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# ESG REPORT 2024

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**ADVANCED DEFENSE SYSTEMS LTD.**

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# Introduction

Rafael, a leader in defense technology both in Israel and globally, employs thousands of dedicated professionals. The Company significantly contributes to the national economy and is committed to enhancing national security. With a substantial number of subsidiaries and a wide-ranging scope of activities, Rafael continues to expand its operations and serves as a pillar of the nation's security and economy.



Approx.

**10,000**

Employees

Over **30**

Subsidiaries  
in Israel and  
worldwide

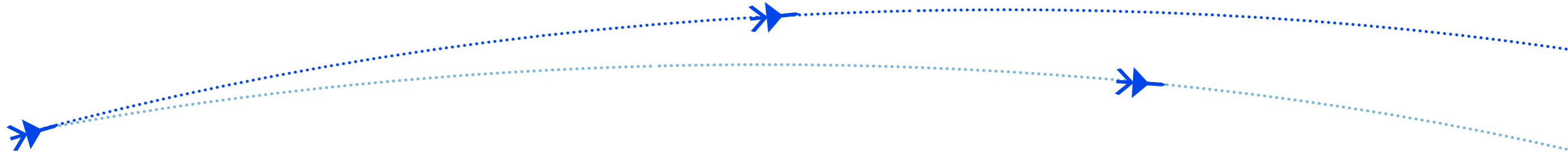
**NIS 12B**

Scope of  
procurement  
in 2024

**NIS 2.5B**

Dividend to the State since its  
transition into a commercial  
business entity

# Message from the Chairman



Since the War of Independence in 1948, Israel has not been engaged in a war of such intensity and duration as the multi-front war that erupted after October 7, 2023. This war involved seven fronts and posed significant threats to the home front. Despite it all, the citizens of Israel have succeeded in maintaining their daily routine during wartime; and most of the time, the majority of Israel's economy functioned almost as usual, under the protection of the Iron Dome system. Children attended school, their parents went to work, manufacturing plants continued their operations and the hi-tech industry continued to thrive. This was made possible, because Israel is fortunate to possess the best interception systems in the world, most of which were produced by Rafael.

More than ever before, the war illustrated Rafael's unique contribution to the security of Israel and its technological superiority on the battlefield. In order to improve the precision and rates of success in the interception of missiles, rockets and UAVs, the company's engineers have worked around the clock and under fire in order to learn and to implement changes. Rafael's systems have even taken part in the success in warding off the Iranian attacks in April and October of 2024, and in Operation Rising Lion in June 2025. Throughout the year, the Iron Dome and David's Sling systems were operational and saved the lives of thousands. The first operational interception by the Naval Iron Dome was carried out, as well as an unprecedented and historic interception - the first time in the world - of dozens of UAVs by an innovative laser systems.

Interception using these powerful laser systems has changed the defense equation. Kinetic interception using missiles costs tens of thousands of dollars, when using the Iron Dome system millions of dollars with the Arrow system, and tens of millions using the American systems such as Patriot 3 or THAAD. Interception using a powerful laser became operational in the IDF in late 2025. Its cost is similar to the cost of electricity, just a few dollars. This is a true revolution and a dramatic change in the equation, transferring the nonproportional costs to the parties that consider attacking Israel.

Taking into consideration the achievements of the war and the confrontational arenas around the world, Rafael has continued to position itself as a global leader in defense and combat systems, at sea, in the air, on land, and in the intelligence and cyber sector. Unsurprisingly, the extensive defense and operational endeavor is also manifested in unprecedented business and economic growth, most of which benefits Israel. Rafael serves as a significant growth engine for the Israeli economy, especially for its north. Our growth provides extraordinary opportunities that are beneficial for the actual rehabilitation of Northern Israel.

On a personal note, I must admit that considering the achievements, I am amazed each day by the company's capabilities, ideas and performance. At the end of the day, the company is the sum of its people. Rafael employs some of the sharpest and most original scientific and engineering minds in the world. At any given time, we are working on approximately 60 projects simultaneously, many of which are related to the future battlefield and to maintaining a technological advantage for years to come. This is accomplished in the spirit of Rafael's ethos and heritage, dating back to the days of Ben-Gurion. To sustain this effort, we are committed to safeguarding the wellbeing of our employees, their security, their professional and personal development, and their needs within the organization, and outside the organization as much as possible. Our people truly are the best, and helping them develop as well as retaining them is the most significant challenge we face.

On my behalf and on behalf of the Rafael Board of Directors, I wish to thank the company's management, its subsidiaries, our business partners, and mostly, our employees and their family members, from the bottom of our hearts. We thank them for their dedication, professionalism, and commitment to the organization and the security of the State of Israel during the difficult days we all are living in. I have no doubt that better days are yet to come.

