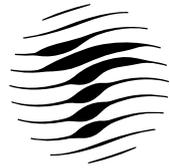




Tadiran Group Ltd.

Sustainability Report

2021



TADIRAN



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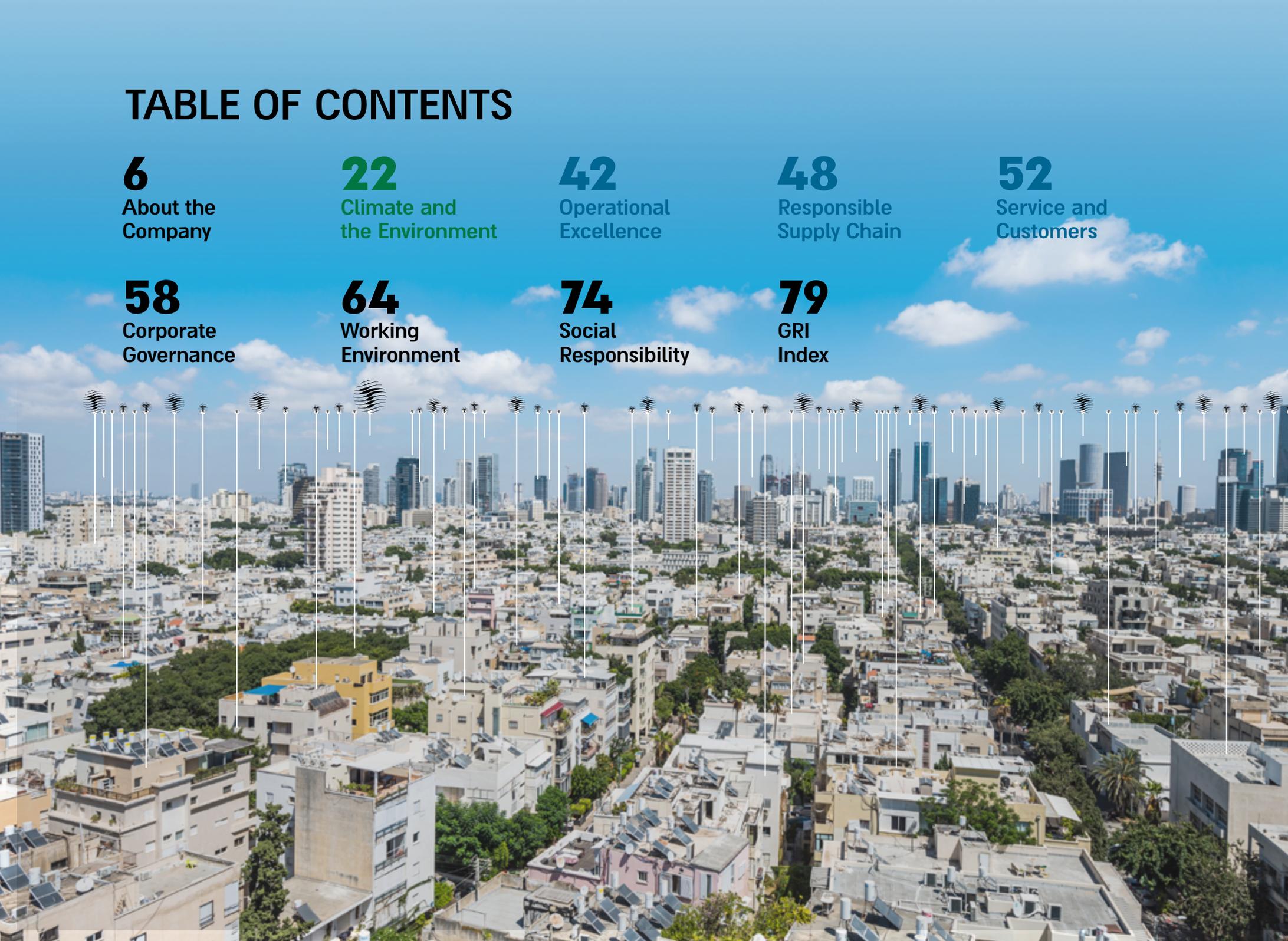
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TADIRAN

TADIRAN



Letter From the Chairman of the Board of Directors

Greetings,

Tadiran Group has been operating in Israel for decades and is a proud leader in the Israeli industry.

As a corporation that manages business and industrial processes, we embrace our duty to manage our operations responsibly. We strive to reduce the adverse effects that our actions may have on the environment. With this, we hope to improve sustainability issues across our sector whilst maintaining transparency towards our customers, employees, suppliers, partners, the general public and the communities we operate in.

From this perspective, we decided to publish Tadiran's first Sustainability Report.

I am excited to present this report, which includes a review of Tadiran Group's activities and the goals we have set for ourselves as we look into our future as a leading and ground-breaking company.

In recent years, Tadiran Group began operating in the field of renewable energy, which has become a significant part of our current business activity. Over the past few years, we have invested in local production and human capital, which has enabled us to respond quickly to our customers' changing needs.

We invest resources in order to create innovative solutions in our sector with the goal of continuously improving and evolving.

This Sustainability Report discusses our deep commitment to our employees, as well as our collaboration with our suppliers, our compliance with the highest standards, our initiatives to minimize the environmental effects of our activities, and the Group's involvement in Israeli society.

These issues are reflected in this report because they act as a guideline to promote responsibility and transparency for a sustainable future.

Ariel Herzfeld,
Chairman



Letter From the Chief Executive Officer

Dear readers,

In recent years, global challenges have disrupted the way we live, emphasizing the importance of planning for a sustainable future. A recent example is the coronavirus pandemic, which stressed the value of community and social solidarity. The harmful effects of climate change demand environmental awareness.

Tadiran is committed to conducting itself responsibly and fairly toward its employees, communities, customers, suppliers, shareholders and other stakeholders.

Tadiran Group and I welcome the opportunity to publish our first Sustainability Report and to present our key activities and future ESG endeavors.

The Covid-19 era was a challenging time world-wide, causing disruptions for businesses across all industries and markets. Despite the difficulties experienced during this unstable period, we established two additional production lines at our air conditioning systems factory in Afula in 2021, thereby boosting our local production capacity in Israel.

To create a solution that provides our customers with cleaner air, we developed the unique Airow technology - an innovative, patent-based proprietary technology for purifying air from viruses, bacteria and molds. We value the positive impact our products can have on our customers' living environments.

Over the past few years, we have entered the field of renewable energy and have begun marketing products used to generate solar energy, as well as saving and storing energy. Renewable energy is a critical component of our company's vision for a sustainable world for future generations.

As part of this vision, we seek to develop products that are friendlier to the environment and to people, optimize our work processes and make responsible use of the resources available to us.

This report highlights our achievements and the goals we have set for ourselves in different areas. These areas include: developing environmentally friendly products; optimizing energy and resources; and creating a safe working environment that offers growth opportunities to our employees. The report also incorporates the vision and values that guide us in our operations and how we apply them in the domain of ESG and our corporate social responsibility.

We are committed to upholding the trust imparted to us by Israeli society over the years and to maintain our leadership in the ESG sector. These issues are vital to building a sustainable future for all of us.

Moshe Mamrud,
CEO and Owner

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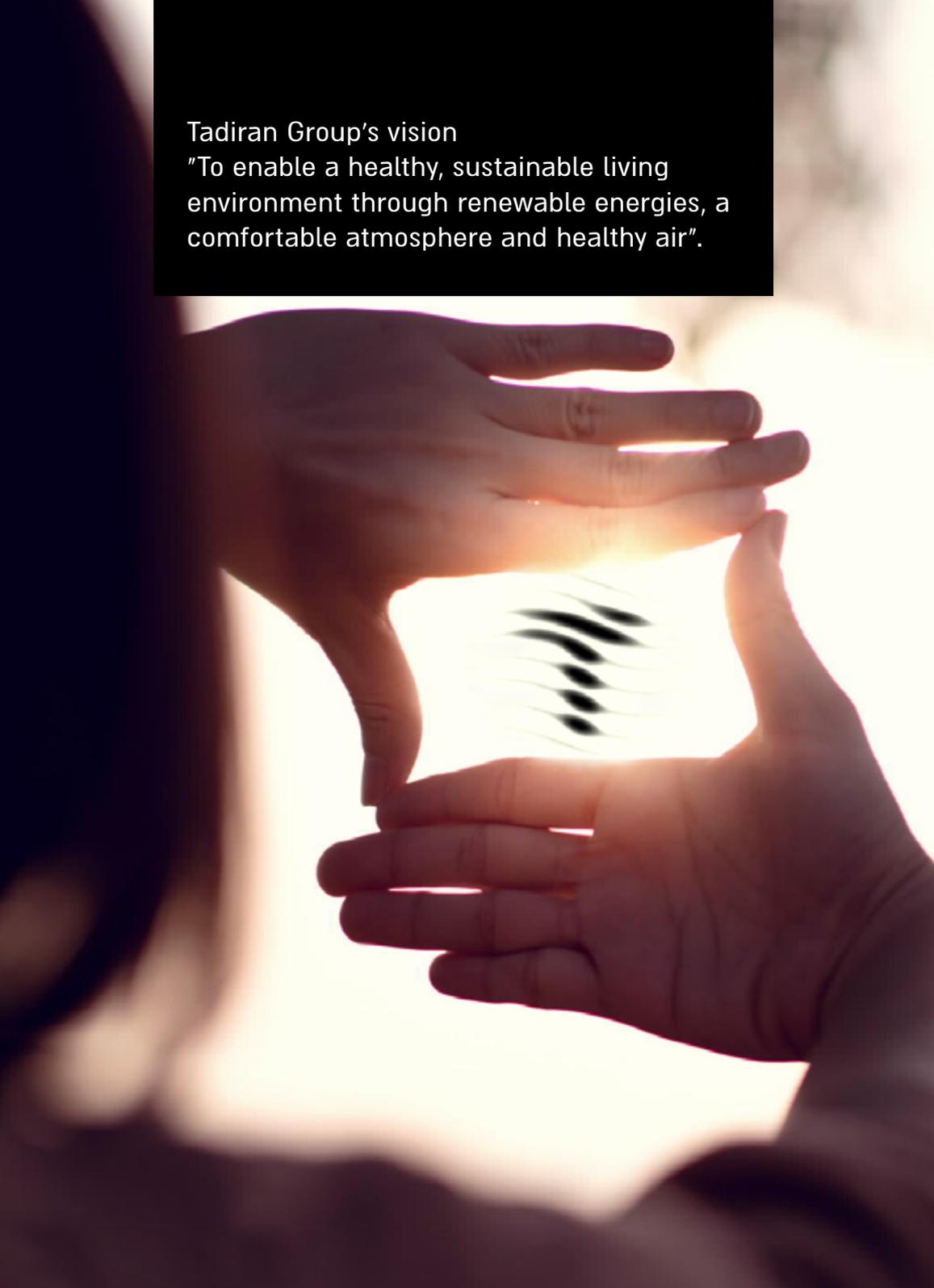
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The Group believes in its capacity to lead in a sustainable manner, taking into consideration the needs of society and the environment in the various sectors of activity in which it operates, while at the same time listening to and maintaining an ongoing dialogue with its stakeholders. Conferring with our stakeholders helps us understand their goals and aspirations and enables us to develop new capabilities and technologies accordingly.



Tadiran Group's vision

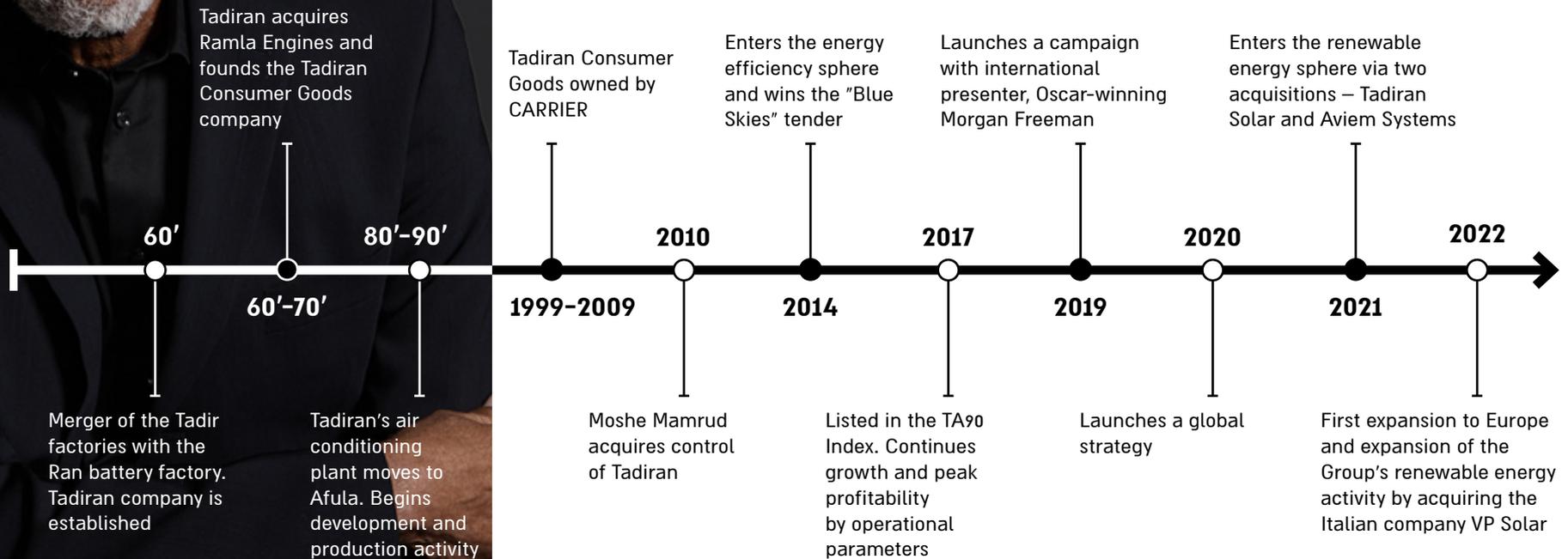
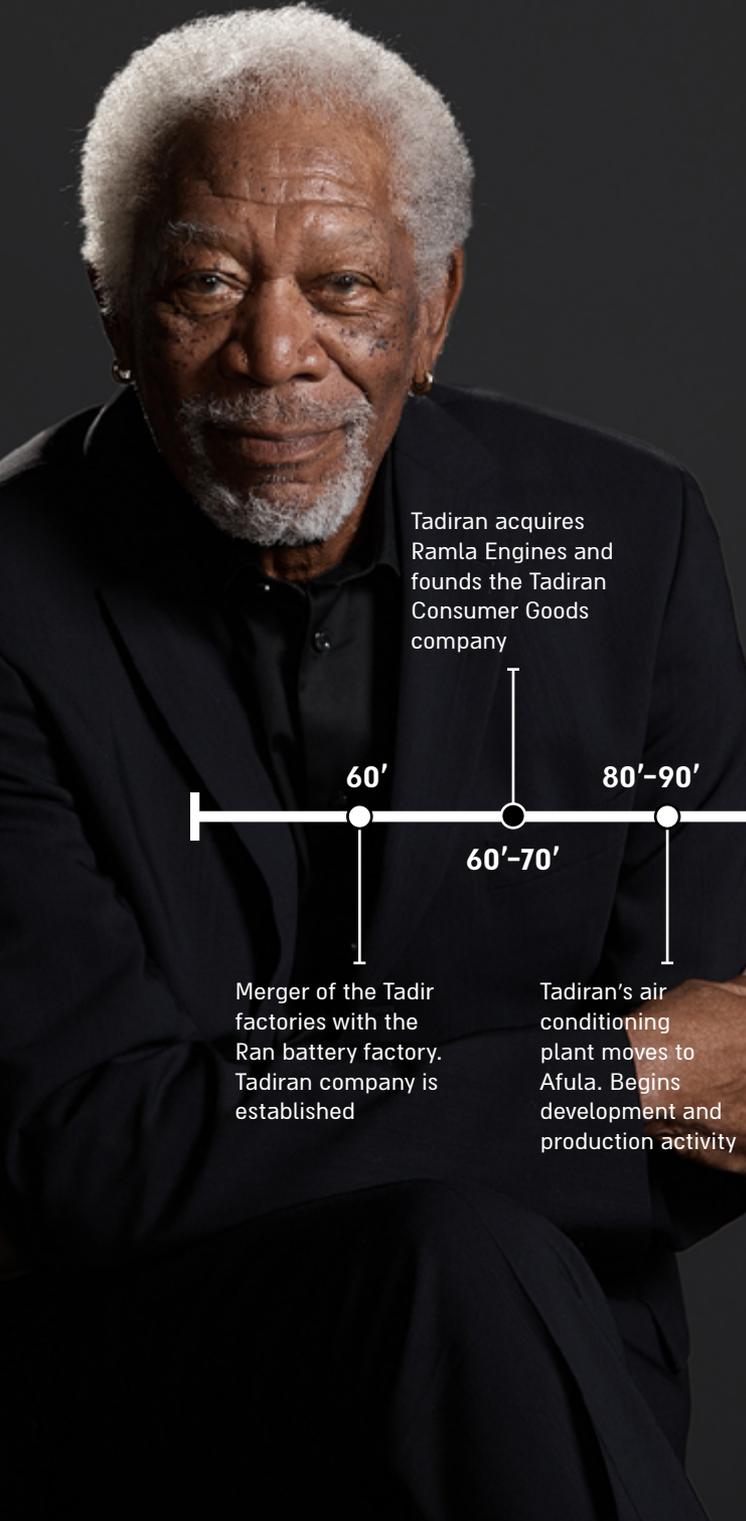
"To enable a healthy, sustainable living environment through renewable energies, a comfortable atmosphere and healthy air".

About the Company

Tadiran Group Ltd. and/or the corporations held by it, directly and indirectly (all or in part) (hereinafter: "The Group" and/or "Tadiran") is involved in the manufacturing, import, marketing, distribution and sale of air conditioning systems, air treatment products and household electrical appliances, importing, distributing and selling products in the field of photovoltaic energy in Israel and Europe, UPS (Uninterruptible Power Supply) systems and energy storage systems, as well as energy efficiency projects. The Group believes in its capacity to lead in a sustainable manner, taking into consideration the needs of society and the environment in the various sectors of activity in which it operates, while at the same time listening to and maintaining an ongoing dialogue with its stakeholders. Conferring with our stakeholders helps us understand their goals and aspirations and enables us to develop new capabilities and technologies accordingly.

