

### Governance

2-9	Governance structure and composition	11, 37-39, 46
2-10	Nomination and selection of the highest governance body	38
2-11	Chair of the highest governance body	38
2-12	Role of the highest governance body in overseeing the management of impacts	11, 15, 39, 46
2-13	Delegation of responsibility for managing impacts	11
2-14	Role of the highest governance body in sustainability reporting	16, 38-39
2-15	Conflicts of interest	38
2-16	Communication of critical concerns	38, 39, 42
2-17	Collective knowledge of the highest governance body	38
2-18	Evaluation of the performance of the highest governance body	38
2-19	Remuneration policies	39
2-20	Process to determine remuneration	39
2-21	Annual total compensation ratio	61

### Strategy, policies and practices

2-22	Statement on sustainable development strategy	5-6
2-23	Policy commitments	39, 42
2-24	Embedding policy commitments	39, 42
2-25	Processes to remediate negative impacts	40, 65
2-26	Mechanisms for seeking advice and raising concerns	42
2-27	Compliance with laws and regulations	40, 65
2-28	Membership associations	14

### Stakeholder engagement

2-29	Approach to stakeholder engagement	12
2-30	Collective bargaining agreements	56, 61



GRI 3: Material Topics 2021			
GRI standard		Page	Omission
3-1	Process to determine material topics	16	
3-2	List of material topics	16-17	
Topic Standards			
GRI standard		Page	Omission
Material Topic: Innovation and technological leadership			
GRI 3: Material Topics 2021			
3-3	Management of material topics	27	
Material Topic: Safety and Quality of Products and Services			
GRI 3: Material Topics 2021			
3-3	Management of material topics	29	
GRI 403: Occupational health and safety 2018			
403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	29	
GRI 417: Marketing and labeling 2016			
417-1	Requirements for product and service information and labeling	29	
Material Topic: Responsible supply chain			
GRI 3: Material Topics 2021			
3-3	Management of material topics	31	
GRI 201: Economic performance 2016			
201-1	Direct economic value generated and distributed	34	
201-4	Financial assistance received from government	34	
GRI 203: Indirect economic impacts 2016			
203-2	Significant indirect economic impacts	32	

GRI standard/Disclosure		Page	Omission
GRI 204: Procurement practices 2016			
204-1	Proportion of spending on local suppliers	32, 34	
Material Topic: Corporate governance, ethics and corruption prevention			
GRI 3: Material Topics 2021			
3-3	Management of material topics	37	
GRI 205: Anti-corruption 2016			
205-2	Communication and training about anti-corruption policies and procedures	40, 42	
GRI 206: Anti-competitive behavior 2016			
206-1	Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	41	
Material Topic: Cyber defense and data protection			
GRI 3: Material Topics 2021			
3-3	Management of material topics	45	
Material Topic: Human capital management			
GRI 3: Material Topics 2021			
3-3	Management of material topics	49	
GRI 201: Economic performance 2016			
201-3	Defined benefit plan obligations and other retirement plans	50, 56	
GRI 202: Market Presence 2016			
202-2	Proportion of senior management hired from local community	59	
GRI 401: Employment 2016			
401-1	New employee hires and employees turnover	50, 60	
Material Topic: Diversity, Inclusion and Gender Equality			
GRI 3: Material Topics 2021			
3-3	Management of material topics	51	