**Prof. Yuval Steinitz**  
Chairman of the Board of Directors,  
Rafael



# Message from the CEO



## Dear readers and partners in our journey,

The following report reviews one of the most critical and dramatic years in Israel's history, and naturally, it presents our company – Rafael's- activities in defending Israel. From beginning to end, this year featured the continuation of a war that was initiated by a savage attack by Hamas on October 7, 2023; a war that has since expanded to include seven fronts, near and far.

Rafael, whose core mission is to serve as a major pillar in Israel's defense, has made a decisive contribution to achievements in Israel's defense, in creating intelligence capabilities and in offensive operations - both on the home front and the front lines. The systems developed by Rafael have given Israel a significant advantage on the battlefield, saved an unprecedented number of lives, protected the maneuvering forces, provided flexibility to decision makers and the IDF. These activities have provided the leadership of the country and the defense establishment the breathing room needed to achieve the goals of the war, all the while enabling civilian routine to continue.

This year, Rafael has received two Israel Defense Prizes bringing the total number of such prizes to 61 over the years.

Rafael has become a major global defense player during a period of record international demand, with an unprecedented number of orders. Meeting these demands and making our systems more precise, involved extraordinary efforts and commitment on behalf of our employees; they worked in incredibly

difficult circumstances, even under fire, to ensure our customers' needs were being met. All this took place, while a considerable number of the company's employees were conscripted for reserve duty and when many of the employees' families were evacuated from their homes in Northern Israel.

The war required us to work around the clock, reduce bureaucracy and dramatically shorten processes, without compromising quality or safety. At the end of the day, thanks to the remarkable efforts of all those involved, and the significant recruitment of 1,800 new employees, we ended 2024 with record achievements in almost all areas:

- An increase of 64% in the annual net profit totaling NIS 950 million.
- An increase of 27% in sales, totaling more than NIS 17.8 billion – 46% of which was to foreign customers.
- An unprecedented backlog of orders totaling NIS 64.8 billion reflecting 3.6 years of sales – an annual increase of 24%, with half of this amount earmarked for export.

During such a challenging year, I am proud that we have succeeded not only in 'keeping our heads above water' nor in settling for 'more of the same;' Ultimately, we increased our investment in R&D by more than 30% in all divisions, opened a new development center in Hadera, set targets and implemented new processes related to onboarding employees, quality assurance, safety culture, and extensive aspects of AI applications. We introduced innovative technologies for waste treatment and streamlined our environmental policy. You can read about all this and more in this report.

In addition to Rafael's core activities, the report also reviews its contribution to Israeli society and the economy. Rafael is the largest employer in Northern Israel: approximately 10,000 people are directly employed at Rafael, and it supports another 25,000 households indirectly. Rafael's procurement from subcontractors, most of them from the north, totals NIS 4 billion a year.

Since it became a commercial company, Rafael has distributed more than NIS 2.5 billion in dividends to the Israeli government. In this report, you can also read about the thousands of hours of volunteer activity carried out by the employees, in an effort to give back to the community, and particularly using our relative advantage – science education and teaching engineering skills as a means to empowerment and expanding horizons for adolescents, people with disabilities and populations underrepresented in the workforce.

Rafael is wrapping up a record year, but there is more yet to come. We expect continued growth in revenues and sales, and to maintain double-digit growth in the coming years as well. This is evidenced by the company's robustness and the fact that, in 2024, more than 20 countries placed orders with Rafael for systems totaling over NIS 100 million.

Alongside this, we are deepening our strategic partnerships in key target markets - including major deals with European and NATO armed forces, the opening of a new facility in Arkansas for the production of Tamir interceptors in collaboration with Raytheon, representing an investment of tens of millions of dollars, and more.

In the operational-technological sphere, despite the enormous achievements and fantastic percentages of interceptors of more than 30,000 munitions, we cannot be complacent. Our enemy has studied us well – it learns and adapts, and we must understand our enemy in order to dynamically and continually update our solutions. Thanks to the quality personnel, Rafael's uncompromising DNA since its inception, I am convinced that we will succeed in meeting challenges in the future, maintaining technological leadership and preserving our global reputation of quality and excellence.

I wish to thank Rafael's suppliers for their efforts in meeting the complex goals for this year despite the constraints resulting from the security situation in Israel in 2024.

I would like to thank the company's board of directors for supporting the management and the company in overcoming the unforeseen difficulties that arose this year.

And most of all, I wish to praise and deeply thank the employees who demonstrated courage and a willingness to dedicate all of their energy and talents to ensure the country's defense and Rafael's success.

**Yoav Turgeman**  
CEO of Rafael





# Key Milestones During the Reporting Period

## Intensive Operations During a Multi-Front War

Rafael played a central role in high-intensity operations across seven fronts during 2024. This required significant adjustments to operational scale, including round-the-clock activity and the recruitment and onboarding of approximately 2,000 new employees within a single year.



## First Operational Interception – “C-Dome” Naval Air Defense System

In April 2024, the first operational interception using the C-Dome system was successfully carried out. C-Dome is a naval air defense system installed on the Israeli Navy's Sa'ar-6 class corvettes. The interception was conducted in the Gulf of Eilat against a UAV launched from the east, and since then the system has continued to provide effective protection along Israel's maritime borders.