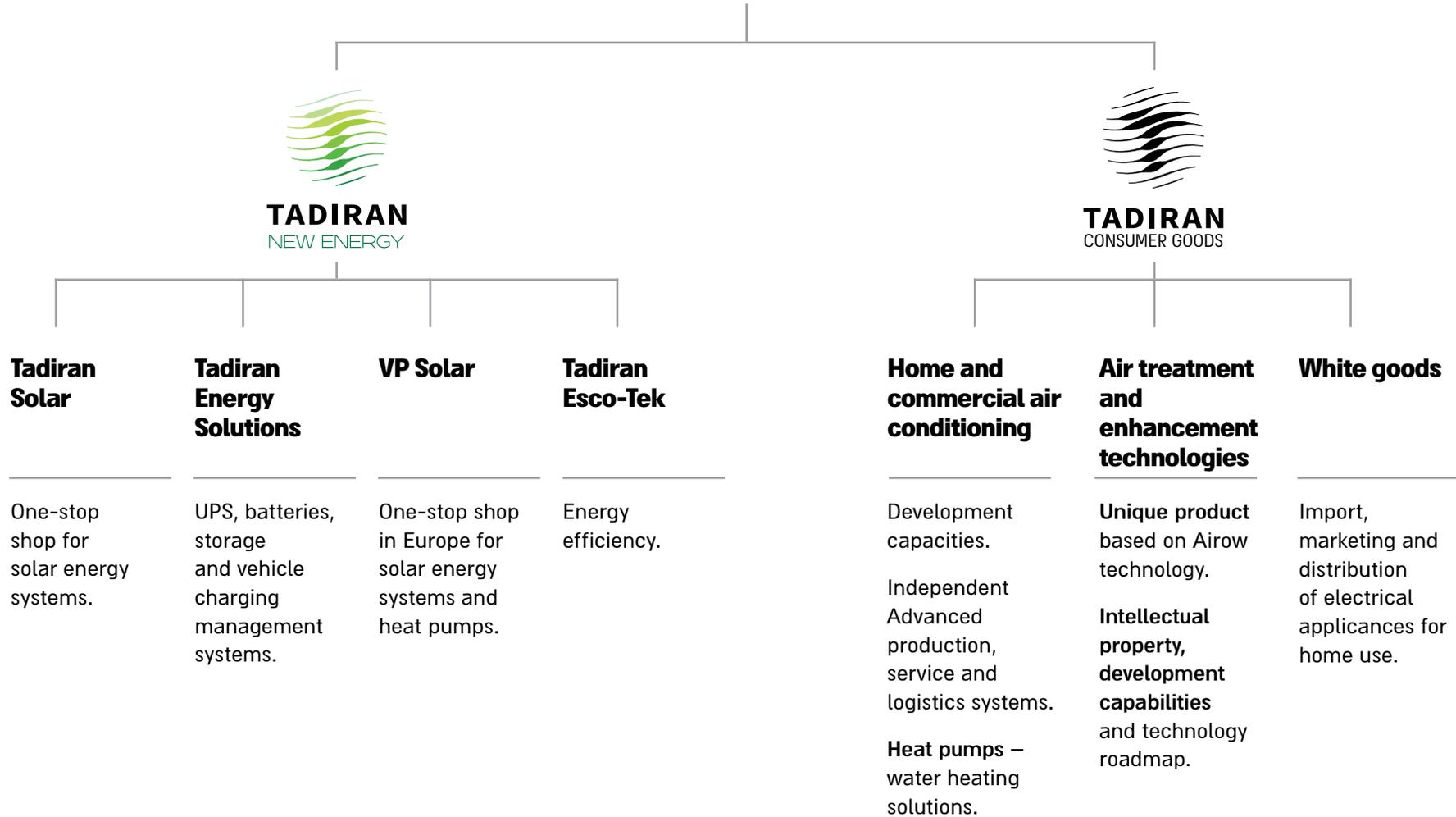
Tadiran Group's vision is **to enable a healthy, sustainable living environment through renewable energies, a comfortable atmosphere and healthy air**. While preserving its leadership position in the field of domestic and commercial air conditioning in Israel, Tadiran has also developed an innovative air purification technology for closed spaces. Furthermore, underscoring its broader vision of sustainability, Tadiran has entered the field of renewable energy in recent years. The Group's energy activities (renewable energy and the enhancement of energy efficiency) accounted for approximately 53.7% of the Group's scope of activity in the first nine months of 2022 and around 30% of the Group's total scope of activity in 2021.

Tadiran's Development Over the Years





Tadiran Group





The Group's activity is divided into two main spheres, reported as two business sectors in the Group's financial statements - the consumer goods sector and the energy sector:

The consumer goods sector incorporates the Group's activities pertaining to import, marketing, distribution, and sale of air conditioners, air conditioning and air treatment systems for the home, commercial and industrial markets, mainly under the brands "Tadiran," "Amcor," "Toshiba" and "Spectra," as well as industrial production, development and provision of warranty and maintenance services for these products. Moreover, this sector includes importing, marketing, and distributing electrical appliances for home use, mainly under the "Amcor" and "Crystal" brands, and providing warranty and maintenance services for these products. This sector also incorporates the Group's activities in air treatment, including Tadiran's development of air purification technology for closed spaces based on hydrogen peroxide molecules that combat certain airborne bacteria and viruses.

The energy sector includes the Group's import, distribution and trade of energy products:

- Photovoltaic energy in Israel - through Tadiran Solar.
- Photovoltaic energy in Europe - through VP Solar.
- Uninterruptible Power Supply (UPS) and energy storage systems - through Tadiran Energy Solutions (formerly: "Aviem Systems Inc.") and Tensor.
- Management of electric vehicle charging (eVM) in Israel - Aviem Electric Vehicle Charging Management Ltd.
- Energy efficiency - through Esco-Tek.

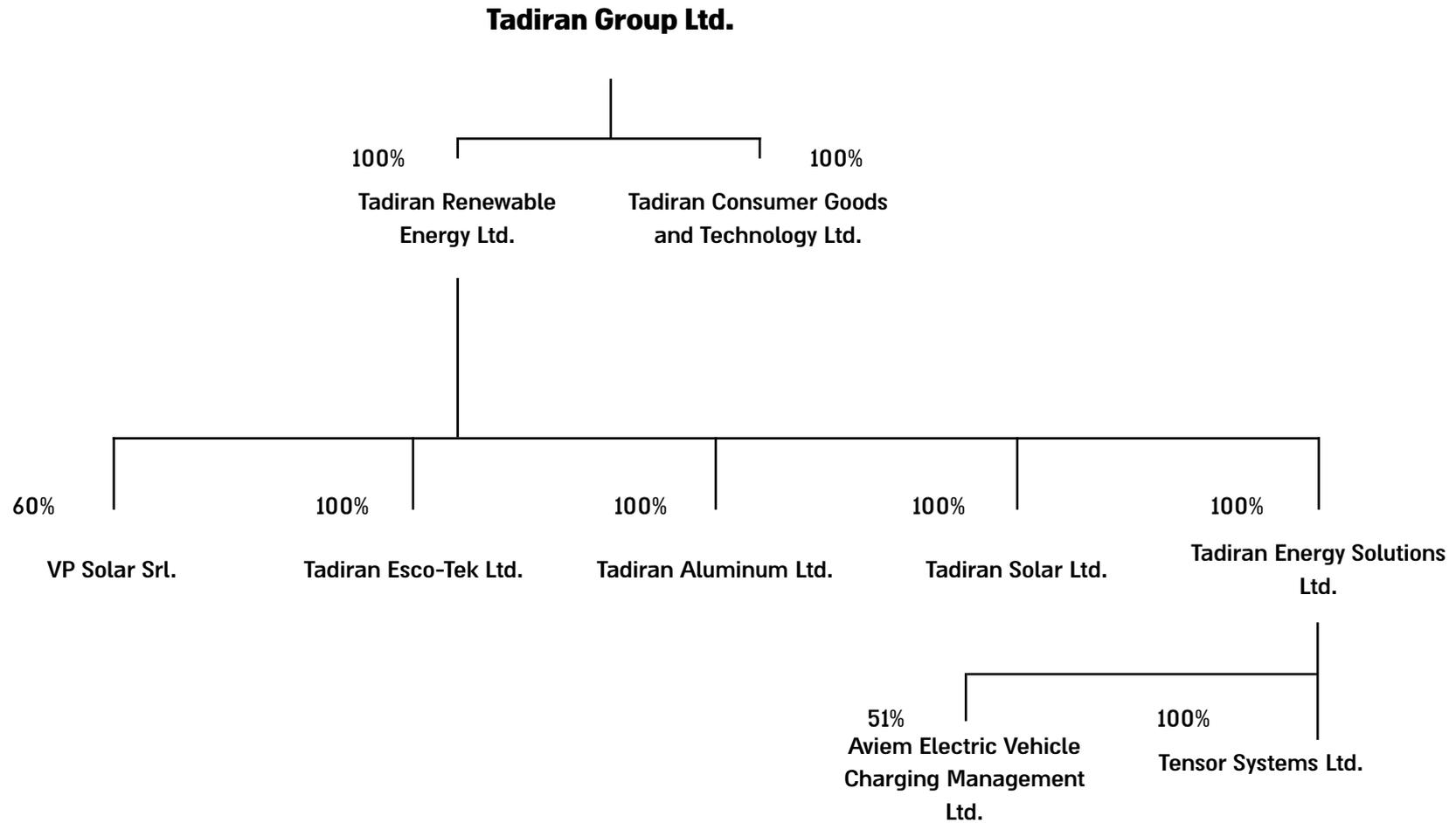
In the third quarter of 2022, the energy sector became the Group's primary income source.

Additionally, the Tadiran Group has an "other" sector, which includes the Group's activity in real estate for investment and leasing of the floor space it owns in the Group's office building, located in Petach Tikva, to third parties (on an insignificant scale).





Structure of the Company





The Company's Organizational Structure

Ownership Structure and Its Subsidiaries

On April 12, 2021, following the approval of the Company's Board of Directors, the shareholders' meeting endorsed the change of the company's name to "Tadiran Group Ltd." In May 2021, the Registrar of Companies approved the above name change.

Below is information about the material private corporations through which the Group operates:

- **Tadiran Consumer and Technology Products Ltd. (heretofore and hereinafter: "Tadiran Consumer Products")** - a private company through which all the Group's activities pertaining to air conditioning systems (domestic, commercial and industrial), including air conditioner manufacturing, are conducted, alongside its activities in the field of electrical appliances for household use and its activity in the area of air purification.
 - **Tadiran Renewable Energy Ltd. (heretofore and hereinafter: "Tadiran Renewable Energy")** - a private company fully owned by Tadiran, through which the company operates in the energy sector, assisted by its holdings in the following companies: Tadiran Solar Ltd., Aviem Systems Inc., VP Solar, Tadiran Aluminum Ltd. and Esco-Tek.
 - **Tadiran Solar Ltd. (heretofore and hereinafter: "Tadiran Solar") (and by its previous name: "Eliran Solar Ltd.")** - in 2021, the Group acquired 75% of the shares of Tadiran Solar, and in 2022 the Group purchased the remaining 25% of Tadiran Solar shares. The Company engages in the design, processing, import, distribution and trade of products used to assemble photovoltaic systems. The Company provides
- its customers with a complete solution for solar energy systems equipment, including solar panels and optimization and construction systems for solar panels.
- **Tadiran Energy Solutions Ltd. (formerly: Aviem Systems Inc.) (heretofore and hereinafter: "Tadiran Energy Solutions")** - a private company that engages (in part via companies under its control) in energy storage systems, electric vehicle charging management and uninterruptible power supply systems (UPS).
 - **VP Solar Srl (heretofore and hereinafter: "VP Solar")** - in 2022, the Group's activities in the field of energy expanded to Europe with the purchase of the VP Solar company, 60% of whose share capital is held by the Group. A private company incorporated and registered in Italy, which engages in photovoltaic energy in Europe, markets and distributes peripheral solar solutions to household and institutional markets - solar panels, energy conversion systems, energy storage systems, heat pumps, electric vehicle charging products, etc.
 - **Tadiran Esco-Tek Ltd. (heretofore and hereinafter: Esco-Tek)** - a private company that operates in the field of energy efficiency in hospitals.



The Group's Activity Sites

The Group's headquarters are located in the Segula Industrial Zone in Petach Tikva, in a building it has owned since May 2018.

Most of the electrical appliances and air conditioners marketed by Tadiran Consumer Products are imported by the Company as finished products. The Tadiran factory in Afula produces central mini air conditioning systems for domestic and commercial use. The Afula factory includes production, development and laboratory departments. It features a flexible production capacity which changes periodically depending on demand. The main components and raw materials used in the production of Tadiran's air conditioning systems are purchased in China, Thailand, India and Israel.

Service centers for Tadiran Consumer Products operate in Holon, Afula and Be'er Sheva. Additionally, there is a storage and assembly site for Tadiran Solar in Kiryat Gat, and the headquarters of the Group's renewable energy activity is located in the industrial zone in Caesarea. Furthermore, the Group is currently constructing an aluminum profile production facility to serve as infrastructure for its solar panels (collectors).

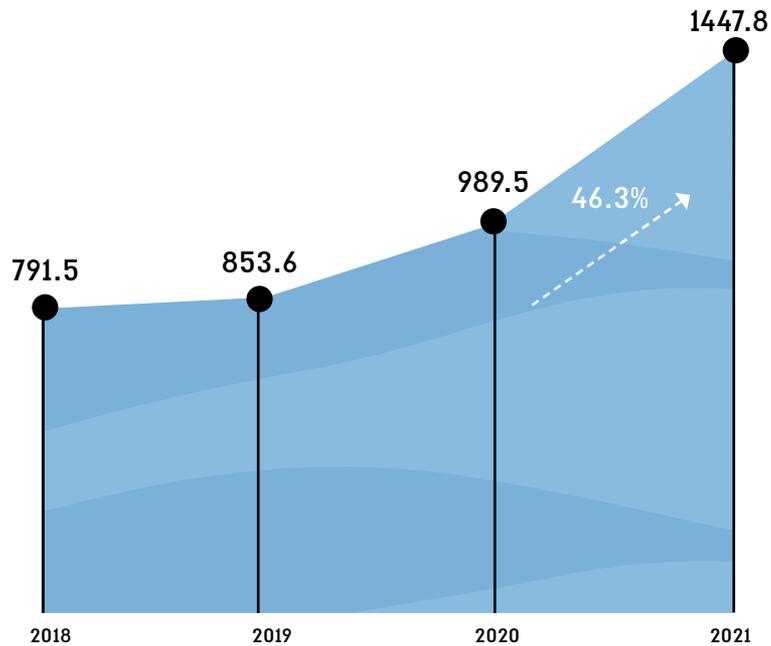




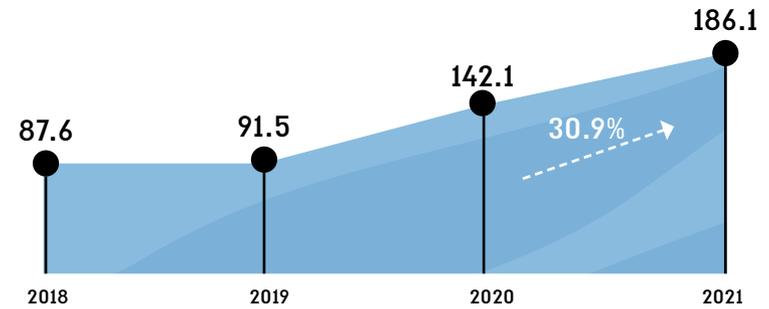
Economic Impact

Given Tadiran Consumer Products' leading business position and its renewable energy activities in Israel and the world, the Group almost doubled its sales within five years (from approximately NIS 791.5 million in 2018 to around NIS 1,447.8 million in 2021). The Group has also generated more than a 100% increase in its net profit, resulting from its investments in renewable energy.

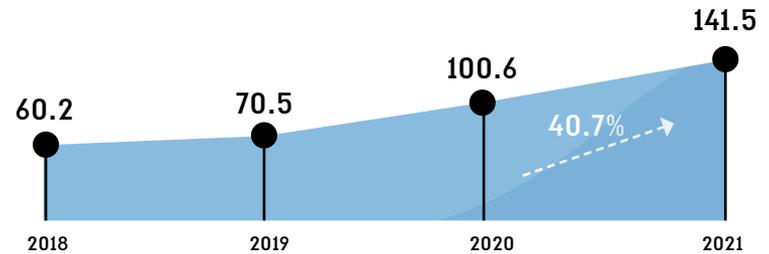
Sales turnover (in millions NIS)



Profitability (in millions NIS)
Operating Profit



Net Profit



The Group believes in investing in sustainable energy to increase its economic impact and help move the Israeli economy toward net zero carbon emissions.



Financial Data

| Economic Performance (in thousands of NIS) | 2020 | 2021 |
|---|----------------|------------------|
| Total Revenues, net | 989,538 | 1,447,791 |
| Gross Profit | 281,783 | 354,646 |
| Profit Before Tax | 131,051 | 182,850 |
| Income Tax Expense | 30,477 | 41,380 |
| Net Profit | 100,574 | 141,470 |

It should be noted that the increase in the Group's revenues in 2021 was mainly due to the first-time consolidation of Tadiran Solar financial results under the energy sector and the purchase of "Aviem Systems" in October 2021. Moreover, the data does not include the activity of VP Solar.

For more information about the 2021 financial performance, as detailed in the company's financial statements >>> **click here.**



The ESG concept

As part of the Group's goal to help create a better quality of life while also protecting the environment, we focus on integrating ESG concepts both internally and externally. Our business conduct is guided by our responsibility toward our stakeholders and the environment and the significant effects of our economic activity on society and the environment. Therefore, we are constantly striving to improve and streamline our production processes and existing products while developing new, advanced services.

The Group's emphasis on sustainability and its implications for the Group's activities, and for the world at large, prompted us to appoint a dedicated team whose main goal is to promote ESG issues and its ongoing management.

Awards, Honors and Ratings



Service & Customer Experience Award



Revolutionary digital marketing award



Israel Brand Award 2022



2022 Efi Award for a groundbreaking marketing move inr 2022 with actor Morgan Freeman



The 2022 Israel Superbrands Award



High ranking in the list of the 150 best employers in Israel by Globes

An aerial photograph of a vast solar farm. The image shows a dense grid of blue photovoltaic solar panels stretching towards the horizon. In the middle ground, two workers are visible from behind, looking out over the field. One worker is wearing a yellow hard hat and a red shirt, while the other is wearing a blue hard hat and a red shirt with a yellow safety harness. The perspective is from a high angle, looking down and across the rows of panels.

In 2022, Tadiran was included in the ESG 100 Entropy IL index, which consists of the 100 companies in the Tel Aviv 125 index with the highest ESG ratings according to Entropy Research.