GRI standard/Disclosure		Page	Omission
<b>GRI 404: Training and Education 2016</b>			
404-1	Average hours of training per year per employee	55, 61	
404-2	Programs for upgrading employee skills and transitions assistance programs	55	
<b>GRI 405: Diversity and equal opportunity 2016</b>			
405-1	Diversity of governance bodies and employees	51, 59-60	
<b>Material Topic: Occupational health and safety</b>			
<b>GRI 3: Material Topics 2021</b>			
3-3	Management of material topics	53	
<b>GRI 403: Occupational health and safety 2018</b>			
403-1	Occupational health and safety management system	53	
403-2	Hazard identification, risk assessment, and incident investigation	53	
403-3	Occupational health services	53	
403-4	Worker participation, consultation, and communication on occupational health and safety	53	
403-5	Worker training on occupational health and safety	53	
403-6	Promotion of worker health	56	
403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	53	
403-9	Work-related injuries	53, 61-62	
<b>Material Topic: Social impact and community engagement</b>			
<b>GRI 3: Material Topics 2021</b>			
3-3	Management of material topics	57	
<b>GRI 413: Local communities 2016</b>			
413-1	Operations with local community engagement, impact assessments, and development programs	57	
<b>Material Topic: Resource management and environmental efficiency</b>			
<b>GRI 3: Material Topics 2021</b>			
3-3	Management of material topics	65	

GRI standard/Disclosure		Page	Omission
<b>GRI 303: Water and effluents 2018</b>			
303-1	Interaction with water as a shared resource	66	
303-2	Management of water discharge-related impacts	66	
303-4	Water discharge	74	
303-5	Water consumption	66, 74	
<b>GRI 306: Waste 2020</b>			
306-1	Waste generation and significant waste-related impacts	67	
306-2	Management of significant waste-related impacts	65, 67	
306-3	Waste generated	67, 73	
306-4	Waste diverted from disposal	67, 73	
306-5	Waste directed to disposal	67, 73	
<b>Material Topic: Climate change related activities</b>			
<b>GRI 3: Material Topics 2021</b>			
3-3	Management of material topics	68	
<b>GRI 201: Economic performance 2016</b>			
201-2	Financial implications and other risks and opportunities due to climate change	71	
<b>GRI 302: Energy 2016</b>			
302-1	Energy consumption within the organization	68, 72	
302-4	Reduction of energy consumption	68, 72	
<b>GRI 305: Emissions 2016</b>			
305-1	Direct (Scope 1) GHG emissions	70, 73	
305-2	Energy indirect (Scope 2) GHG emissions	70, 73	
305-3	Other indirect (Scope 3) GHG emissions	73	
305-4	GHG emissions intensity	73	
305-7	Nitrogen oxides (NOX), sulfur oxides (SOX), and other significant air emissions	74	



## Legal disclaimer

This sustainability report (hereafter "the report") presents IAI's activity in 2024, for sustainability and corporate responsibility issues.

The report focuses on integrating sustainability principles in business operations, the economic, social, and environmental values that these principles contribute to IAI and its connections with stakeholders as specified in the report, and more.

This report does not serve as a securities offering of IAI to the public, and should not be interpreted as a public securities offering, and it does not serve as a report as defined by the Securities Law – 1968, and its regulations. A clear indication was noted in places where the report includes quantitative indicators (charts, diagrams, etc.) that do not cover all of IAI's performance.

This report reflects IAI's policy that is "beyond compliance". As such, it shows the targets, objectives, and milestones that IAI has decided on and strives to achieve, but has no legal obligation to meet. IAI has taken all measures to ensure that this document is precise and correct, and to the best of our knowledge, it is precise and correct, as per its publication date. Nonetheless, as in any document, it may include generalizations, inaccuracies, mistakes, and omissions, and as such, IAI does not take any responsibility for the precision or completeness of this document and does not allow reliance or use of the data included by someone. In addition, IAI is not under any obligation to update the information provided in this report.

In the event of any inconsistency between the information in this report and any information in the company's public reports published on the ISA's filing system [<https://www.magna.isa.gov.il>] and/or the Stock Exchange, the information in the public reports on these websites shall prevail. Lastly, any assessments and estimates included in the document are the Company's alone, and as in any qualitative information, they reflect assessments and estimates which are subjective by their nature and which are not necessarily measurable.

## External assurance

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As part of the reporting process, relevant data collection infrastructure, controls, and methods were assessed, in order to build a sustainable reporting framework that will serve the company in assembling sustainability information in a reliable and effective process in future reporting procedures.

As a governmental company, we see great importance in supplying our stakeholders with accurate and reliable information about the environmental and social impacts of our activity.