## World's First Operational Interception Using Laser-Based Systems

During the reporting year, the world's first operational interception using laser-based air defense systems was successfully conducted. The systems were developed and deployed through an accelerated process by Rafael, the Directorate of Defense Research & Development (DDR&D / MAFAT), and the Israeli Air Force, resulting in the interception of dozens of hostile targets and contributing to the protection of civilian lives and national assets.



## Israel Defense Prize – “David's Sling” System

The David's Sling air defense system was awarded the Israel Defense Prize, in recognition of its significant contribution to national security and the protection of Israel's citizens, as well as its proven operational performance since October 7, 2023, which helped save many lives.



## Credit Rating Upgrade

In July 2024, based on Rafael's financial and managerial performance in 2023, the rating agency S&P Maalot upgraded the Company's international credit rating to A with a stable outlook—the highest credit rating awarded to an Israeli company.



## CEO Transition

In 2024, Rafael's CEO was replaced: Yoav Turgeman was appointed CEO, succeeding Yoav Har-Even, who concluded eight years in the role.



## New Branch in Hadera

In 2024, Rafael opened a new branch in the city of Hadera, as part of the Company's geographic expansion strategy. The move supports managerial flexibility, increased hybrid work opportunities for employees, and the diversification and expansion of recruitment sources.



# Corporate Responsibility Milestones

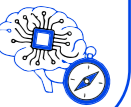
## Advancing Workforce Diversity and Inclusion

During 2024, Rafael defined a multi-year strategic Diversity & Inclusion plan, supported by measurable targets. The program included dedicated training for managers and HR professionals, roundtable discussions with a diverse range of employees across all divisions, the establishment of steering committees with divisional diversity trustees, the development and operation of a dedicated real-time data dashboard, and—for the first time—the integration of diversity and inclusion topics into the organizational engagement survey.\*



## Ethical Principles for the Responsible Use of Artificial Intelligence

In 2024, Rafael implemented ethical principles for the responsible use of AI through the publication of a policy document outlining ten principles. These principles are based on international standards and are embedded within the Company's development processes and risk management framework.



## Human Rights and Social Risk Management

In 2024, Rafael formulated a comprehensive Human Rights Policy, including the publication of statements addressing human trafficking and modern slavery.

This area—covering issues such as the protection of human rights in the age of artificial intelligence, human trafficking, and related social risks—was incorporated into the Company's risk management program and discussed by the Risk Management Committee.



## Deepening the Integration of ESG Considerations into Business Activities

During the reporting year, Rafael further strengthened the integration of ESG considerations into its business operations, including international activities. This formed part of a broader trend toward incorporating social and environmental values into tender and procurement processes, with a particular focus on the UK market.



## Maala Rating – Platinum Plus

In 2024, for the 12th consecutive year, Rafael received Maala's highest rating—“Platinum Plus”—from the Maala organization for corporate responsibility, continuing to lead within the high-tech and defense sectors.



## Certification to Israeli Standard SI 10000

In 2024, Rafael continued to maintain its certification under Israeli Standard SI 10000 for Social Responsibility, reflecting a systematic and responsible approach to corporate responsibility management.



## Promoting Employment of Druze Community Members

In 2024, as part of its annual work plan, Rafael focused on increasing employment from the Druze community. The initiative included roundtable discussions with leading organizations, identifying employment barriers, and developing a tailored onboarding framework with a dedicated toolkit for hiring managers, candidate support, and Druze employee mentors. During the year, dozens of Druze employees joined Rafael, tripling their representation by year-end and exceeding the initial target of doubling their number.

\* Rafael is subject to the workforce diversity targets of the Israeli Government Companies Authority and continues to meet these targets successfully.



# Impact Highlights 2024

## Environment



**27%**  
reduction in greenhouse gas (GHG) intensity compared to 2022



**35%**  
of vehicles are green-powered



Over **NIS 7 million**  
invested in energy-saving initiatives across the organization



**22%**  
decrease in solid waste compared to the previous year



Approximately **80%**  
of hazardous waste at Rafael sites is recycled or reuse



**32%**  
reduction in water intensity since 2022

## Social



**9,588**  
employees, of which ~25.6% are women



**25.3%**  
of management positions held by women



**100%**  
implementation of the Safety Culture Index



Average of **35**  
training hours per employee



**63%**  
reduction in employee turnover compared to 2021



**260**  
job types at Rafael



**60**  
social and community projects across 16 municipalities



**2,500**  
employees volunteering in the community

## Governance



**NIS 444 million**  
dividends to the State



**NIS 950 million**  
net profit



**NIS 1.04 billion**  
invested in internal R&D



**NIS 64.8 billion**  
in order backlog



**84%**  
of suppliers are local



**66**  
board meetings held during the reporting year



# Committed to Israel's Security

Rafael develops and manufactures a variety of systems and platforms - in air, on land, on sea and in cyberspace. These systems are at the technological cutting edge and at the vanguard of operational needs, and are designed to serve militaries and security organizations around the world - first and foremost, the Israeli defense establishment and the IDF.