Stakeholder Engagement

We believe in balanced and fair business conduct based on transparency and open communication with the Company's stakeholders. We view dialogue with our stakeholders as an essential tool for improving efficiency and understanding our industry's current trends and needs.

| Engagement Method | Stakeholder |
|--|---|
| <p>Our customers contact us through various means of communication - via email, WhatsApp and telephone. We take our customers' inquiries seriously.</p> <p>We also hold professional training and briefing sessions for our business customers to maintain high levels of professionalism and knowledge.</p> | Customers |
| <p>We advocate continuous dialogue with all of our suppliers, emphasizing listening, fairness and transparency.</p> | Suppliers |
| <p>We maintain ongoing communication with the various authorities. We undergo inspections as required including the Ministry of Environmental Protection and the Home Front Command (IDF).</p> | Government Authorities |
| <p>We foster community engagement, volunteering and solidarity of the Company's employees and management with Israeli society. In this context, we promote activities and projects in a variety of areas, such as assisting underprivileged populations and supporting Israeli sports.</p> | Community and Social Organizations |
| <p>We endorse cooperation with business entities that offer innovative technological solutions in the field of renewable energies, providing value to both parties.</p> | Subsidiaries |
| <p>We believe in leading by example - from top-tier management down to our entry employees. We promote an open-door culture and dialogue as peers. To this end, each of the Group's offices and factories has its own HR representative.</p> | Employees |



Material Topics

In accordance with the GRI guidelines, we carried out a process of identifying the material topics for reporting.

- **Collecting the material topics through internal organizational processes** - Meetings with relevant entities in the Group, studying and analyzing the collected materials, a preliminary overview of the Group's activity and a dialogue with the Group's top management.
- **Collecting the material topics from external databases** - Reviewing a GRI organizational report pertaining to the identification of material topics for stakeholders, divided by sectors. Benchmark and analysis of ESG reports published by international and local companies in similar sectors.
- **Mapping of material topics** - discussing and formulating a table of material topics, concentrating on the essential issues for Tadiran Group, including environmental, social and economic aspects, both internally and externally.

List of Material Topics



Environment

- Product Innovation
- Energy Efficiency
- Environmental Impact of the Products
- Climate Risk Management
- Greenhouse Gases (GhG) Emissions and Management



Social

- Employee Training and Development
- Loyalty and Organizational Entrepreneurship
- Occupational Health and Safety
- Customer Health, Safety and Satisfaction



Corporate Governance

- Ethical Business Conduct
- Data Security and Privacy Protection
- Responsible Supply Chain Management
- Adaptation to Changes and Adjustment of Business Models



Connecting the Material Topics to SDG goals

As part of realizing the Tadiran Group's CRS vision, we are committed to promoting those goals relevant to our activity from the 17 UN Sustainable Development Goals, adopted in 2015, which reflect the central social, environmental and economic challenges facing humanity:



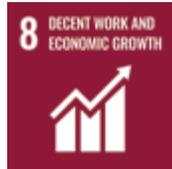
Goal 3 - Good Health and Wellbeing

As part of the effort to ensure good health and wellbeing, we promote our employees' health and occupational safety, while also concerning ourselves with the health of customers using the company's products.



Goal 7 – Affordable and Clean Energy

The company strives to increase the global ratio of renewable energy by investing in firms dealing with solar energy and by creating collaborations to promote advanced technologies in the clean energy field.



Goal 8 – Decent Work and Economic Growth

We create a welcoming, respectful work atmosphere which stimulates loyalty and internal organizational initiatives through employee training and development, with the belief that these can promote creativity and innovation in the company's activities and help us adapt to changes and adjust our business models to allow for economic growth.



Goal 9 - Industry, Innovation and Infrastructure

The company promotes innovation in the products and services it provides to its customers. Through these processes we will be able to promote clean, environmentally friendly technologies.



Goal 12 - Responsible Consumption and Production

By managing the company's greenhouse gas emissions, we promote a sustainable internal and external reporting culture and increase awareness of a sustainable lifestyle. In addition, by reducing resource use and managing resources correctly, we promote responsible consumption and production.



Goal 13 - Climate Action

The company's policy, strategy, and risk management of investments all reflect the concept of climate action. Additionally, we evaluate the environmental effects of our products and services in light of climate change and the concept of developing climate resilience. The company's products are designed in accordance with regulatory requirements, in terms of both product efficiency and limiting greenhouse gas emissions.



Goal 16 - Peace, Justice and Strong Institutions

As a commercial and public company, we are tasked with ethical business conduct that includes preventing all forms of corruption and bribery, developing transparency and reliability, and ensuring responsible decision-making. We adhere to high standards of corporate governance.



Goal 17 - Partnerships for the Goals

To reach our SDG targets, we must collaborate with our supply chain. A responsible, inclusive, aware and sustainable supply chain helps us increase our impact on the issues that matter to us.

Climate and the Environment

Renewable Energy /
Sustainability in consumer
products /
Resource management /
Emissions /
Waste consumption /
Water management /

We recognize our responsibility to protect human health and the natural environment and we reflect this in the decisions we make.



Corporate Vision

"Enable a better living environment through renewable energy, a comfortable atmosphere and healthy air."



Renewable Energy

Tadiran Group has joined the global and local mission to promote the use of clean energy. As such, we strive to provide **a complete solution (one-stop-shop)** in the field of renewable energy. Israel is a country rich in sunshine, and we see this as an asset for the creation of alternative energy sources. We support establishing the use of renewable energy in both the private and commercial markets.

In recent years, the company has increasingly delved into renewable energy while expanding and acquiring companies dealing in various segments of this field: Tadiran Energy Solutions, Tensor, Tadiran Solar and VP Solar. Acquiring these companies and expanding our activity in the renewable energy field reflect our vision - to create a better living environment through renewable energy.

In 2021, Tadiran's activity in the renewable energy sector accounted for **approximately 30%** of all company activity, and in the third quarter of 2022, this percentage increased to over **50%**.



The Renewable Energy Division

Significant strategic purchases in the field of green energy:



Products and services in the field of renewable energy

Products for solar energy systems marketed by Tadiran Solar and by VP Solar:



Mounting systems



Solar panels



Inverters

A system for electric vehicle charging management: an efficient system that enables electric vehicle charging management in shared buildings, reduces the expected maximum electricity consumption to as much as one-tenth, and ensures full overnight charging of the vehicles in the parking lot while making efficient and smart use of the existing electrical connection.

The modular, flexible system prevents overloads and the collapse of electrical infrastructures, and handles monitoring and billing of the electricity consumption for each vehicle.

Energy storage: Aviem Systems coordinates the group's activities in the field of energy storage. Energy storage systems are designed to convert energy and store it for future use. They are essential for continuous operation of electrical systems and they guarantee continuity of the energy supply.

Energy storage systems operate on a large scale (utility scale) - systems that use high-power converters to charge and discharge batteries to and from the grid. Main applications for these systems include:

- Saving electricity expenses by storing energy at a low rate and distributing it when the rate is high, or reducing consumption peaks and preventing fines.
- Stabilizing network voltage on the national level by absorbing or releasing energy according to the frequency of the power grid.



Risk management - the impact of climate change

Promoting the use of renewable energy is part of a global effort to reduce greenhouse gas emissions. These emissions play a significant role in increasing the average temperature on Earth and induce climate change. The countries of the world are therefore striving to achieve net zero emissions by the year 2050. Steps and agreements to promote this goal were signed at the Paris Conference in 2015 and the Glasgow Conference in 2021, among other forums.

The Group assumes that global awareness of the dangers posed by climate change, along with existing and future efforts to stop global warming by reducing greenhouse gas emissions, will accelerate the transition of the Israeli and global energy economy to the use of renewable energy. This assessment, based on recognizing the risks of continued use of fossil fuels alongside the integral opportunities in renewable energy, has motivated the Company to delve into renewable energy and to expand and deepen its activities in this field.

Tadiran is preparing for the transition to R32 coolant

Coolant gases for air conditioners are greenhouse gases that have a harmful effect on the

environment. To illustrate the issue, R410 has an emission factor of GWP 2088, while R32 gas, in contrast, has an emission factor of only GWP 675. In light of such data, and in accordance with relevant changes in Israeli regulations, the Company is promoting the establishment of a production line for the new coolant gas - R32. The Company's initiatives include:

1. In development: Transition to equipment suitable for R32 coolant; development of appropriate electronic control assemblies; purchase of air conditioner components that are compatible with the new coolant; and the testing of these components for R&D of air conditioners adapted for use with R32 coolant.
2. In the factory: Construction of a line to convey the coolant from the storage tanks (outside the factory) to the production lines; design and construction of a system for detecting coolant leaks in the factory, including an evaporation system; purchase of a filling machine for the coolant; upgrade of the soldering system using the "ultrasonic" method; and risk surveys and close monitoring of the Safety Manager.
3. In service: Purchase of work equipment adapted to R32 coolant, conducting internal trainings.



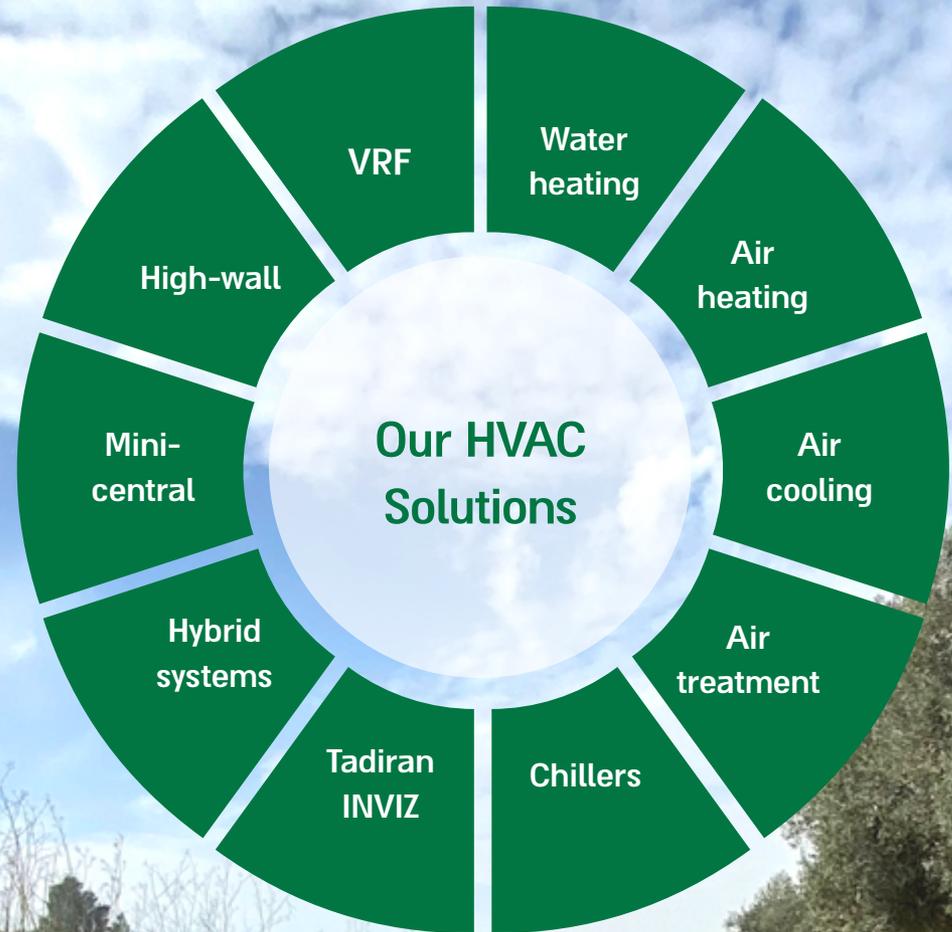
Sustainability in consumer products

For over 60 years we have been providing quality products and solutions for air conditioning and household consumer products. Throughout all these years we have been striving for technological innovation and strengthening of local production while enabling millions of Israelis to enjoy quality air conditioning all year round.

We have made it our goal to create an ongoing positive impact on health and quality of life through air treatment and upgraded living spaces. Simultaneously, we strive to listen to customer needs, consider the various environmental factors, and work towards innovative, advanced and environmentally friendly solutions.

A Variety of green solutions

The Group offers a wide range of air conditioning products for both the private and commercial markets. Via the company's website, you can determine the air conditioner that suits the space and the character of the building. An air conditioning solution must be properly adapted to the customer's needs, in part to enable it to function efficiently and with minimum energy use.





Our HVAC Solutions:

Mini-split overhead air conditioner - the most popular air conditioner in Israel and common in almost every home. We provide our mini-split overhead air conditioners in a wide variety of cooling outputs and energy ratings, integrating advanced technologies such as inverters and air purification.

Mini central air conditioner - a mini central air conditioner has an internal unit that routes the air to all the rooms. A climate control system can be installed in every room, offering control of the temperature in all spaces in the home or office. This technology helps reduce climate differentials between the spaces and enables optimal control of the air conditioner's cooling outputs.

In addition, by listening and being alert to customers' needs, we noticed customers' sensitivity to the noise produced by a mini central air conditioner. In response, we developed the VAF technology in the SENSE series, which provides a quiet solution and offers significant energy savings by making it possible to adjust the optimal temperature for each room via a unique control system.

Tadiran Inviz - is a ground-breaking air conditioner that is changing the face of the air conditioning world. It preserves the appearance of a building and makes efficient use of the real estate layout. Tadiran

Inviz is a condenser with a unique structure, a product of Tadiran engineers' innovative development, that provides significant advantages in air conditioning such as: an aesthetic, hidden solution; economical use of the real estate layout; quality and efficiency; and a significant reduction in noise intensity.

Inverter VRF - the VRF systems that include particularly efficient twin-cylinder DC inverter compressors. They are economical and have low power consumption, enabling savings in annual electricity expenses compared to other air conditioners. Each unit is built from inverter-technology compressors that enable equitable distribution of energy and resource management, making them highly effective.

For the 2021 air conditioning product catalog, click [here](#)

- **The HYBRID system** - in addition to providing air conditioning in a home, the HYBRID system heats water for home consumption using the residual heat discharged by the air conditioner. The system utilizes the heat emitted from the air conditioner, channeling it through two pipes to a heat exchanger which heats the water in the storage tank. This system achieves a double benefit: it prevents emission of heat into the

environment while at the same time making use of the energy created as a byproduct of the air conditioner's operation, thus reducing the consumption of other types of energy (such as electricity).

- **Heat Pump technology** - the WATEC system is a solution for heating the water in the home water boiler. A well-known phenomenon in metropolitan construction is that hot water does not always reach the lower floors. The Group offers this advanced green solution that contributes to the environment and responds to the regulation requiring contractors to switch to economical water heating systems.

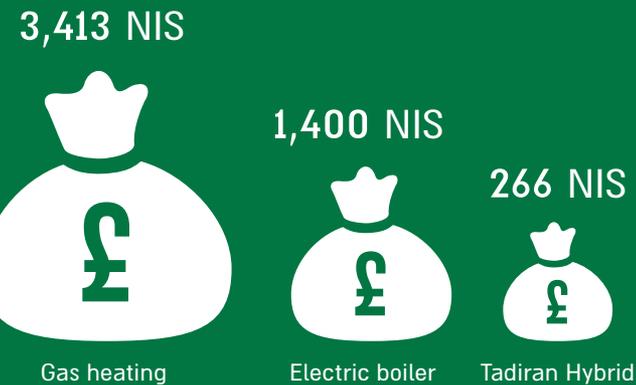
Coolers - Coolers have a closed-system technology that cools water to a low temperature. The chilled water is circulated through a system of pipes and pumps to all parts of the building, thus reaching every space that requires air conditioning. The cooler system has a long product life (around 15-20 years) and offers high reliability and economical energy consumption.

Energy efficiency - Tadiran ESCO-TEK provides hospitals in Israel with solutions in energy efficiency, energy management and reduction of energy consumption.



Environmental solutions for water heating - We have drawn on the knowledge acquired during decades of activity in the world of air conditioning and applied it to water heating systems. HYBRID and WATEC systems lead to significant savings of up to NIS 1000 in annual electricity expenses relative to water heating systems based on gas or an electric boiler.

Annual consumption cost for a family of five*



**According to tests and calculations by the company's engineers. The actual savings depend on the nature of use and may vary substantially with different uses.



Air Purification Division



TADIRAN AIROW technology is an innovative patented technology which uses high voltage to convert the moisture in the air into hydrogen peroxide molecules. These molecules effectively and safely reduce up to 99% of air-borne pollutants such as: viruses, molds, bacteria and VOC*.

TADIRAN AIROW has been found to be 99.99% effective in reducing viruses such as the coronavirus. In experiments in FDA-certified laboratories, the solution was also found to be up to 99.9% effective in neutralizing air-borne bacteria and molds* in a closed space.

Based on this technology, Tadiran has developed products that can be incorporated into a central mini air conditioner or an overhead air conditioner. This enables not only cooling and heating of the air in the space, but also purification, providing us with healthier air to breathe. Tadiran's air purification solutions are designated for both the Israeli and the global market.

? How does it work?

Via the **AIROW** component embedded in the air conditioner, **TADIRAN AIROW** technology breaks down **O₂** into two separate atoms of **O** (oxygen) using an electric current. The free oxygen atoms combine with naturally occurring **H₂O** (water) molecules in the air, turning them into **H₂O₂** (hydrogen peroxide). The hydrogen peroxide is dispersed in the conditioned air space and purifies the air.



Revolutionizing indoor air quality



Patented Technology

International patents: Automatic self-cleaning mechanism and usage method



Maintenance-free

No maintenance or additional cost



Action Indicator

Built-in monitoring cycle to indicate operation with low-energy consumption



Ozone Free

Verified to meet the ozone requirements of standard UL 867 and approved by CARB



Action Indicator

Continues its air purification action even after the air conditioner is turned off



Plug & Play

Easy to install in ducted air conditioning systems



Experiments in certified laboratories to evaluate the product's effectiveness:

| Bioaerosol Type | Species/Protocol | Testing Lab | Results | Labs & Marks |
|-----------------|--|--|----------------|--|
| COVID Virus | SARS-COV-2 | Innovative Bioanalysis Labs, USA | Up to 99.93% | Chamber size: 18 m3, after 60 min  BSL3 |
| Virus | RNA Virus MS2 Bacteriophage | Aerosol Research and Engineering Laboratories | Up to 99.994% | Chamber size: 1 m3, after 60 min   |
| Bacteria | Staphylococcus Epidermis vegetative (+) | Aerosol Research and Engineering Laboratories, USA | Up to 99.994% | |
| Mold | Blue Mold (Penicillium Citrinum) Aerosolized | Kitazao Laboratory, JAPAN | Up to 99.4% | Chamber size: 25 m3, after only 3 hours  |
| Ozone Emission | IEC 60335-2-65 UL2889 | TUV, EU | <5 ppb- Tested |  |

* Laboratory tests found that the TADIRAN AIROW 3™ technology eliminated up to 99.93% of known airborne pathogens, including the SARS-Cov-2 coronavirus and other viruses and bacteria, in a 1 cu. m. space, under the test conditions. TADIRAN AIROW 3™ has been proven to be effective in reducing the presence of the MS2 virus (a surrogate that simulates the coronavirus) as an aerosol and also the airborne staphylococcus epidermidis bacterium by about 99.93% within 60 minutes (in an experiment inside an 18 m3 chamber). The apparatus is not a medical device. Tadiran does not claim that TADIRAN AIROW 3™ guarantees that someone using the device will not be exposed to biological pathogens. Customers must continue to adhere to guidelines of public health organizations and qualified medical officials regarding measures to prevent infection.