# Independent Limited assurance

## 2-5

### Independent Limited Assurance Report for of Israel Aerospace Industries Ltd. (IAI)

We have undertaken a limited assurance engagement of the accompanying the specified subject matter as mentioned in the table below (further referred to as "subject matter information") of Israel Aerospace Industries Ltd. (IAI) (further referred to as "the company") for the period started on the 1st of January 2024 and ended 31 December 2024.

Other than the information described in the table below, which defines the scope of our engagement, we did not perform assurance procedures on the rest of the information contained in the report and accordingly we do not express any conclusion for this information.

The subject matter is marked as "limited assurance" in the report:

- Managing sustainability in IAI
- Stakeholders
- Strategic alliances
- Materiality
- 2030 sustainability roadmap
- Corporate governance
- Business ethics
- Cyber defense and information security
- Business development and performance
- Local procurement
- Business continuity
- Patents
- Occupational health and safety
- Diversity, inclusion and gender equality
- Empowering workplace
- Energy management
- Water and effluents

- Emissions
- Waste management

### Management's Responsibility

Management is responsible for the preparation of the subject matter information according to the GRI principles (further referred to as "the applicable criteria").

Management is also responsible for selecting the applicable criteria used.

The preparation of the subject matter information requires management to establish and interpret the criteria, make determinations as to the relevancy of information to be included, and make estimates and assumptions that affect the reported information. The selection by management of different but acceptable measurement techniques, estimates or assumptions could have resulted in materially different amounts or metrics being reported. Obtaining sufficient, appropriate evidence to support our limited assurance conclusion does not reduce the inherent uncertainty in the amounts and disclosures.

Management is also responsible for such internal control as management determines necessary to enable the preparation and presentation of the subject matter information that is free from material misstatement, whether due to fraud or error.

### Our Responsibility

Our responsibility is to express a limited assurance conclusion on the subject matter information based on the evidence we have

## 2-5

obtained. We conducted our limited assurance engagement in accordance with International Standard on Assurance Engagements 3000 (Revised), Assurance Engagements Other than Audits or Reviews of Historical Financial Information. This standard requires us to conclude whether anything has come to our attention that causes us to believe that the subject matter information is not fairly stated, in all material respects.

A limited assurance engagement consists of performing procedures (primarily consisting of making inquiries of management and other within the company, as appropriate, and applying analytical procedures) and evaluates the evidence obtained.

Our engagement included, amongst others, the following procedures performed:

- Conducting inquiries to the relevant personnel, who are responsible for providing the information for the report and examining the systems that collect such information.
- Conducting inquiries to the relevant personnel who are in charge of the subject matters, in order to understand the on-going work process and the preparation for the report.
- Comparing the information presented in the Sustainability Report on subject matter, with references from relevant sources, in order to determine whether the relevant information is accurately included in the report.
- Examining the disclosure and presentation of the information in the report.

We believe that the evidence obtained is sufficient and appropriate to provide a reasonable basis for our conclusion.

### Our Independence and Quality Control

We are independent in the company in accordance with the legal provision applicable in Israel regarding the independence and prevention of conflict of interest of the auditing accountant in Israel. We fulfill our other ethical obligations in accordance with the Certified

Public Accountants Law (1955), and regulations derived from it, which are based on the principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

The firm applies International Standard on Quality Management 1, Quality Management for Firms that Perform Audits or Reviews of Financial Statements, and Other Assurance or Related Services Engagements, which requires the firm to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

### Conclusion

Based on the procedures we have performed and the evidence we have obtained, nothing has come to our attention that causes us to believe that the subject matter information of the company for the period started on the 1st of January 2024 and ended 31 December 2024, which is shown in the table above, is not prepared, in all material respects, according to the GRI principles.

Ziv Haft  
 Certified Public Accountants Tel Aviv  
 March 31th, 2024





**2-3**

As an interested stakeholder, we would appreciate receiving any comments, queries, or feedback you may have on this report or our sustainability program in general.

For the sustainability program:

**Yael Laham**

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