**61**

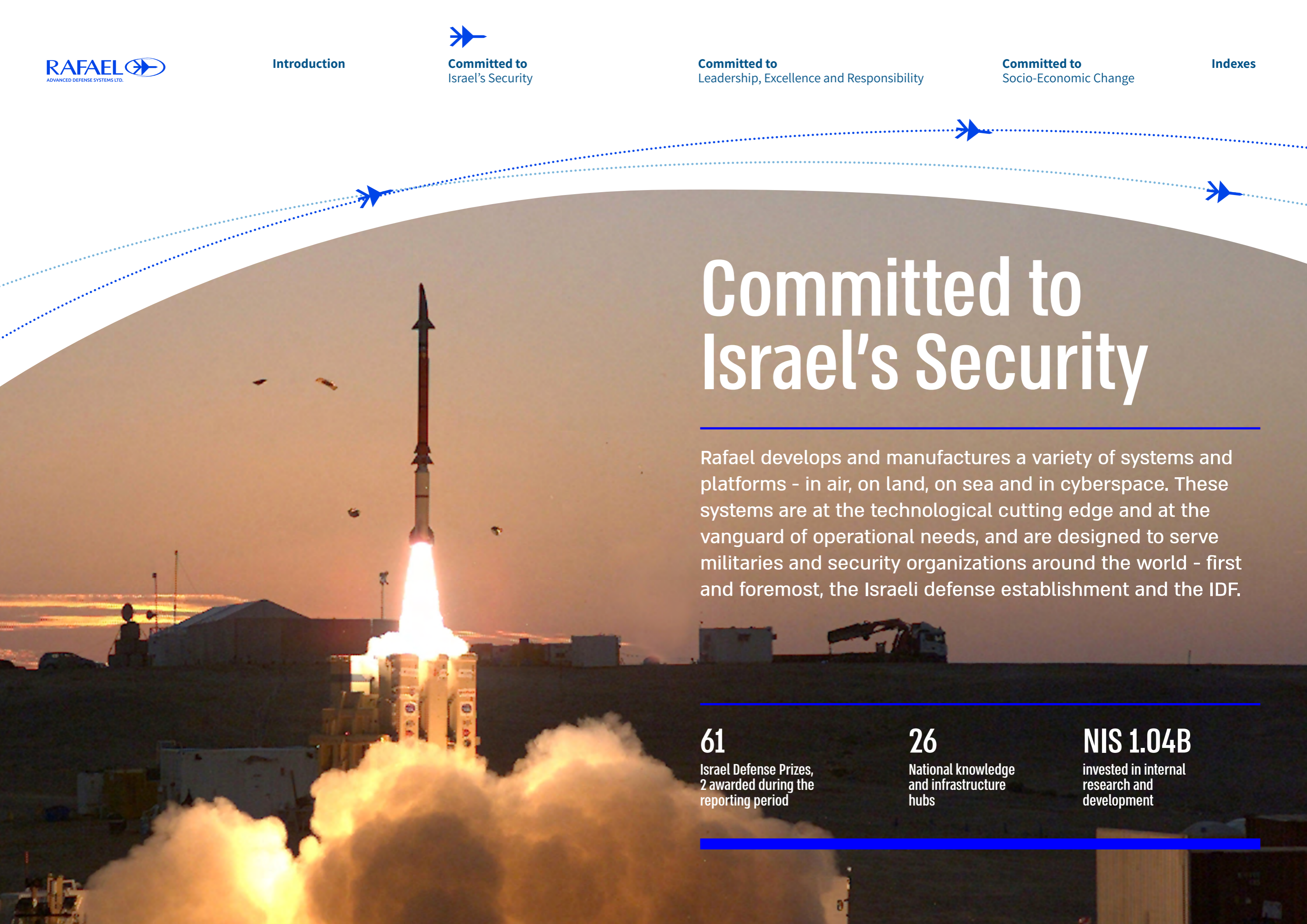
Israel Defense Prizes,  
2 awarded during the  
reporting period

**26**

National knowledge  
and infrastructure  
hubs

**NIS 1.04B**

invested in internal  
research and  
development





# About Rafael

Rafael Advanced Defense Systems Ltd. develops and manufactures a variety of systems and platforms - in air, on land, on sea and in cyberspace. These systems are at the technological cutting edge and at the vanguard of operational needs, and are designed to serve militaries and security organizations around the world - first and foremost, the Israeli defense establishment and the IDF.