Additional environmental projects

The company promotes dedicated solutions to reduce waste and minimize the use of resources such as:

Save the forests - a circular design for condenser legs

The company is promoting the development of plastic stand legs to reduce waste from wooden pallets that are used to transport two-story compactors to the customer's home and are

then discarded. These legs will be assembled in the process of assembling the condenser and will actually serve as a permanent stand, conforming to regulatory requirements, for condensers in the customer's home. This stand will be used as a surface for transporting the condenser to the customer's home and as a dedicated component when assembling the condenser. This will also remove the need for rubber feet or an iron stand.

This solution is expected to save up to **15,000** wooden pallets per year.



Styrofoam savings

Air conditioner condensers currently come packaged and protected by 4 pieces of Styrofoam (two on the condenser lid and two on the bottom of the case). Styrofoam is a material that causes environmental damage, both in its production process and when it is disposed of. Therefore, together with a local cardboard manufacture, we are promoting an environmental solution for changing the protective material from Styrofoam to cardboard.

Replacing electronic command boxes

Electronic controls for air conditioners are packaged with each unit in a separate package with polystyrene foam insulation. This packaging generates a large amount of waste, for which a solution is difficult to find, and also creates unnecessary work during unpacking. Together with the control manufacturer Ruking, we have designed a recyclable cardboard package that holds a large number of controls. The new packaging configuration will provide a comprehensive environmental solution to the problems with the existing packaging.

This solution will result in savings of up to

8,000 units of polystyrene foam per year.

Energy efficiency project in government hospitals.

This project includes the implementation of energy efficiency solutions in the hospitals in the areas of air conditioning, lighting, and sanitary water heating, according to each hospital's needs.



Building Partnerships

We believe that listening, along with sharing data and knowledge, can help achieve the common goal of protecting the environment. We advocate transparency and cooperation on environmental issues in order to promote sustainable processes and appropriate environmental regulation. Entities we work with include:

Israel Central Bureau of Statistics - in 2020 we were selected to participate in the "Environmental Quality in Industry" survey of the Central Bureau of Statistics. The survey results are used to conduct statistical research in the field of environmental quality and to aid decision makers in determining policies and actions to protect the environment, as well as seeing how Israel stands relative to other countries in the OECD organization.

The Ministry of Environmental Protection - The Ministry of Environmental Protection occasionally carries out environmental audits to evaluate the organization's work processes, regulatory compliance, and validity of permits for conducting

its activities. We cooperate fully with these audit procedures. In addition, we report every year to the Ministry of Environmental Protection on packaging waste and electronic waste.

Israel Electronics Recycling Corporation (MAI) - We comply with regulations on electronic waste, particularly the Law for Environmental Treatment of Electrical and Electronic Equipment and Batteries, 2012. Every year we report quantitative data on the electronic waste that we deliver to MAI.

Infinia Recycling (former Amanir) - Infinia is part of Hadera Paper Group and deals with collecting and recycling paper, cardboard and other materials. We transfer waste paper and cardboard from our sites in Afula to recycling processes run by Infinia.

TMIR - Manufacturers Recycling Corporation in Israel - in accordance with the Packaging Law, we work with the TMIR Recycling Corporation to recycle the packaging waste from our various products.

The Green Building Council - We are members of the Israeli Green Building Council, a leader in promoting environmentally friendly, high-quality,

healthy and accessibly-built space for everyone in Israel. The Council works jointly with the professional bodies and decision makers entrusted with planning and construction in Israel to create spaces that are accountable to humanity, society and the environment.

The Manufacturers Association - We are members of the Manufacturers Association of Israel. The Association forms a bridge to worldwide economic systems and works in partnership with entities in the economy regarding decisions at the political and economic level.

Federation of Chambers of Commerce - We are members of the Federation of the Israeli Chambers of Commerce. This organization works to promote the business sector in Israel and represents large, medium and small enterprises that pay membership fees.



Responsible Supply Chain

The Group carefully considers the suppliers with whom it chooses to work, including the social and environmental aspects of these suppliers' activities. We work with leading global suppliers in the electronic and energy product sector. A large portion of Tadiran's energy products are imported from the JinkoSolar company, which operates with a high degree of environmental responsibility and supplies energy efficient products. JinkoSolar focuses on sustainable development and the production of products with the standard ISO14001. In 2020 it won the pv magazine modules award for innovation in technology.



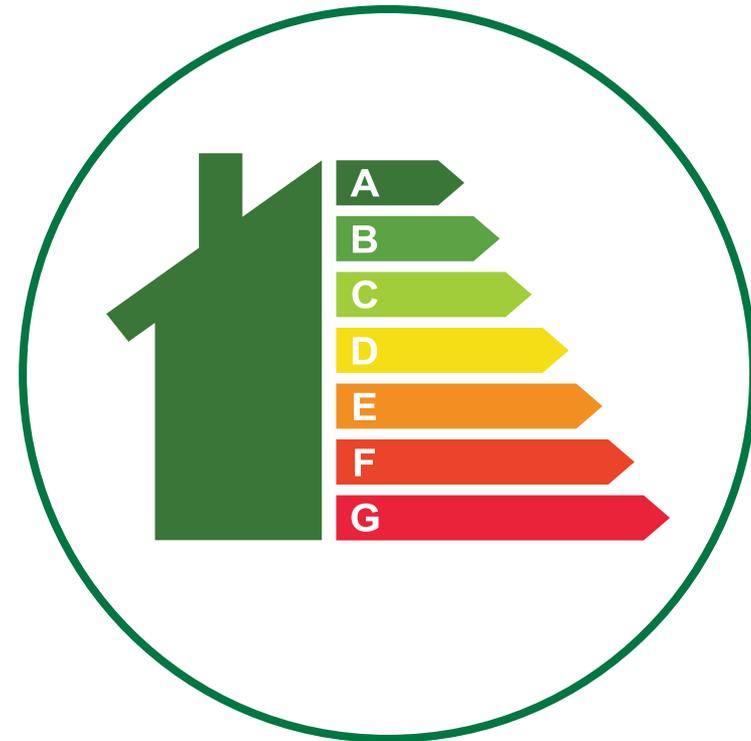
Green standards

As part of our commitment to a safer living environment, clean air quality and product quality, we choose products with a higher level of energy efficiency, and that have an A+ rating.

EU Energy Label - We received the EU's Energy label given to electrical consumer products. The product rating is on a scale from A (green) to G (red), with A (green) devices consuming the least amount of energy - making them more economical compared to devices with a lower rating.

Compliance with environmental regulation

During the reporting period, there were no material violations in environmental matters, no legal or administrative proceedings were held against the company, and no fines or material claims were made against the company on environmental issues.



1 CSR Report JinkoSolar Holding Co., Ltd. 2020 <435352B1A8B8E62D323032312DD3A2CEC42E6169> (jinkosolar.eu)



Resource management

Energy

We strive for energy efficiency in our factories, services and products. This includes monitoring energy consumption, improving energy efficiency, and continuously promoting environmental innovation in our products, along with educating consumers about using them in an informed manner.

Electricity consumption

Electricity consumption figures for 2021 refer to the company's activity in Israel only

Electricity consumption in kW

2,433,673



Reduction in energy consumption

We promote steps towards energy efficiency and are constantly evaluating solutions:



At the company's offices in Petach Tikva, a central system was installed to control the air conditioning and lighting systems. Using this system, we initiate breaks throughout the day in order to save energy.



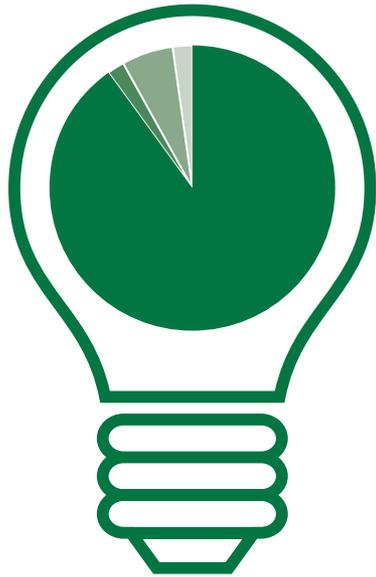
We are promoting cooperation with a start-up that offers a solution to introduce natural light into offices instead of artificial lighting. The system transfers sunlight into a closed space through a transparent dome mounted on the roof and draws the light rays into the building through a special reflective sleeve.



Transitioning to alternative energy - connecting an aluminum plant in Tziporet to natural gas.



Electricity consumption (kWh) by operating areas

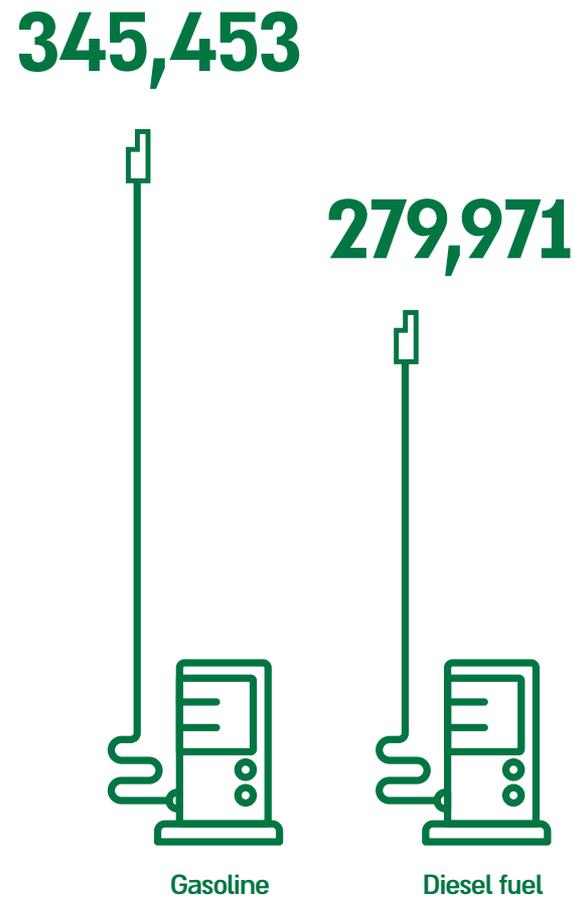


- 90% Afula
- 2% Petach Tikva
- 6% Holon
- 2% Tadiran Solar

Fuel consumption

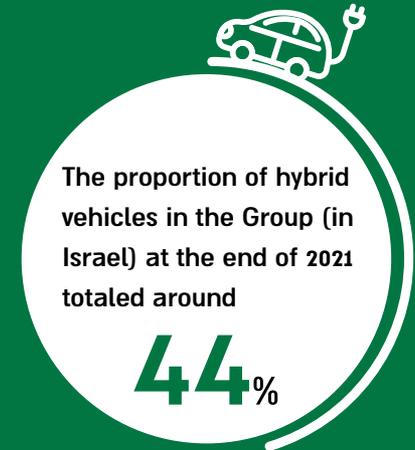
Fuel consumption figures for 2021 refer to the company's activity in Israel only.

Fuel consumption (litres)



Hybrid vehicles

We promote reduced fuel consumption through the Group's transition to the use of hybrid and electric vehicles.



Total energy consumption

| | 2021 |
|-------------------------------|--------|
| Fuel (GJ) | 11,814 |
| Electricity (GJ) | 8,761 |
| Total energy consumption (GJ) | 20,575 |
| Energy intensity (GJ/ worker) | 45 |



Emissions

Greenhouse Gases (GhG) Emissions

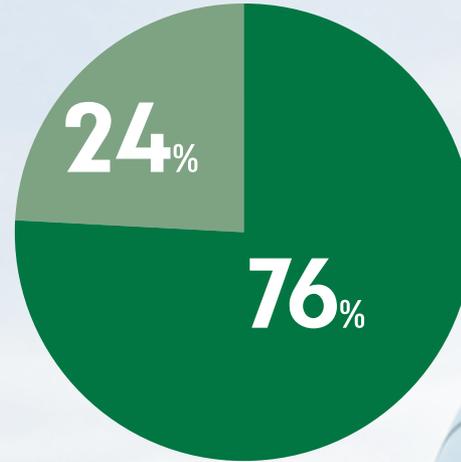
Greenhouse gas emissions result from the company's activities in the production lines and in the company's laboratories. We recognize the importance of reducing greenhouse gas emissions and accordingly promote initiatives to reduce our contribution to global warming, increase energy efficiency in offices and factories, invest in renewable energies, and reduce the release of greenhouse gases.

Scope 1 and 2 greenhouse gas emission data refer to the company's activities in Israel only.

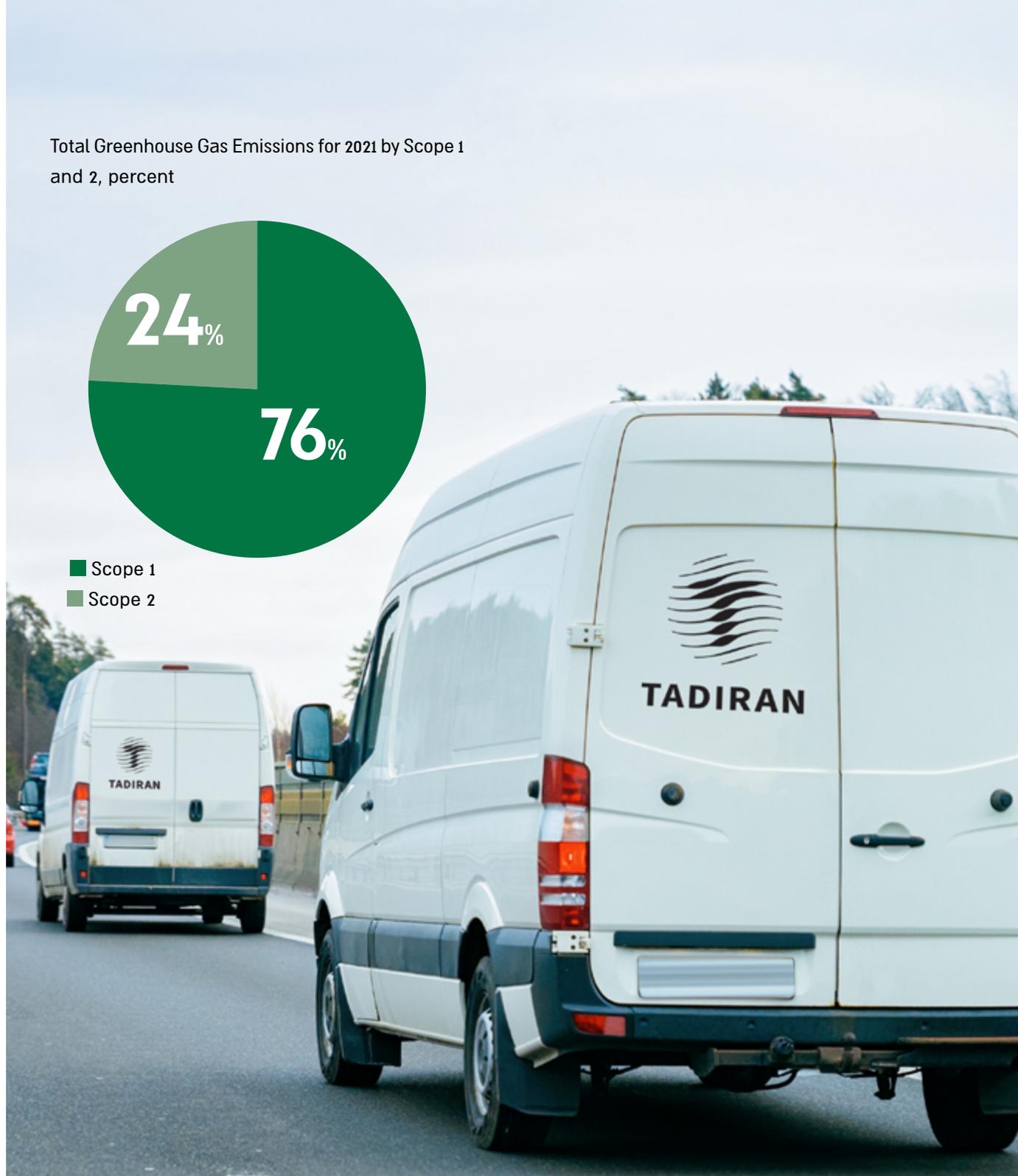
| Greenhouse gas emissions (tons tCO ₂ e) | 2021 |
|--|-------|
| Scope 1* | 3,476 |
| Scope 2 | 1,144 |

* Scope 1 represents a figure of production air conditioner gases used in the company's air conditioner factory.

Total Greenhouse Gas Emissions for 2021 by Scope 1 and 2, percent



- Scope 1
- Scope 2





Reducing Greenhouse Gases (GhG) Emissions

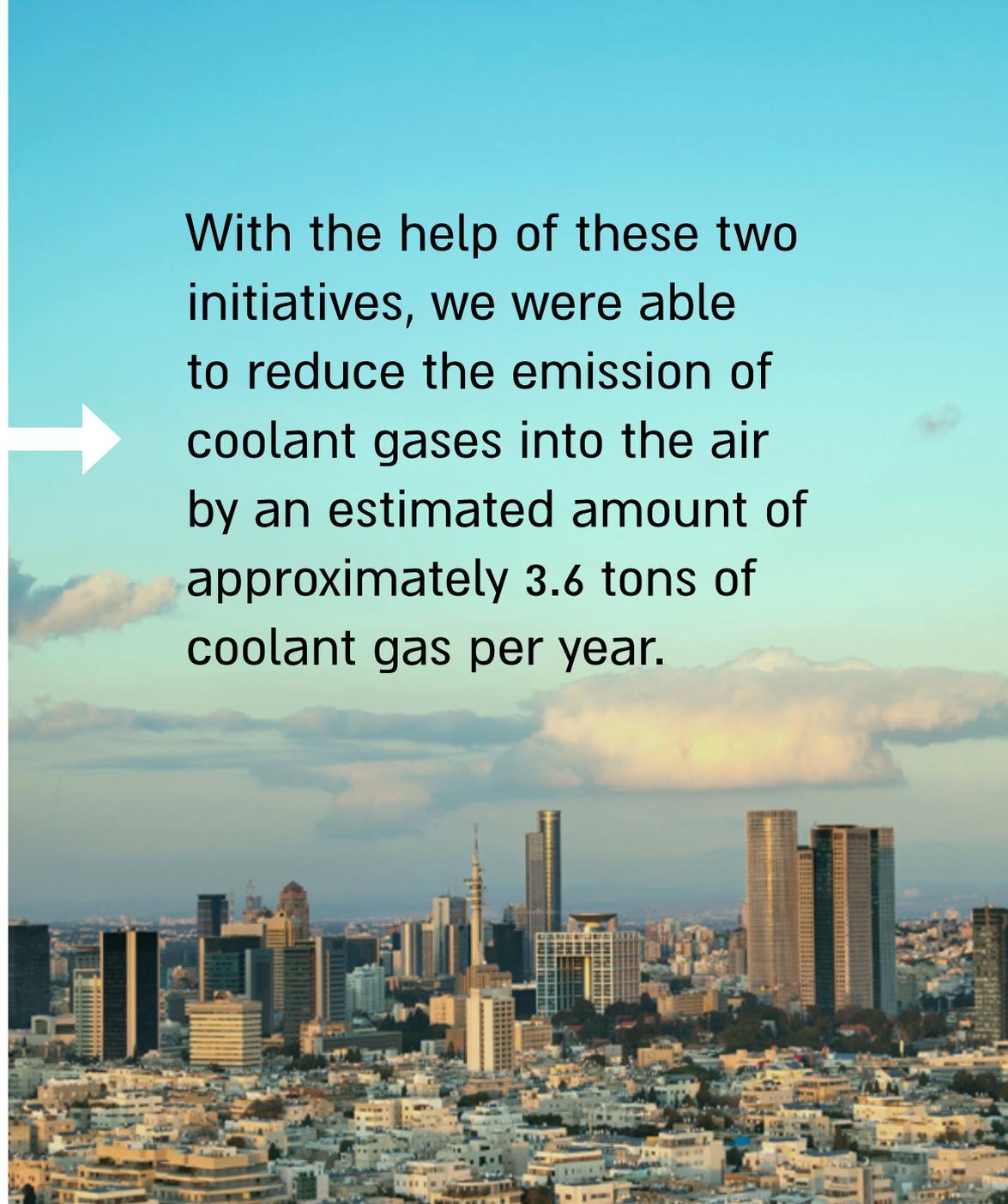
We advocate open dialogue and listening to our employees. Thanks to employee initiatives, we are promoting solutions for the recycling and reuse of air conditioner gases to avoid the release of these gases into the environment.

Gas circulation in development laboratories – The Director of Development at Tadiran Consumer Products initiated building a component that helps collect the gas released during the testing of the air conditioner system during the development process. This gas is collected in a reusable gas container in order to avoid releasing the cooling gas into the air. We reuse the collected gas.

Reducing the release of cooling gas in the laboratory – During the development process there is a need to frequently change the nozzle (an "expansion" accessory – a transport opening for coolant) until achieving the optimal nozzle for the test unit. In the process, it is necessary to empty the coolant gas from the unit, connect a new nozzle, and fill the unit with new coolant gas. At the initiative of an employee in the development department, we built a bypass faucet for changing the nozzle in order to prevent the emission of gas into the environment and thus reduce environmental pollution. Beyond the environmental benefit, the initiative resulted in estimated financial savings of approximately NIS 50,000 per year.



With the help of these two initiatives, we were able to reduce the emission of coolant gases into the air by an estimated amount of approximately 3.6 tons of coolant gas per year.







Water consumption

Fresh water consumption for 2021

refers to the company's activity in Israel only



3,270
cubic meter



Waste management

Total waste

Total waste for the years 2020 - 2021 refers to the company's activity in Israel only

| Waste | 2020 | 2021 | Disposal Destination |
|---------------------------------------|---------------|---------------|----------------------|
| Solids for landfilling (cubic meters) | 180 | 150 | Municipalities |
| Recycling* | | | |
| Paper and cardboard (ton) | 1,925 | 1,782 | TMIR |
| Wood (ton) | 4 | 4.28 | TMIR |
| PS plastic (ton) | 105 | 100.26 | TMIR |
| HDPE plastic (ton) | 11 | 7.43 | TMIR |
| Metals (ton) | 27 | 25 | External contractor |
| Electronic (ton) | 27,165 | 25,936 | May |

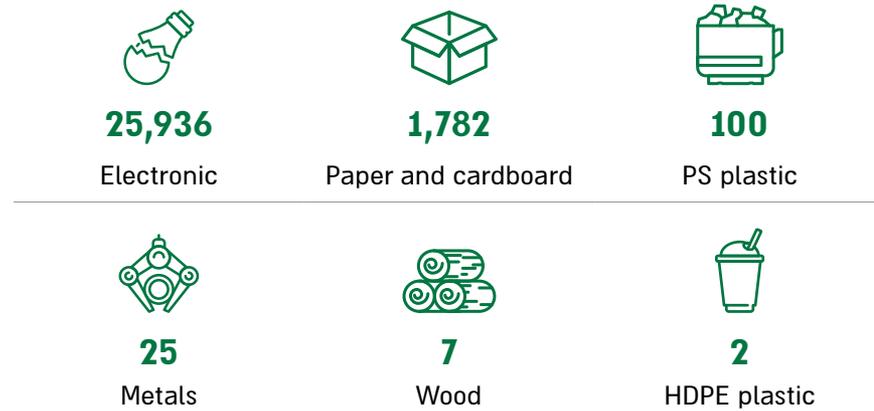
* Recyclable waste data refers to the activity of Tadiran consumer products.



Recycled Waste

In 2021, most of the waste collected in the company was recycled. Electronic waste accounted for approximately 93% of the total waste that was recycled in 2021. In addition, we dispose of ferrous and non-ferrous metal waste from the company's plant in Afula via an external contractor for the purpose of reuse and recycling.

Waste for Recycling in 2021 (tons)



Waste reduction

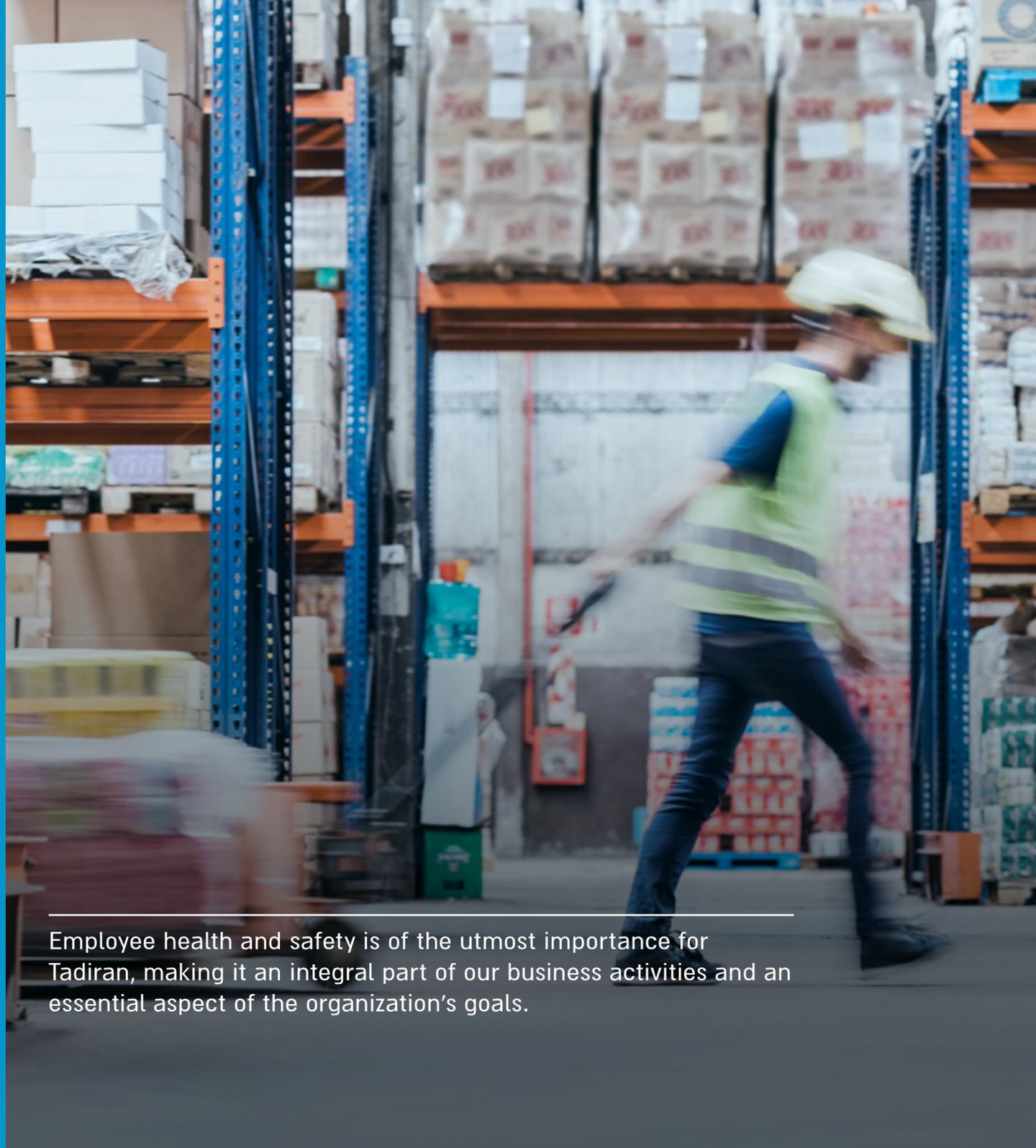
Reducing the use of disposable utensils and transitioning to the use of reusable utensils - in the Group's cafeterias we use reusable utensils.

Paperless project (paper reduction) - We are working to reduce paper use, promoting actions such as: using barcodes to reduce printing; implementing a "supplier portal" to produce green invoices and digital signatures; and evaluating a computerized customer credit process.

Operational Excellence

Company policy /
Safety and Efficiency in Operation /
Future Goals /
Innovation and Technological
Developments /

Employee health and safety is of the utmost importance for Tadiran, making it an integral part of our business activities and an essential aspect of the organization's goals.



Company policy

We promote a safe work environment and strive to prevent work accidents and damage to employees' health. To maintain safety, environmental quality and excellence in our work, we focus on prevention by systematically identifying risk factors and assessing and reducing risks. We take various actions to implement this policy in the organization, including:

- **Management involvement** - Senior managers are required to give safety talks, demonstrate by personal example and show involvement in the field.
- **Employee participation** on a factory safety committee which maintains regular contact with employees on issues such as: updating safety procedures, safety tours, informing employees of risks, and more.
- **Conducting regular safety inspections** at activity sites to evaluate various deficiencies and the degree of compliance with requirements and standards.
- **Risk assessment** - taking actions to reduce identified risks, such as: ensuring safe work equipment and personal protective equipment.



Safety and Efficiency in Operation

Each of the company's sites has a site manager, a safety officer, and a safety portfolio (safety management program).

All the production machines at the company's factory in Afula are protected by double protection systems, of several types:

- **Optical screen** - an optical beam connected to the machine's electrical system. When the beam detects the passage of some body through it, it stops the operation of the machine.
- **Limit switch** - a mechanical/electrical accessory connected to the electrical system and the machine's safety door. The moment the component detects an opening of the door, it disables the machine.
- **Physical protection** - for some machines, there is a permanent fence around the machine.
- **Emergency button** - a mechanical button connected to the electrical system. It stops the machine during an emergency when pressed manually by the employee.

Safety training

Every year, trainings and continuing education programs are conducted, and courses and refreshers on safety issues are held for employees and managers, according to their job positions. Every new employee at Tadiran undergoes safety training.

| Year | Number of people going through trainings | Number of training hours | Number of training hours on average per employee |
|-------|--|--------------------------|--|
| 2021* | 305 | 235 | 0.8 |

* Safety training data of Tadiran Consumer Goods.

Safety events

We advocate a culture of reporting safety incidents and "almost-hurt" incidents, which are an opportunity for learning and drawing conclusions. In 2021, there was a 9% decrease in the number of safety incidents.

| | Injury at work | Work accidents on the road | Total |
|------|----------------|----------------------------|-----------|
| 2021 | 7 | 3 | 10 |



Product safety and quality

Beyond complying with various regulations, standards and specifications, we set high standards for the quality, reliability and service of our products. We comply with the ISO 9001 standard for the development, production and service for air conditioning systems.

Marketing and labeling of products and services

Our activities are guided by an uncompromising demand for quality and professionalism. Accordingly, we operate according to all relevant requirements and standards.

Authorization and standards:



ISO 9001 - the standard for the development, production and provision of service for air conditioners.



Reviews, surveys, quality, safety and environmental audits

During 2021, 24 internal and external audits were carried out including: safety, environment, standard association stamps, ISO audits for quality standards, and more. The internal audits promoted remedial activity and will continue to be tested. All external audits were passed successfully.

To improve product quality, we regularly monitor customer service complaints for various products. A low percentage of customer inquiries in 2021 referred to air conditioner malfunctions.

Future Goals

We strive for improvement by setting goals that are reviewed every year. Below are the goals we set for 2022 in the area of safety:

- Compliance with the training program.
- Investigate 100% of work accidents.
- Report every accident and near accident.
- Hiring 100% employees with training and certification.



Innovation and Technological Developments

Technological innovation is an important value for the Group. We recognize the importance of implementing innovative technologies and developments in order to constantly improve and optimize our products, adapt them to a changing reality, and also focus on sustainability.

In 2020, Tadiran established the Innovation Department under the leadership of the Director of Innovation. The department's role is to serve the company's strategy and goals - to be a market leader, innovative and groundbreaking in its field. The Innovation Department uses various methods and tools to achieve these strategic goals, including collaborations with other companies that possess innovative technologies which could add value to Tadiran products. At the same time, the Innovation Department encourages internal organizational initiatives, enabling all Tadiran employees to propose new initiatives that can move the organization forward and bring value to society.

To strengthen the department's capabilities, 12 employees of the Group were chosen to serve as "innovation ambassadors" in the company. The selected team is undergoing training in the field of innovation, emphasizing tools that can help promote internal organizational initiatives.

Projects

Platform for managing initiatives - During the reporting period, the group activated an internal organizational platform for raising initiatives and proposals related to corporate responsibility and sustainability. This platform enabled efficient and effective synchronization of proposals from the field to relevant entities in the company. During the year 2021, the company worked to implement 5 projects that grew out of initiatives of Group employees:

Lead management project - Together with digital entrepreneurs and sales agents, we built a platform to manage and monitor the process of ordering installation service or air conditioning consulting via the website. Using an administrative tool, the customer service representative receives a telephone "lead" and, using the FORCE management system, connects the customer with an available air conditioning consultant/installer in the area. The system also allows tracking of the service status via SMS messages.

Air conditioner ordering application - a utility for placing orders and tracking the supply of air conditioners. A dedicated application for installers and technicians of the Tadiran company. The application allows the installer to easily activate the customer's warranty. Also, customers can contact Tadiran's support center directly via the application and obtain the solution to a malfunction, service, and spare parts, as well as extensive information about Tadiran Air Conditioning products and more.

Addition of a button on the air conditioner remote control which independently activates the air purification unit in the air conditioner (in air conditioners in which an air purification unit is installed).

Promotion of an initiative to reduce coolant gas emissions in the Research and Development Department (for more details on this initiative, see the chapter "Climate and Environmental Quality" under the heading "Reducing Greenhouse Gas Emissions").



Dialogue with startups

With the aim of promoting a connection between technological startups and society, we are participating in an innovation center, and we support solutions and ideas related to renewable energies and energy management.

Given our belief that each of our employees is a high-quality source of innovation, we have built a platform for employees to propose internal organizational initiatives that can be promoted at Tadiran.

In July 2021, Tadiran entered into an investment agreement with a fund that invests in start-up companies and growing technology companies, mainly Israeli companies. This initiative was in line with the company's goals to

increase its activities in air treatment and renewable energy, in part by developing technological solutions in its sector and through collaborations and investments in tangential fields. A significant share of this fund's investment portfolio is in start-up companies in the field of clean and renewable energy.

Innovation Goals

- **The "Innovation Ambassadors" program** - an exclusive program that offers its participants significant value and exposes them to fascinating content. The Group's employees who are selected to participate in the program will serve as "innovation ambassadors", and will be part of an innovation team whose goal is to lead innovation in the organization. This team's responsibilities include: making internal organizational decisions, promoting internal projects and initiatives, collaborations with technology companies, pilot promotion and more. In addition, the ambassadors will benefit from enrichment, ongoing education and workshops in the field of innovation that will give them practical tools to realize the goals of the program.
- **Dialogue and collaborations** with technology companies and/or startups in order to respond to challenges that arise regarding existing products and/or to create differentiation in future generations of Tadiran products.
- **Regular meetings with academia and research institutes as a basis for innovation** - Tadiran strives to create a close relationship with academia through meetings between innovation ambassadors in Tadiran and selected academics. In these meetings, each party is present with the goal of working together and improving society by promoting ground-breaking future technologies that will improve air quality and reduce carbon emissions.

Responsible Supply Chain

Responsible Supply Chain /
Suppliers /
Preferred suppliers - responsible
and green procurement /
Business continuity during the
Coronavirus /





We adhere to fair conduct with our suppliers, while maintaining a constant dialogue to foster long-term business relationships with them.





Responsible Supply Chain

We take appropriate measures in order to implement and follow our company's policy, such as:



Management Involvement
- Senior managers are required to lead safety talks, and set an example by being involved.



Employee engagement with the factory safety committee, who is in regular contact with employees on a range of issues including: updating safety procedures, safety tours, providing information to employees about safety risks and more.



Carrying out regular safety inspections at company sites to examine various deficiencies and the degree of compliance with the law requirements and standards.



Risk Assessment - taking measures to reduce identified risks to an acceptable risk level, such as: safety work equipment and personal protective equipment.

Tadiran's activity includes the import, distribution, marketing and production of air conditioning systems, electrical consumer products and renewable energy products, such as UPS power systems, energy storage systems and a management system for charging electric vehicles.

Our factories in Afula (consumer products) and Kiryat Gat (Tadiran Solar) conduct various systems to process metal and copper pipes for production. These systems include various metal processing tasks using cutting machines,

presses, bending machines, marking machines, etc. Most of the production activity involves the use of many raw materials and components imported by our suppliers. Therefore, it is essential to manage a responsible and green supply chain that helps maintain the quality, continuity and efficiency of the production process.