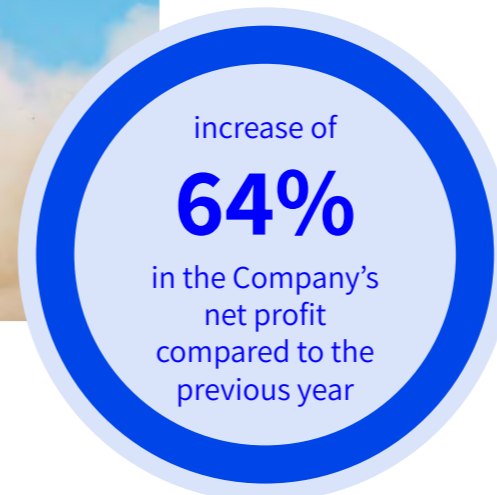
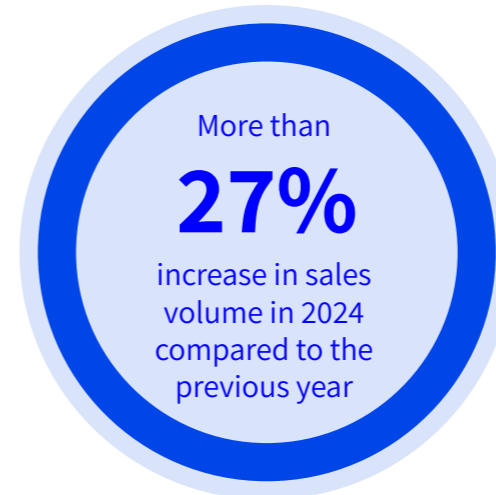
Rafael's groundbreaking technologies and innovative developments played a key role in strengthening the IDF, ensuring its military supremacy, and in the IDF's achievements in Israel's wars - including the Iron Swords War and Operation Rising Lion against Iran.

Rafael was established in the same year as the State of Israel, and has since received, in addition to many international awards, 61 Israel Defense Prizes - two of them for the David's Sling air-defense system and another unique project, in the reporting year.

Since the start of the millennium, Rafael has been operating as a government-owned company, fully owned and controlled by the state, forming a powerful economic growth engine. The Company employs approximately ten thousand employees in its branches throughout Israel, and is the largest employer in Israel's north. Approximately 20,000 additional households also make their livelihood from Rafael indirectly, with an annual procurement volume of approximately NIS 4 billion from subcontractors - mostly from the north.

Every year, Rafael passes on 50% of its net profit to the state treasury. Since becoming a business company, Rafael has distributed to the state dividends totaling more than NIS 2.5 billion - NIS 444 million in 2024 alone.

In July 2024, on the basis of its 2023 financial, managerial and technological results, the S&P international ratings agency raised Rafael's credit rating from A- to A with a stable outlook - the highest rating given to any Israeli company. In addition, Rafael has maintained the highest local credit rating of AAA.il with a stable outlook for a decade now.



## Our numbers for 2024:

Over **30** subsidiaries in Israel and abroad

Approximately **10,000** employees

**NIS 950M** net profit for 2024

**61** Israel Defense Prizes

**NIS 17,846M** Volume of sales for 2024

**NIS 1.04B** in self-funded R&D

**NIS 2.5B** in dividends to the State

**2,500** employees volunteering in the community

**26** knowledge and national infrastructure centers



# Vision, Goals & Values

## Corporate Responsibility Vision

Rafael's declared vision is **to serve as a significant element in the defense of the State of Israel**, as an innovative, growing and profitable global company that develops, manufactures and supports defense systems at the vanguard of operation needs and at the technological cutting edge.

The Company has set itself three **primary goals**:

## Goals



1.

To lead in the development of groundbreaking, advanced defense systems in Israel and around the world.



2.

To continue serving as a national center for defense R&D and as a key element in building the deterrence, defense capabilities and decisive power of the State of Israel.



3.

To be a leading, inspiring destination for excellent manpower in all of Rafael's fields of business.

## Values

These are Rafael's **core values**, in light of which it operates in accordance with its goals:

### Commitment to Israel's Security

Rafael is committed to the security of the State of Israel, and therefore considers the IDF a strategic customer. The Company strives to preserve Israel's clear military and defense advantage in the region and to enhance the IDF's deterrence and decisive power.

### Commitment to Israel's socioeconomical strength

Rafael has set itself the goal of contributing to Israel's economy, both as a profitable company that pays part of its revenues to the state treasury, and in its work with Israeli suppliers, many of them small businesses. It has established branches in Shlomi, Beer Sheva, Teradion (Misgav Industrial Park), Tel Aviv, the Shdema test area (near Makhtesh Ramon), Jerusalem (a special-purpose branch for employing ultra-Orthodox employees) and Hadera.

Rafael will continue concentrating its activity in northern Israel and maintain its position as the largest employer in the region. The Company's former employees have made significant contributions to building Israel's blooming hi-tech industry. Another contribution to the country's social strength is the operation of more than 50 programs, with around 2,500 volunteers, to promote scientific-technological

education, advance disadvantaged communities, assist people with special needs and commemorate the Holocaust.

### People at the center

Ever since its establishment, and over decades, people have formed the most important asset for Rafael, and the main engine of its success and strength. The Company is committed to creating a challenging and meaningful work environment that cultivates its employees' abilities over time, encourages diversity, enhances their connection to the Company and rewards them for their performance and success.