We adhere to fair conduct with our suppliers, while maintaining a constant dialogue to foster long-term business relationships with them.



Suppliers

A significant part of the supply and procurement chain of raw materials and components needed for the Group's activities is obtained via imports from dozens of large, leading suppliers abroad, given that the necessary raw materials and components are not adequately available in Israel.

Preferred suppliers - responsible and green procurement

When choosing suppliers, we evaluate their products energy use in order to obtain the best possible rating. In addition, we visit supplier factories and conduct inspections to verify compliance with standards, protection of human rights, prevention of child employment, prevention of corruption and bribery, and maintenance of work protocols, gas tests and the obligation to sample every shipment.

- We support local manufacturers - we understand the importance of supporting local businesses in the supply of raw materials, components and services that are available in the country, such as: employee transportation, catering contractors, raw material suppliers and more. In 2021, about 10% of our suppliers were local.

Business continuity during the Coronavirus

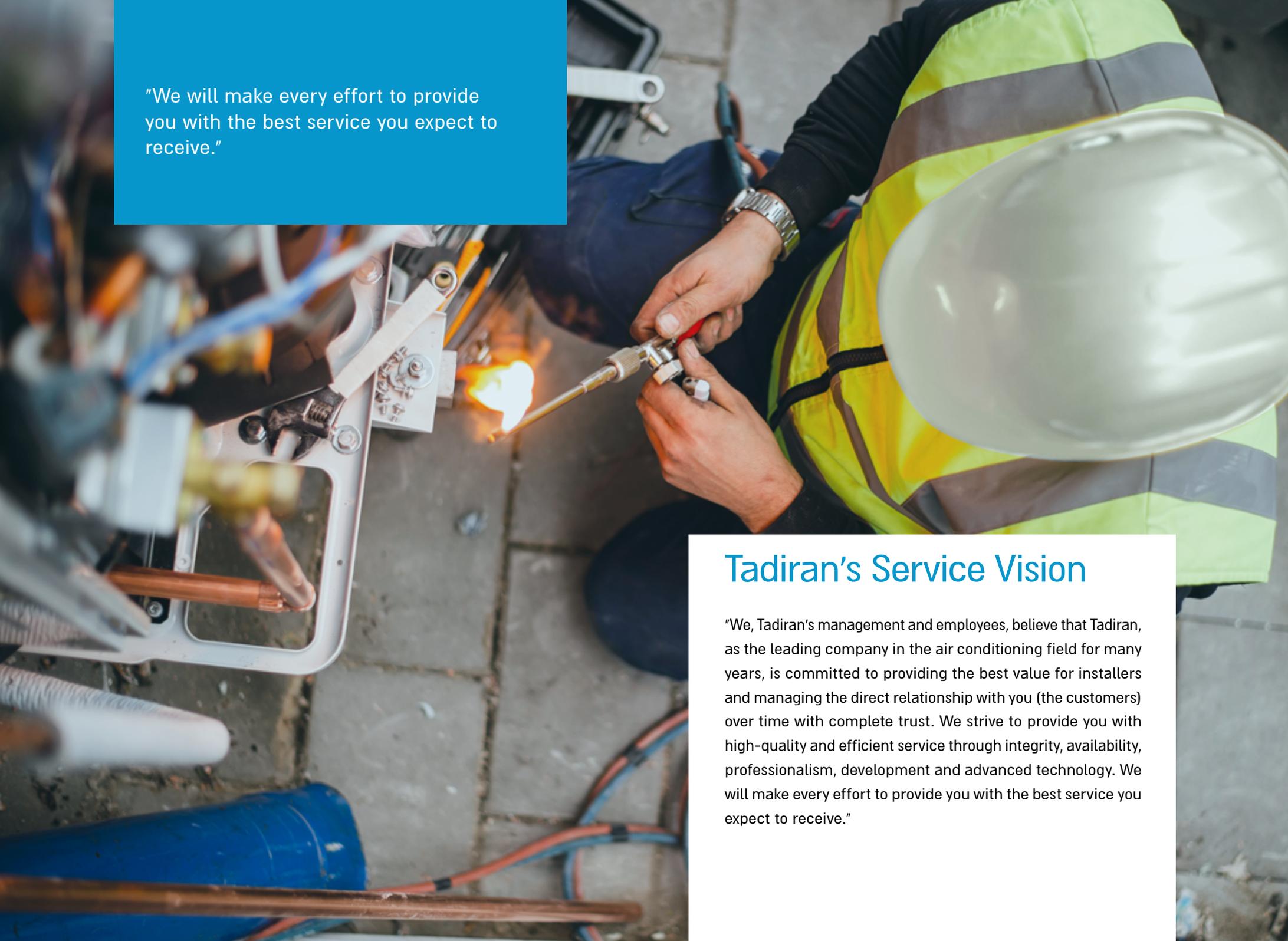
As part of the dialogue with our suppliers, when the coronavirus affected supply chains across the globe, we held open and ongoing conversations to create mutual transparency and synchronization. Due to temporary shortages in products and raw materials from China caused by the pandemic, we worked to locate alternative suppliers in other parts of the world. Although the company chooses to work with local suppliers whenever possible, the necessary raw materials and components are usually not available locally.

Service and Customers

Tadiran's Service Vision /
Our Customer Service /
Creating Shared Value with the
Technicians and Installers /
Future Goals /



"We at Tadiran believe in maintaining a direct relationship with our customers based on integrity, professionalism and accessibility, which provides a broad response to all their needs".

A high-angle photograph of a technician wearing a yellow high-visibility safety vest and a white hard hat. The technician is kneeling on a concrete floor, using a torch to heat a copper pipe. The torch's flame is bright orange and yellow. The technician's hands are visible, holding the pipe and a small component. A silver watch is on the technician's left wrist. In the background, there are various tools and equipment, including a blue container and some cables.

"We will make every effort to provide you with the best service you expect to receive."

Tadiran's Service Vision

"We, Tadiran's management and employees, believe that Tadiran, as the leading company in the air conditioning field for many years, is committed to providing the best value for installers and managing the direct relationship with you (the customers) over time with complete trust. We strive to provide you with high-quality and efficient service through integrity, availability, professionalism, development and advanced technology. We will make every effort to provide you with the best service you expect to receive."



From Tadiran's Service Vision:

Our values

- **Integrity:** We see personal integrity as a business value and are committed to acting with honesty, integrity, fairness and reliability towards our customers.
- **Availability:** It is important to us to provide an available and efficient solution to our customers. Our customer service representatives will be happy to provide telephone or digital guidance and direction to solve any problem, with the aim of allowing the customer to enjoy the product he purchased without having to wait for a technician. If necessary, a professional technician will be sent to the customer's home to solve the problem.
- **Professionalism:** Tadiran has a nationwide service network, skilled technicians, consultants and air conditioning engineers with many years of experience. The knowledge, safety, experience and professionalism of our service team have become a byword, setting a high bar for excellence in service.
- **Advanced technology:** We believe in continuous self-improvement. Accordingly, we invest many resources toward optimizing our service systems and relationships with the customer. Ultimately, advanced technology offers the main tool for providing the rapid, high-quality service that we expect to give our customers. The more efficient we are, the more our customers benefit.

"We at Tadiran believe in maintaining a direct relationship with our customers based on integrity, professionalism and accessibility, which provides a broad response to all their needs. We are working to develop and adopt advanced technologies, and constantly optimize our service system, expand our communication channels and shorten our response time to provide a rapid solution for our customers. For Tadiran, a satisfied customer is a customer who is pleased with the quality of the product he purchased but also satisfied with the service he experienced before and after the sale. "

Yigal Amar,
Tadiran VP for service

Our Customer Service

Tadiran's service centers, located throughout the country - in Holon, Be'er Sheva and Afula - employ dozens of service providers and sales representatives and respond to thousands of inquiries every day.

Serving a variety of customers

The company has a diverse customer base and strives to provide the best service possible for our customer. We outline an SLA (service level agreement) and a dedicated response team to match the unique needs of each customer. Thus, we strive to ensure their satisfaction with our services. We provide service to private, business and institutional customers and deal directly and continuously with installers, some of whom participate in Tadiran's installers club.



Today,
about 50%
of our
customers'
inquiries
reach us
through
digital
channels.

The Tadiran Consumer Products service center provides service to customers who own air conditioning systems, VRF HVAC systems, coolers, electrical products and more. The service center offers a technician and a service professional to provide customized and professional service for each product.

Additionally, our customer service hotline operates 24/7, and we offer diverse ways to contact customer service via: phone, email, chat, Facebook, Twitter and more.

Offering diverse contact methods

We make our customer service accessible through varied channels:

- By telephone at our service center.
- Filling out a contact form via email.
- Correspondence via text messages.
- Chat-bot via the WhatsApp application is available 24/7 - the bot enables customers to receive service that is immediate and adapted to their needs.

As we shift our customer service models to the digital sphere, we continue to provide a traditional avenue of contact for customers who need it. Today, about 50% of our customers' inquiries reach us through digital channels. Since we anticipate that these channels will continue to gain momentum due to the convenience and availability they offer our customers, we continue to invest in improving, streamlining and promoting these solutions.



Ran m'Tadiran (Ran from Tadiran), Tadiran's virtual representative (bot) on the website for the end customer, was awarded the bronze medal in 2022 for the "simplicity of service" category in the MiL (Excellence in Service and Customer Experience) competition.

The bot's service, based on artificial intelligence, allows us to take a step forward in the quality of service we provide to our customers.

In light of this success, we launched a similar customer service feature called "Shiran from Tadiran" for the professional market, a dedicated service for installers and wholesalers, that services our commercial partners as well.



In addition, we launched the Tadiran Force Hybrid service, which provides air conditioning installers with a variety of dedicated service features, such as a hotline for members of the Platinum Club that is committed to answering within 60 seconds. We also offer Platinum Club members a service representative and a senior technician dedicated to them, same-day service for recently installed air conditioner malfunctions, order service via WhatsApp, and live technical support.

Increasing the quality of customer service

The quality of Tadiran's customer service is an essential element of our work as a business that operates directly with its customers. Our service-center employees tailor to the needs and scope of our customers' inquiries. For example, during the summer months, when the volume of inquiries is 3-4x greater than in the winter months, we

increase staffing at our service centers to ensure quick, efficient and professional responses for our customers.

Our customer service centers offer service in multiple languages, so that our customers can enjoy accurate service that is tailored to them. We also adapt our services to elderly customers who have difficulty operating their products, offering direct, human consultations in order to provide a customized solution for these customers.

Maintaining customer health and safety

Our customers' health and safety while using our products is important to us. Accordingly, we provide our customers with videos, information and tips on using our products correctly and efficiently. The company's website offers videos with clear explanations detailing how to handle basic problems that may arise while using the products. Moreover, at the end of each interaction with a customer, we send operation instructions to solve the problem that the customer raised.

For certain mini-central air conditioning systems, we even provide interested customers with a "pro-active" service - a Wi-Fi-based service that identifies malfunctions and problems with a customer's air conditioner and enables us to contact him before he himself detects the issue. In this way, we offer the solution before the problem arises and provide our customers with tailored,

efficient and professional service in the shortest possible time.

Protecting customer privacy

As a commercial company, we take our customers' privacy very seriously and take ongoing measures to protect their information.

Committed to customer satisfaction

A survey we conducted found that 85% of our customers were satisfied with the service we provided and stated that it was easy and convenient to use.

To optimize and improve our customer service, we have committed to examining and analyzing every customer interaction with our providers. At the end of each interaction with our customer service (call center, email, chat-bot) or technician visit, we ask the customer to respond to a satisfaction survey. The surveys are tailored to the type of service the customer received - customer service, technical system, or an integrated survey.

We continuously monitor the data received from our customers and break it down in various ways - by geographical area, installer, type of service and more. This advanced, data-based analysis, conducted via our data monitoring systems, helps us coordinate our efforts and focus specifically on where we need to improve.



Creating Shared Value with the Technicians and Installers

Our technicians

Tadiran's technicians make up our high-quality and professional technical branch and represent our services to the customer. We are committed to providing professional service for every malfunction or problem that arises for our customers.

We undertake to guide and train our technicians several times a year, with an emphasis on professional training, including working with and installing elevated air conditioners.

We encourage excellence among our technicians and award outstanding technicians based on customer satisfaction scores.

our installers

Tadiran is committed to promoting high standards for the training of air conditioning system installers and technicians in Israel. In addition, Tadiran assists air conditioner installers in the territories of the Palestinian Authority by providing professional knowledge and supplying replacement parts for installations and repairs.

To demonstrate our commitment to customer satisfaction, when a customer gives a low score on a service interaction, we contact him directly to find out in detail about the fault in our service provision.

Additionally, we encourage excellence among our providers and award outstanding service representatives based on customer satisfaction scores.

The company conducts small-group trainings for installers and service providers, free of charge. These trainings are intended to encourage the highest level of professionalism among Tadiran's air conditioner installers, along with air conditioner installers in the larger community. The goal is to make installers more professional and help them avoid mistakes in installing Tadiran's products, as well as providing them with the tools and skills to offer courteous and pleasant service to our customers.

Once a year, Tadiran holds a conference for all installers of its products, including offering tips on proper installation and emphasizing correct and courteous service.



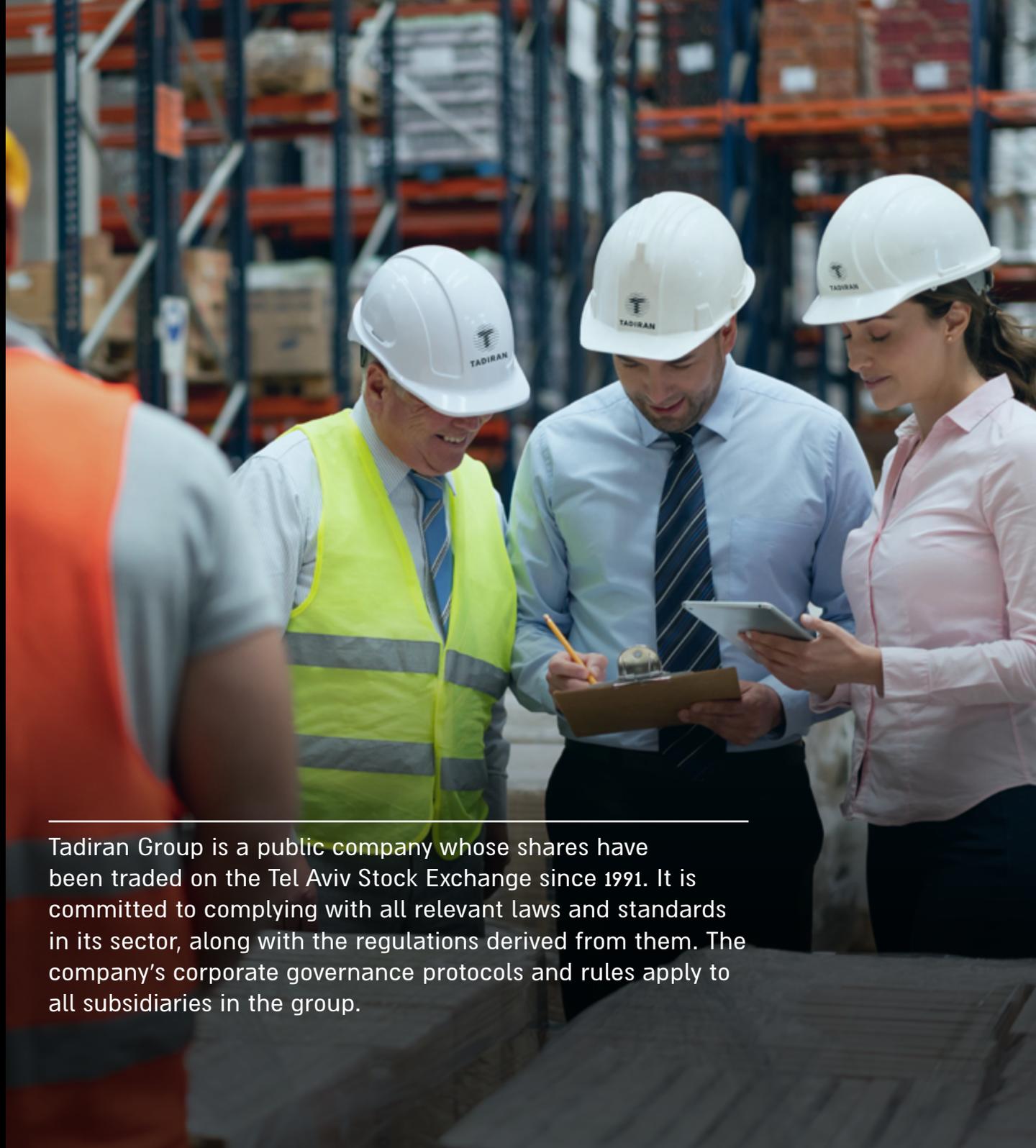
Future Goals

- Continue upgrading and streamlining digital customer service channels
- Expanding the pool of customers who benefit from "pro-active" service

Corporate Governance

Tadiran Group's Board of Directors /
Our Commitment to ESG /
Responsible Governance /
Risk management /
Organizational Ethics /
Ethical Approach /
Code of Ethics /
Whistleblowing Policy /
Future Goals /

Tadiran Group is a public company whose shares have been traded on the Tel Aviv Stock Exchange since 1991. It is committed to complying with all relevant laws and standards in its sector, along with the regulations derived from them. The company's corporate governance protocols and rules apply to all subsidiaries in the group.





Tadiran Group's Board of Directors

To ensure the efficient functioning of the Board and its committees, Tadiran Group set up organizational guidelines for the Board. This framework helps with the management of meetings and aids the Board in fulfilling its role effectively, including reducing the influence of the constraints under its operation. The company's board of directors operates according to the relevant procedures adopted by the company. This protocol comprehensively deals with the Board's composition and compensation, the members' roles and powers, the conducting of the Board's meetings, and the implementation, monitoring and execution. In addition, the guidelines cover the Board's conduct in handling both material and exceptional events.

The Board's approach

The Board of Directors outlines the Group's governance and determines its plans of operation. It is responsible for approving financial statements and evaluating the company's financial position, and also supervises the company management's activities and performance of its duties. The Board of Directors operates within the powers granted to it by law and in accordance with binding procedures.

Members of the Board

20% of the board members are women.

60% of the board members are independent directors.

All members of the Board have either professional training (two board members) or accounting and financial expertise (three members).

Composition of the Tadiran Group Board of Directors:

1. Ariel Herzfeld (Chairman of the Board)
2. Moshe Mamrud (CEO and Director)
3. Avraham Eini (independent director)
4. Yael Ravhon (external director)
5. Yitzhak Aharonovich (external director)

Committee Meetings

The Tadiran board of directors has two committees - an audit committee (which also serves as a compensation committee) and a balance sheet committee. The three independent directors of the company sit on these committees - Avraham Eini, Yael Ravhon and Yitzhak Aharonovich. Each of these committees held four meetings in 2021 where the attendance rate by the committee members was 100%.

Training of the board of directors

The Board members undergo occasional training in the fields relevant to their work; the most recent trainings were held in late 2021 on corporate governance and the duties of the board of directors. This training also dealt with the prevention of corruption and bribery. The company has undertaken to conduct corporate responsibility training for the board members during the next reporting year.

Effectiveness of the Board

Over the course of 2021, nine meetings of the Group's board of directors were held, with all members of the Board in attendance. The company monitors members' attendance at board meetings in order to evaluate the effectiveness of their work, assuming the importance of the directors' regular involvement in the Group's decision-making.



Our Commitment to ESG

The Group's strategic business decision-making process reflects social and environmental considerations. This can be seen in part by the types of companies acquired by the Group in recent years (engaged in the field of renewable energy) and in the development of new products and services (such as the development of Tadiran Airow to improve air quality).

Responsible Governance

Compensation Policy

In November 2022, following approval by the audit committee and the full Tadiran Group board of directors, the shareholders' general meeting approved an updated compensation policy for the Group's officers. The company has a long-term compensation policy in order to promote its goals. The policy is based on the size of the company and the scope of its activities and even incorporates various components that reflect an officer's contribution to achieving the company's goals.

Preventing corruption

Over the course of 2021, a fraud and embezzlement survey was conducted via an external party. Six branches of the Group were surveyed: headquarters, operations and logistics, finance, service, trade, and industries. The survey did not raise any suspicion of fraud and embezzlement risks in any of the surveyed units.

Furthermore, the Group recently appointed its legal advisor to be in charge of preventing embezzlement and fraud.

Managing conflicts of interest

The company's code of ethics includes a reference to its policy regarding preventing conflicts of interest. This policy aims to prevent situations that create a conflict of interest, actual or potential, between employees' and managers' personal interests and the interests of the company.

A conflict of interest arises when an employee's or manager's loyalty, or his actions, are divided between the company's interests and those of another party, such as a competitor, supplier, customer or private business. The very appearance of a conflict of interest can negatively affect the company and its relations with its various stakeholders - customers, employees and suppliers. Accordingly, the Group expects its employees to avoid both actual and potential conflicts of interest.

Internal Audit Processes

The Group attaches great importance to both internal and external audit processes for evaluating various aspects of the company's conduct and improving its work configuration. Over the course of 2021, approximately 300 hours were devoted to internal audit processes.





Risk management

The company works systematically to monitor, evaluate and manage short- and long-term risks. Accordingly, the company is building a set of tools to deal with a variety of scenarios, including future risks, and is defining relevant solutions for reducing, preventing or managing the various risks.

The group conducts a risk management survey through an external party on an ad hoc basis. At least once a year, the Board of Directors discusses the company's risk management.

Compliance

During the reporting period, no lawsuit and/or administrative proceedings were filed against the company and/or its officers in connection with any allegations of bribery or corruption.

Investigations and lawsuits

As part of its financial statements, the Group publishes information about material legal proceedings to which it is a party.

Details about pending claims against the company in the reporting period can be found in the Group's financial report for 2021. For additional information and updates about these claims, please refer to the latest quarterly financial report published by the Group (as of the publication of this report, the latest report was published on November 13, 2022).

Organizational Ethics

Ethical Approach

We at the Tadiran Group are committed to acting in an honest and fair manner when conducting our business and providing service to our customers and other stakeholders. We strive to adhere to the highest ethical standards, including transparency with stakeholders. Our excellence and business leadership depend on the ethics of our business conduct.

Code of Ethics

Tadiran Group considers ethical and honest business practices to be a guiding principle in its conduct. Beyond obeying the word and spirit of the law, the Tadiran Group has adopted its own code of ethics in order to uphold the ethical standards it has set for itself. The Group's code of ethics covers a wide range of business protocols and guidelines for internal and external organizational conduct with the Group's stakeholders.

As a leading company in various sectors, the Group is responsible for ensuring that all employees and managers are aware of the company's guidelines, laws, rules and ethical principles, from which the code of ethics is derived.



Each new employee in the Group receives a copy of the code of ethics and is required to read it and confirm his understanding and commitment to act in accordance with what is stated in it.

In 2022, the Group updated the code of ethics and published it on the company's website, enabling the Group's stakeholders to review it.

To see the full code of ethics - [click here](#).

Whistleblowing Policy

If there is a concern that the code of ethics may be violated, company employees can contact the company's legal advisor or the chairman of the audit committee by phone or email. Furthermore, complaints can be submitted anonymously through a dedicated complaint box. In 2021, no inquiries were received concerning ethical violations or requests for consultations on ethical issues.

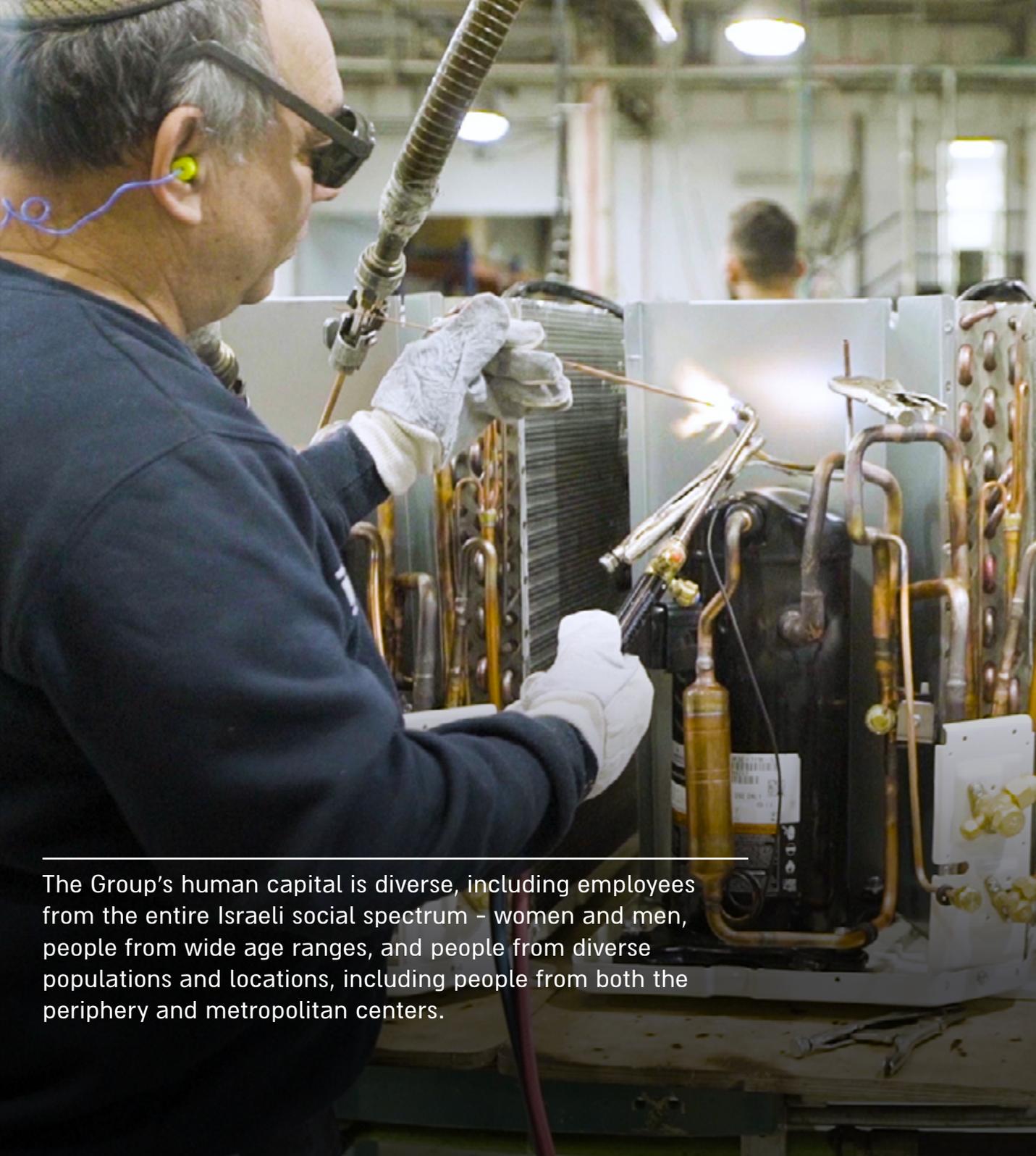


Future Goals

Implementing the updated ethical code amongst the Group's managers and employees.

Working Environment

Valuing our Employees /
Diversity and Inclusion in the
Workplace /
Nature of Employment /
Our Employees Come First /
Employee Training and
Development /
Employee Feedback /
Future Goals /



The Group's human capital is diverse, including employees from the entire Israeli social spectrum - women and men, people from wide age ranges, and people from diverse populations and locations, including people from both the periphery and metropolitan centers.



Tadiran's Vision

We know that Tadiran's employees are the company's foundation and continue to invest in them.

Valuing our Employees

Tadiran Group's employees are the backbone of our company, creating a positive work environment, and propel the company towards new achievements every day. We consider it important to provide our employees with opportunities to develop, share their opinions, and maintain an open dialogue about their needs and ideas. We know that Tadiran's employees are the company's foundation and continue to invest in them.

The Group's human capital is diverse, including employees from the entire Israeli social spectrum - women and men, people from wide age ranges, and people from diverse populations and locations, including people from both the periphery and metropolitan centers. We consider the diversity of our employees an advantage for us as a commercial company, enabling us to offer employment to hundreds of workers across the country.

A Responsible Employer

In recent years, Tadiran Group has increased its number of employees significantly after acquiring several companies in Israel and abroad. We are proud to be increasing our presence as an employer, especially in the Israeli market, providing jobs for more and more people. Employees we have recruited in recent years include those who have joined Tadiran Solar (Kiryat Gat), Tadiran Energy Solutions, and Tensor Systems Ltd. (Caesaria).



Around **510** Employees in 2021

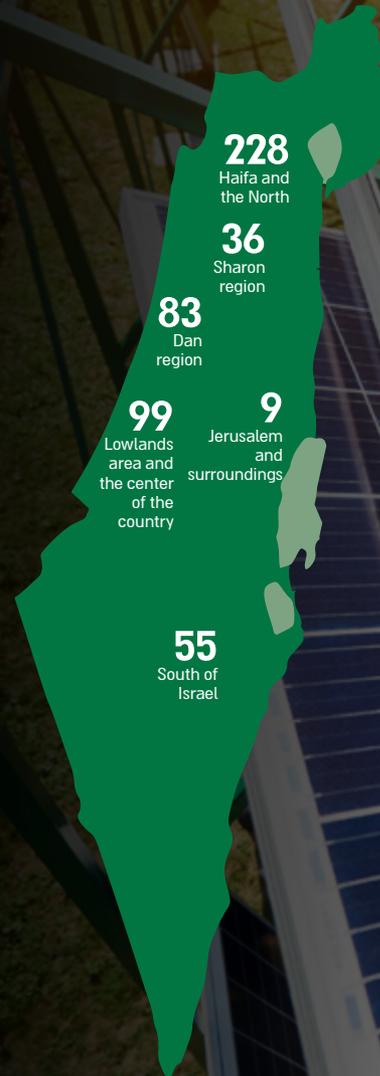


Diversity and Inclusion in the Workplace

Geographic Diversity

Tadiran Group provides employment to workers throughout Israel - from Kiryat Gat to Afula. The company's offices and factories are scattered throughout the periphery and metropolitan areas of the country (Petah Tikva, Holon, Kiryat Gat, Afula and Caesarea), reflecting the geographic mosaic of the company's employees. We see great economic and social value in operating in the Israeli periphery, thus offering employment beyond the center of the country. In fact, a majority of our employees - 55% - come from the south and north peripheries of the country.

Geographic distribution of Tadiran Group employees – 2021





Gender Diversity

At Tadiran Group we value hiring and retaining women in each of the Group's companies, departments and teams. Today, approximately 33% of our employees are women (168 female employees). Additionally, 20% of Tadiran Group management (4 out of 20 managers) are women and, of the top 10% of the highest paid employees in the company, 13% are women. We strive to hire women in senior management positions in the company, and accordingly have set a goal of increasing the percentage of women in senior management positions in the company to 40% by 2025.



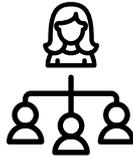
Have set a goal of increasing the number of women in senior management positions to

40%
by 2025



Of the top 10% of the highest paid employees in the company

13%
are women



Tadiran Group management (4 out of 20 managers)

25%
are women



Percentage of women in the workforce (168 female employees)

33%
are women

Tadiran Group Management – 2021



4
Women



16
Men

Tadiran Group Employees – 2021



168
Women



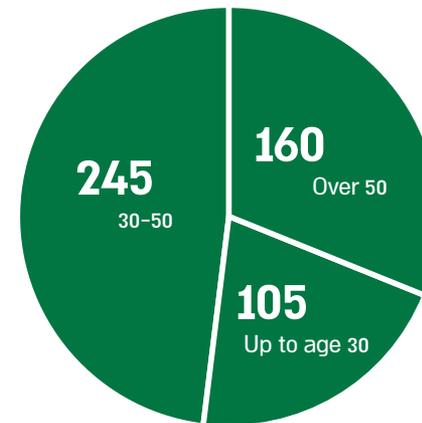
342
Men



Age Diversity

Our employees represent a wide range of ages, with young employees working alongside older ones. We believe that age diversity encourages mutual learning between young people and older people, which enriches the work environment and helps preserve and share knowledge between employees.

Age Distribution of Tadiran Employees in 2021



Reflecting a Diverse Society

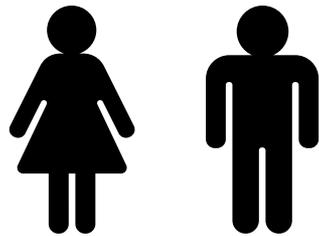
At Tadiran Group, we encourage an inclusive and multicultural work environment that reflects the rich human mosaic of Israeli society. It is important to us to give every employee a sense of belonging and connection to the company.

Population diversity data for 2021 can be seen in the chapter "About the Report"



Nature of Employment

The vast majority of the company's employees work in full-time positions. In addition, we also provide part-time positions that young mothers tend to fill. In our sales center, for example, many young mothers are employed in positions requiring only 6 hours of work per day.



Women

Men

Total

| | | | |
|-----------------------------------|------------|-------------|------------|
| Percentage of full-time employees | 77% | 100% | 92% |
| Percentage of part-time employees | 23% | 0% | 8% |

Collective Bargaining Agreements

As of the end of 2021, 104 Tadiran Group employees were covered by collective bargaining agreements, comprising about 20% of all the Group's employees. The employees covered by the collective agreement and under the authority of a committee are those working at the production plant in Afula. Tadiran Group maintains the right of its employees to organize.

Pension

The Tadiran Group allows employees to continue working even after reaching retirement age if they wish to do so. In addition, for employees approaching retirement age, the company offers each employee a personal meeting with an external pension consultant. This meeting provides the employee with professional and tailored advice on preparing for retirement, including advice on proper pension planning and exercising their rights.

Employee Retention

The percentage of employee turnover in 2021 was 13.9%

Employee turnover data for 2021 can be seen in the chapter "About the Report".

Absenteeism Rate

In 2021, employees in the Group averaged about 9 days of absence per employee, while in 2020 they averaged about 10.5 days. This decrease in absenteeism is partially due to the return to routine after the coronavirus, and we hope that this trend will continue in the future.



Our Employees Come First

Employee Rights and Wellbeing

Here at Tadiran, we focus on protecting our employees' rights while also investing in their personal well-being. Our employees are entitled to various rights and benefits such as: meals, transportation, private health insurance, personal assistance if needed, and more. We prioritize our employees' well-being throughout the year and hold activities and events for them and their families, including team-building days and evenings, gifts for holidays and special events, company sports teams and more.

Project Shavuot 2022

This year we collaborated with FOODISH, the culinary unit of the Beit Hatfutsot museum. As part of a preliminary internal organizational campaign, we asked employees to share their recipes via a dedicated website established for the project. At the end of the project, ten recipes advanced to the final round, with the four winning recipes turned into a special employee gift package for the Shavuot holiday. The ten finalists arrived for a special day together with a chef who cooked the recipes from the four winners. The recipes highlighted the Israeli culinary experience, as reflected in the unique background of our employees.





Extended Benefits for families

We consider the families of our employees as a part of the larger Tadiran family. Accordingly, we try to encourage and celebrate important moments alongside the families. For example, last year we gifted a special school supply kit to parents of children entering grade school. Additionally, we provided gift cards for clothing stores for our parents of children enlisting in national service.

Staying informed

We strive to ensure that our employees are informed about their rights. For example, during 2022, in light of an increase in tax credit points for parents of children aged 6-12, we issued a notification to all employees with a detailed

explanation of the retroactive supplement and the conditions for eligibility.

Prevention of sexual harassment

The Tadiran Group strives to create a pleasant, positive and inclusive work environment for all employees, without harassment or discrimination.

As part of the Group's hiring process, each new employee receives a copy of the company's policies, which include policies detailing the prevention of sexual harassment in the workplace. These policies specify the reporting resources available for employees, including the possibility of direct, anonymous contact with the company's legal advisor. In 2021, the company did not receive

any complaints regarding sexual harassment or misconduct in the company.

Nondiscrimination Policy

Tadiran Group strictly prevents discrimination in the workplace on the basis of sex, race, age, skin color, religion, marital status, sexual preference and orientation, physical or mental disability or any other characteristic that is not related to the employee's job in his workplace.

In 2021, the company did not receive any complaints from employees regarding discrimination on any basis.



Employee Training and Development

We prioritize developing our human capital and work to improve our in-house guidance and training system yearly. Currently, we are working on methods for collecting and tracking training data for the Group as a whole. This initiative reflects our belief that investing in the development of the company's employees will improve the company's capabilities and professionalism. The new tracking initiative will also enable us to strengthen collaboration across the Group, share knowledge, and teach employees and managers new technologies and advanced work configurations.

Training Sessions for Employees

As a leading company in the Israeli air conditioning market, we recognize our responsibility to promote and develop professional knowledge relevant to our industry. In the Tadiran Academy, we provide both internal and external

trainings. This learning center was established in cooperation with various colleges such as Intech College and Beer Sheva College of Technology in order to provide high-quality professional training.