Rafael is committed to providing its employees with the knowledge, tools, conditions and leadership that they require in order to realize their potential and succeed. The Company takes care to act with fairness towards its employees, as an organization that respects and cultivates each and every one of them, as both their professional home and a source of pride.

### The customer comes first

Rafael believes in its ability to create real value for its customers in Israel and around the world. It is committed to continue leading in the development, manufacturing and maintenance of systems, and to provide solutions that assist them in achieving technological

and operational supremacy and realizing their goals. For this purpose, the Company maintains close and constant contact with them, on the basis of fairness, integrity and professionalism, while continuously learning their needs, intentions and the challenges they face, in order to provide full service and support for the Rafael systems that they own, and to develop for them the systems that will provide the solution to tomorrow's challenges.

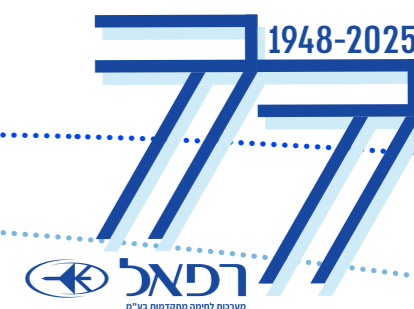
### One Rafael

Rafael's various divisions cooperate and contribute to each other, in order to promote the Company's development, systems, interests and goals. The Rafael spirit upholds joint responsibility, teamwork, uncompromising quality and professional ethics. Collaboration is performed under management-leadership direction, creating shared goals, minimizing barriers, increasing transparency and giving preference to projects that combine capabilities and systems from different fields.

The "One Rafael" principle - a key strategic process conducted in the Company in recent years - holds that synergy in regular work, which is often operating in a matrix structure and cross-organizational, is a power multiplier. Therefore, instead of carefully defining boundaries, it is more appropriate to maximize as much as possible internal collaboration within the organization.



# Milestones in Rafael's Development





# Divisions and Selected Systems

Under its divisions, Rafael develops and manufactures air, sea, land, space and cyber systems, and offers a wide variety of innovative solutions that are at the technological cutting edge globally - most of them with a proven operational record. The Company operates in the military and non-military defense market with a wide range of customers in Israel and around the world.

## Air-Defense Systems Division



In the midst of a multi-front war, with many launches targeting the Israeli home front, Rafael's air-defense systems save lives, allow maintaining an emergency routine in the homeland, and provide decision-makers and active forces with breathing space. The two main systems, David's Sling and Iron Dome - the later having been adjusted to be launched from sea vessels and to neutralize drones - have changed the nature of war and the defense concepts, with a three-layered solution for defending the home front, infrastructures and strategic sites, as well as maneuvering forces. These systems are modular (open architecture), allowing integration with other systems, including individual components such as radars and C&C centers.