Tadiran encourages professional training for our personnel in order to promote the efficiency and credibility of the profession. A skilled, professional and reliable air conditioning system technician will be able to properly install an air conditioner, avoiding gas leaks that may pollute the air and cause accidents or fires. Accordingly, in the past year we continue to promote a course on coolants with a specialization in R32 gas, which will be introduced to the Israeli air conditioning market in the near future.

Regarding our renewable energy endeavors, technicians and installers receive training and ongoing education in Israel and abroad to develop knowledge and professional training in the field. Additionally, we participate in relevant conferences and trade fairs in order to stay up-to-date with new technologies and products in the field.

In 2022, a conference was held at our company, Tadiran Solar Ltd., where installers received professional training in the solar industry, specifically on construction issues and SolarEdge converters. The training discussed proper installation for SolarEdge systems and presented innovations in the solar energy industry.

Internal Mobility

Advancing from inside! - At Tadiran Group we believe in internal mobility programs for retaining, developing and promoting our employees within the Group. Promoting employees from the "Tadiran family" helps us to preserve the experience and knowledge that has been accumulated within the company, and also provides our employees with paths for development and advancement.



Employee Feedback

Maintaining A Culture of Open Communication

Tadiran Group's culture is based on open communication between our employees and management. The Group's offices and branches have an individual representative of the HR Department per location. Through regular communication and assisting employees with problem-solving, representatives of the Human Resources Department are available to our employees at all our sites. Employees are aware of their ability to contact a representative, directly and transparently, in the office or factory where he or she works.

We believe in leading by example - from top-tier management down to the last employee. Our work protocols apply to every employee and manager, without exception. This is the way to optimally integrate within the company's corporate culture.

Employee Evaluations and Feedback

In the course of 2021, approximately 21% of the employees in the Tadiran Group received regular feedback on their performance. Next year, we plan to significantly increase the number of employees who receive regular feedback on their performance and their personal career development.

Employee satisfaction survey

At the end of 2021, we conducted a satisfaction survey for all employees in the Group, covering many areas related to our workplace environment and working conditions in the company. The results of the survey were forwarded to the company's management to enable them to understand, analyze and find ways to make improvements and preserve what is working well.

More than half of the employees who responded to the survey reported that the atmosphere in the workplace is positive and friendly, that they feel part of the department/division to which they belong, and that their direct manager contributes to their professional development.

A huge survey by Statista, in collaboration with the newspaper Globes, ranked Tadiran as part of the 150 best employers in Israel. Tadiran Group is proud to have been selected as one of the 150 best companies to work for. In addition, the Tadiran Group took third place among the best companies to work for in the "engineering, production and industrial products" sector. Next year, we aim not only to continue our presence on this distinguished list, but also to improve our ranking.



Future Goals

- Expanding the reach of human resources in all the companies of the Group
- Consistent integration of our organizational culture for all the companies in the Group

Social Responsibility

Our Community Impact /
Keeping Warm in Winter /
Strengthening Local Sports /
Conquering Peaks /
Looking Ahead - Pitchon Lev /
Future Goals /





Our Community Impact

The Tadiran Group is proud to promote community involvement, volunteerism and solidarity with Israeli society. In line with our values, we encourage our employees to participate in activities and projects in a variety of areas, such as assisting underprivileged populations and supporting Israeli sports.

In 2021, the company's employees dedicated around 100 volunteer hours to the community (compared to ~50 hours in 2020). In addition, the company donated about NIS 139,000 to social and charitable institutions in 2021.

We aim to continue increasing our employee volunteering hours and the amount of the company's donations.





Keeping Warm in Winter

In November 2021, as preparation for the winter season, we cooperated with the HELPI association to volunteer our maintenance services for air conditioners in the homes of welfare recipients, the elderly and Holocaust survivors. Dozens of Tadiran air conditioning technicians arrived at the homes and helped prepare them for the cold winter months. In addition, in line with Tadiran Group's agenda regarding air quality and customer health, the company's technicians installed the company's new technology for air purification from viruses and bacteria - AIROW - in the air conditioners in the homes they visited.



Strengthening Local Sports

For the past six years, Tadiran Group has sponsored the judoka and Olympic medalist Sagi Muki. We see great value in strengthening and nurturing local Israeli sports and encourage the values that Sagi Muki brings to the sports world. After the 2020 Tokyo Olympics, we held a reception for Sagi Muki at the company's headquarters in Petah Tikva with the company's employees.

"For the past six years we continue to sponsor and encourage you, and to our great joy today we celebrate together with you Israel's Olympic medal. When I first met you I immediately recognized that we share the same values. The same values and qualities that we strive to cultivate here at Tadiran. Dear Sagi, we are proud of you! For your sporting spirit, perseverance, determination and impressive achievement."

Moshe Mamrud, CEO and Controlling Owner of Tadiran



Conquering Peaks

Danielle Wolfson was the first Israeli to climb Mount Everest. The Israeli climber set herself the goal of conquering the 14 highest peaks in the world. Danielle gave a fascinating and inspiring lecture to Tadiran consumer products employees about willpower, courage and resourcefulness. As a company that promotes gender equality and supports Israeli sports, Tadiran supported Danielle all the way to the summit of the highest mountain in Alaska, Mount Denali, a trek which she successfully completed.

Looking Ahead - Pitchon Lev

The Pitchon Lev organization is an apolitical and non-profit organization founded in 1998 that operates with the vision of breaking the cycle of intergenerational poverty in Israel. The organization directly assists over 160,000 women, men and children every year without discriminating based on sex, religion, race, origin or nationality².

As part of Tadiran's cooperation with the organization in 2022, we played a role in their annual activity including:

- Painting houses and installing air conditioners for the houses of aid recipients from Pitchon Lev.
- Distribution of food baskets to the needy.
- Preparing air conditioners for the relevant season, including cleaning and checking for proper functioning.
- Participating in the Pitchon Lev education program - providing lectures by Tadiran managers, a tour of the factory, a course for installers, and hiring employees.

Future Goals

- Increasing the number of annual volunteer hours of the Group's employees in 2022.

² Contributing to the community - a non-profit offering financial assistance for the underprivileged: Pitchon-Lev (pitchonlev.org.il)

GRI Index

About the Report

This report was written in reference to the reporting guidelines of the Global Reporting Initiative (GRI), in reference to the Universal standards. The report has not been externally reviewed.

This report was written with the assistance of Good Vision Consulting of the Fahn Kanne Group.



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The data presented in the report was collected through interviews with the various stakeholders - suppliers, customers, employees and managers of the company - as well as from the analysis of other company reports and documents. It was written in reference to the GRI guidelines, and the material issues of the company were selected during a comprehensive discussion with the management.



Material issues and reporting limits

Materiality Analysis Process

In accordance with the GRI guidelines, we carried out a process for identifying the material topics for reporting.

- **Collecting the material topics through internal organizational processes** - Meetings with relevant entities in the Group, studying and analyzing the collected materials, a preliminary overview of the Group's activity and a dialogue with the Group's top management.
- **Collecting the material topics from external databases** - Reviewing a GRI organizational report pertaining to the identification of material topics for stakeholders, divided by sectors. Benchmark and analysis of ESG reports published by international and local companies in similar sectors.
- **Mapping of material topics** - Discussing and formulating a table of material topics, concentrating on the issues that are important for Tadiran Group, including environmental, social and governance aspects inside and outside the organization

Material topics identified through the process

Environment

- Product Innovation
- Energy Efficiency
- Climate Risk Management
- Greenhouse Gases (GhG) Emissions and Management

Social

- Loyalty and Organizational Entrepreneurship
- Occupational Health and Safety
- Customer Health, Safety and Satisfaction

Corporate Governance

- Ethical Business Conduct
- Data Security and Privacy Protection
- Responsible Supply-Chain Management
- Adaptation to Changes and Adjustment of Business Models



Reporting Limitations

| Material Topic | Reporting Limitation | Appears in chapter | Pages | Material Topic | Reporting Limitation | Appears in chapter | Pages |
|---|--------------------------------|--|------------|---|--------------------------------|--|-------|
| Product Innovation | Inside the Company | Environmental Responsibility | 28-32 | Customer Health, Safety and Satisfaction | Outside the Company | Service and Customers | 53-58 |
| Energy Efficiency | Inside and Outside the Company | Environmental Responsibility | 25, 29, 36 | Ethical Business Conduct | Inside the Company | Corporate Governance - Organizational Ethics | 59-63 |
| Climate Risk Management | Inside the Company | Environmental Responsibility | 26 | Data Security and Privacy Protection | Inside the Company | Service and Customers | 53-58 |
| Greenhouse Gases (GhG) Emissions and Management | Inside the Company | Environmental Responsibility | 38-39 | Responsible Supply-Chain Management | Inside the Company | Responsible Supply Chain | 49-52 |
| Loyalty and Organizational Entrepreneurship | Inside the Company | Operational Excellence - innovation and technological developments | 47-48 | Adaptation to Changes and Adjustment of Business Models | Inside and Outside the Company | About the Company | 7-22 |
| Occupational Health and Safety | Inside the Company | Workplace Culture | 65-74 | | | | |



GRI Index

Employee Data Tables

Employee Turnover for 2021

| | |
|--|-----------|
| Recruited employees and managers | 30 |
| Terminated employees and managers (fired/resigned/retired) | 71 |

Population Diversity for 2021

| | | |
|---|--------------------------------|-------------|
| Percentage of employees from this group, out of all the Group's employees | Employees from Arab Society | 4.5% |
| | Ultra-Orthodox Employees | 2.7% |
| | Employees of Ethiopian Descent | 3.2% |

| | | |
|--|--------------------------------|--------------|
| The number of employees from this group, out of all the Group's employees | Employees from Arab Society | 25 |
| | Ultra-Orthodox Employees | 15 |
| | Employees of Ethiopian Descent | 18 |
| The percentage of employees from this group who were recruited in the past year, out of all employees recruited in the past year | Employees from Arab Society | 4.3% |
| | Ultra-Orthodox Employees | 2.16% |
| | Employees of Ethiopian Descent | 5.4% |
| Number of employees from this group who were recruited in the past year | Employees from Arab Society | 8 |
| | Ultra-Orthodox Employees | 4 |
| | Employees of Ethiopian Descent | 10 |



GRI Criteria Table

| GRI Index 2021 - General Disclosures | | | | |
|--|-----------------------|---|-----------|---|
| GRI Standard Title | GRI Disclosure Number | GRI Disclosure Title | Page | Reference |
| The organization and its reporting practices | 2-1 | Organizational details | 7 | |
| Activities and workers | 2-2 | Entities included in the organization's sustainability reporting | 9 | |
| | 2-3 | Reporting period, frequency and contact point | 78, 82 | |
| | 2-4 | Restatements of information | 11-15, 18 | Tadiran Group Ltd.'s first report |
| | 2-6 | Activities, value chain and other business relationships | 65 | |
| | 2-7 | Employees | 59 | |
| Governance | 2-9 | Governance structure and composition | 59 | |
| | 2-10 | Nomination and selection of the highest governance body | 59 | |
| | 2-11 | Chair of the highest governance body | | The chairman is not a senior manager in the group |
| | 2-12 | Role of the highest governance body in overseeing the management of impacts | 59 | |
| | 2-13 | Delegation of responsibility for managing impacts | 59 | |



| GRI Index 2021 - General Disclosures | | | | |
|--------------------------------------|-----------------------|---|-----------|---|
| GRI Standard Title | GRI Disclosure Number | GRI Disclosure Title | Page | Reference |
| Governance | 2-14 | Role of the highest governance body in sustainability reporting | | Confirmation of the information reported in this report was made on behalf of the group's board |
| | 2-15 | Conflicts of interest | 60 | |
| | 2-16 | Communication of critical concerns | | There were no critical concerns in economic, social or environmental issues during the reporting period |
| | 2-18 | Evaluation of the performance of the highest governance body | 59 | |
| | 2-19 | Remuneration policies | 60 | |
| | 2-20 | Process to determine remuneration | 60 | |
| Strategy, policies and practices | 2-22 | Statement on sustainable development strategy | 7, 16, 23 | |
| | 2-23 | Policy commitments | 62 | |
| | 2-24 | Embedding policy commitments | 62 | |
| | 2-25 | Processes to remediate negative impacts | 62 | |
| | 2-26 | Mechanisms for seeking advice and raising concerns | 62 | |
| | 2-27 | Compliance with laws and regulations | | During the reporting period, no lawsuits and/or administrative proceedings were filed against the company and/or its officers in connection with an allegation of bribery and corruption violations |
| | 2-28 | Membership associations | 33 | |



| GRI Index 2021 - General Disclosures | | | | |
|---|------------------------------|--|--------------|------------------|
| GRI Standard Title | GRI Disclosure Number | GRI Disclosure Title | Page | Reference |
| Stakeholder engagement | 2-29 | Approach to stakeholder engagement | 18, 54, 50 | |
| | 2-30 | Collective bargaining agreements | 69 | |
| Disclosures on material topics | 3-1 | Explanation of the material topic and its Boundary | 19-21, 79-80 | |
| | 3-2 | List of material topics | 19, 79 | |
| | 3-3 | Management of material topics | 79-80 | |

| GRI Index 2021 - Specific Disclosures | | | | | |
|--|------------------------------------|------------------------------|--|-------------|------------------|
| GRI Chapter | GRI Standard Title | GRI Disclosure Number | GRI Disclosure Title | Page | Reference |
| GRI 200: Economic Material Topics | GRI 201: Economic Performance 2016 | 201-2 | 201-2 Financial implications and other risks and opportunities due to climate change | 25 | |
| | | 201-3 | 201-3 Defined benefit plan obligations and other retirement plans | 69-70 | |
| | GRI 202: Market Presence 2016 | 202-1 | 202-1 Ratios of standard entry level wage by gender compared to local minimum wage | 66-67 | |



| GRI Index 2021 - Specific Disclosures | | | | | |
|---------------------------------------|---|-----------------------|---|-----------|--|
| GRI Chapter | GRI Standard Title | GRI Disclosure Number | GRI Disclosure Title | Page | Reference |
| | GRI 203: Indirect Economic Impacts 2016 | 203-1 | Infrastructure investments and services supported | 46-47, 75 | |
| GRI 200: Economic Material Topics | GRI 203: Indirect Economic Impacts 2016 | 203-2 | Significant indirect economic impacts | 46-47, 75 | |
| | GRI 204: Procurement Practices 2016 | 204-1 | Proportion of spending on local suppliers | 51 | |
| | GRI 205: Anti-corruption 2016 | 205-2 | Communication and training about anti-corruption policies and procedures | 60 | |
| | | 205-3 | Confirmed incidents of corruption and actions taken | | (0) During the reporting period there were no incidents of corruption |
| | GRI 206: Anti-competitive Behavior 2016 | 206-1 | Legal actions for anti-competitive behavior, anti-trust, and monopoly practices | | No legal action was taken against the group for uncompetitive behavior during the reporting period |



| GRI Index 2021 - Specific Disclosures | | | | | |
|--|---------------------------------------|------------------------------|---|-------------|------------------|
| GRI Chapter | GRI Standard Title | GRI Disclosure Number | GRI Disclosure Title | Page | Reference |
| GRI 300: Environment Materials Topics | GRI 301: Materials 2016 | 301-1 | Materials used by weight or volume | 40-41 | |
| | GRI 302: Energy 2016 | 302-1 | Energy consumption within the organization | 35 | |
| | | 302-4 | Reduction of energy consumption | 35 | |
| GRI 300: Environment Materials Topics | | 302-5 | Reductions in energy requirements of products and services | 34, 24 | |
| | GRI 303: Water and Effluents 2018 | 303-5 | Water consumption | 40 | |
| | GRI 305: Emissions 2016 | 305-1 | Direct (Scope 1) GHG emissions | 37 | |
| | | 305-5 | Reduction of GHG emissions | 38 | |
| | GRI 306: Waste 2020 | 306-2 | Management of significant waste-related impacts | 40-41 | |
| | | 306-3 | Waste generated | 40 | |
| | | 306-4 | Waste diverted from disposal | 40-41 | |
| | | 306-5 | Waste directed to disposal | 40 | |
| | GRI 308: Supplier Env Assessment 2016 | 308-1 | New suppliers that were screened using environmental criteria | 34 | |



| GRI Index 2021 - Specific Disclosures | | | | | |
|--|---|------------------------------|--|-------------|------------------|
| GRI Chapter | GRI Standard Title | GRI Disclosure Number | GRI Disclosure Title | Page | Reference |
| GRI 400: Social Material Topics | GRI 401: Employment 2016 | 401-1 | New employee hires and employee turnover | 69, 81 | |
| | | 401-2 | Benefits provided to full-time employees that are not provided to temporary or part-time employees | 71 | |
| GRI 400: Social Material Topics | GRI 403: Occupational Health and Safety 2018 | 403-2 | Hazard identification, risk assessment, and incident investigation | 43 | |
| | | 403-4 | Worker participation, consultation, and communication on occupational health and safety | 43 | |
| | | 403-5 | Worker training on occupational health and safety | 44 | |
| | | 403-6 | Promotion of worker health | 70 | |
| | | 403-9 | Work-related injuries | 44 | |
| | GRI 404: Training and Education 2016 | 404-2 | Programs for upgrading employee skills and transition assistance programs | 72 | |
| | | 404-3 | Percentage of employees receiving regular performance and career development reviews | 73 | |
| | GRI 405: Diversity and Equal Opportunity 2016 | 405-1 | Diversity of governance bodies and employees | 67 | |



GRI Index 2021 - Specific Disclosures

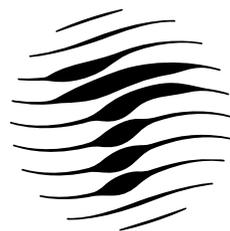
| GRI Chapter | GRI Standard Title | GRI Disclosure Number | GRI Disclosure Title | Page | Reference |
|---------------------------------|--|-----------------------|--|-------|---|
| | | 405-2 | Ratio of basic salary and remuneration of women to men | 67 | |
| GRI 400: Social Material Topics | GRI 406: Non-discrimination 2016 | 406-1 | Incidents of discrimination and corrective actions taken | 71 | In the reporting year, the company did not receive complaints about discrimination |
| | GRI 407: Freedom of Association and Collective Bargaining 2016 | 407-1 | Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk | 69 | |
| | GRI 414: Supplier Social Assessment 2016 | 414-1 | New suppliers that were screened using social criteria | 51 | |
| | GRI 417: Marketing and Labeling 2016 | 417-1 | Requirements for product and service information and labeling | 45 | |
| | GRI 418: Customer Privacy 2016 | 418-1 | Substantiated complaints concerning breaches of customer privacy and losses of customer data | 56-59 | During the reporting period, no complaints were received about customer privacy violations or data loss |



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