### David's Sling

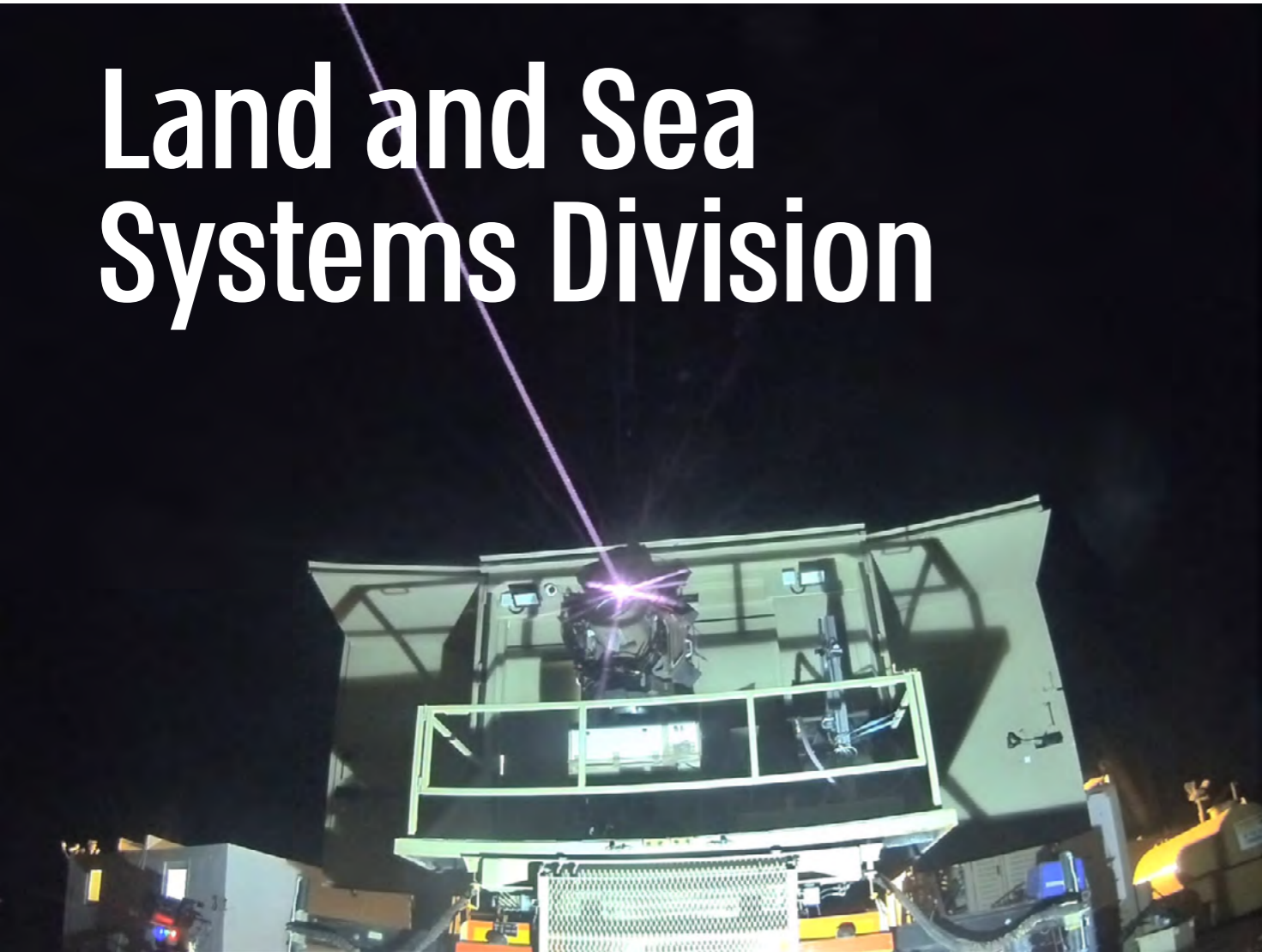
David's Sling is an air-defense system for intercepting medium-range missiles and a variety of other arial threats. The system was developed in cooperation with the US Raytheon corporation, and includes a radar for identifying and tracking threats, a C&C system for optimal mission planning and launchers. The interceptor is highly maneuverable thanks to its one-of-a-kind multi-pulse motor, and destroys the threat by direct impact. In 2017, the system won the Technology Pioneer Award of the US Missile Defense Agency (MDA). In May 2023, the system performed its first operational interception. **In 2024, in light of its performance in the Iron Swords War since its onset, and also against complex threats, the system won the Israel Defense Prize.** Outside Israel, the system is integrated into NATO's air-defense system, with Rafael sharing its knowledge with local companies in relevant countries. In November 2023, a significant transaction was signed to sell the system to Finland.

In 2024, in light of its performance in the Iron Swords War since its onset, and also against long-range threats from Iran, the system won the Israel Defense Prize.





# Land and Sea Systems Division



Rafael's systems provide protection for maritime vessels in sea and on shore, shore-adjacent assets of national importance, the exclusive economic zone and the maritime front as a whole. The solution is multilayered, comprehensive and integrative - perimeter defense, area defense and undersea defense - with anti-drone and anti-UAV solutions, solutions against fast boats as well as torpedo defense for submarine and surface vessels. These are based on Rafael's systems and core capabilities, which have been adjusted to the naval arena, and integrate a variety of technologies with extensive operational experience, in Israel and around the world. Rafael was one of the global pioneers in controlled maritime weapon stations, and constitutes a unique national knowledge center in the field of underwater acoustics.



## Iron Beam

The Iron Beam system is a powerful ground-based laser weapon system in the 100kW category. It is expected to be the first operational system of its kind anywhere in the world, for defense against various aerial threats, directly hitting the target at the speed of light. In 2022, Rafael and the Directorate of Defense Research and Development completed a series of trials, in which rockets, anti-armor missiles, mortar shells and UAVs were successfully intercepted in a variety of scenarios. In December 2022, a collaboration agreement was signed with Lockheed for the joint development, testing and manufacturing of the system in Israel and the US, with the purpose of offering an operational version for the US market and other markets. In May 2023, Rafael presented a naval version of the system. **In 2024, Rafael signed a contract with the Ministry of Defense for significant procurement of the system, in anticipation of the completion of development.**

This family of systems also includes Lite Beam - a 10kW laser-based, light-weight, mobile defense system, for tactical use by maneuvering forces.

Rafael's line of laser defense systems, all of which have proven technological efficiency and have underwent complex tests facing a



wide range of threats at different ranges, is a breakthrough in the integration of laser technology, and sets a new standard in the field of air defense and defense of forces.

## Naval Iron Beam

This Iron Beam derivative is designed to defend ships at sea and at port, as well as shore assets, from a variety of threats. The systems' capabilities, which include the ability to face massive barrages of several missiles at the same time, constitute a significant addition to the navy's ability to defend strategic assets and the exclusive economic zone. The system is installed in Saar 6 corvettes, and adds to Israel's multilayered defense system, which is considered globally groundbreaking. It constitutes a significant element in the self-defense and area defense systems of naval vessels, and is a breakthrough in defense capacities in the exclusive economic zone, contributing to Israel's naval supremacy in the arena. **In April 2024, during the Iron Swords war, the navy conducted in the Gulf of Eilat the first operational interception using the system, and ever since, it has continued defending Israel's territorial waters, with additional successful interceptions.**



## Trophy

Trophy is the first active defense system of its kind to enter operational service, and the only one to have proven continuous combat ability. The system was developed by Rafael, and was first successfully demonstrated on the Leopard tank in Germany. Since then, integration or demonstration tests have been completed on 16 different platforms, including the Merkava 3 and 4 tanks, Namer APCs, Abrams tanks of the US Army, and Challenger 3 tanks of the UK Army (in a version customized by UK corporation Pearson Engineering, which Rafael acquired in 2022). The first operational interception was performed in 2011, on the Gaza Strip border. In 2014, the system was awarded the Israel Defense Prize, and in 2019 it was chosen by global magazine Forbes as one of the 12 defense systems transforming the decade. At present, the system defends IDF soldiers with great success, in all fronts, against anti-armor missile threat.





# Air-Defense and Intelligence Systems Division

The Air-Defense and Intelligence Systems Division develops and manufactures a wide variety of air-defense and intelligence systems for offense and for closing the kill chain, enabling optimal synchronization between fighting teams on the ground and in the air. These include: advanced air-surface systems (including precision guided munitions), electro-optical systems (including visual intelligence gathering and autonomous UAVs), communication and information systems, space and advanced cyber solutions.



Information on additional systems of Rafael Advanced Defense Systems is available on the [Company's website](#).

## Manor Advanced Defense Technologies Division

The Manor Division develops missile engines, propulsion systems - including space - warheads and pyrotechnics and naval means of deception.

## Operations Division

This division is responsible for all of Rafael Systems' manufacturing and procurement, realizing the optimal supply chain for the business Divisions. In addition, it is responsible for Rafael's infrastructures and logistics system, and thereby enables the Company to meet all of its technological, defense and operational targets, while setting and optimizing cross-organizational processes, and more. The Operations Division is the first and last step in all of Rafael's processes.

## Research, Development and Engineering Division

This division integrates R&D activities with advanced capabilities in fields such as image processing, mechanisms, combat intelligence, cybersecurity, electronics, microelectronics, software, aeronautical engineering and more. The Division expresses the organization's core R&D capabilities and enables realizing advanced technologies and capabilities.

## Ordnance Division

This division serves as the center for national infrastructures and systems, and includes, among other things, the national testing system, the Military Research Center and the Electronic Warfare Simulation Center.

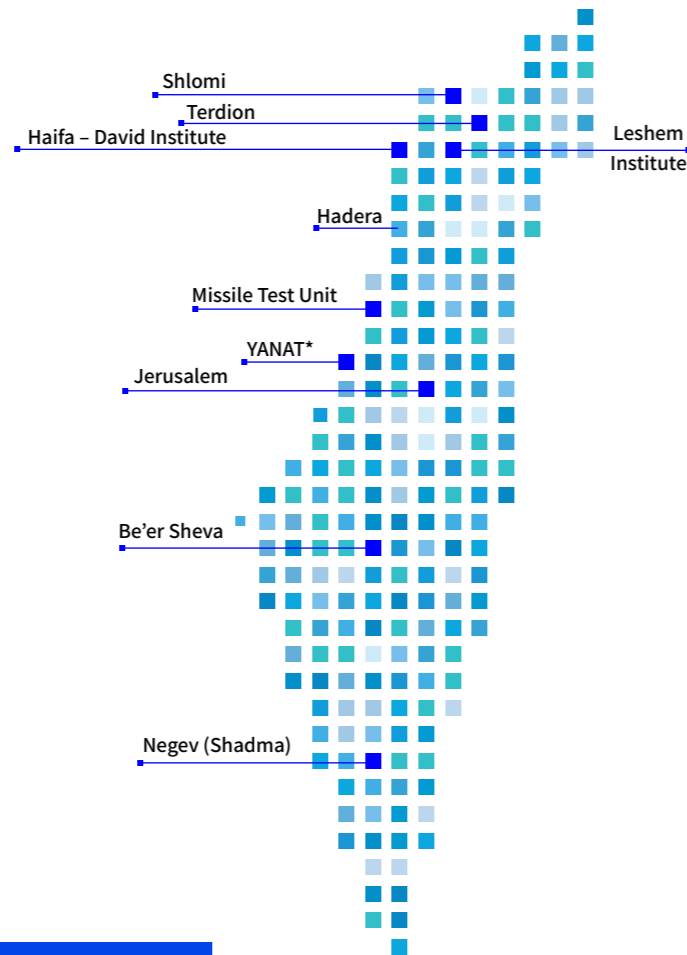




# Local and Global Deployment

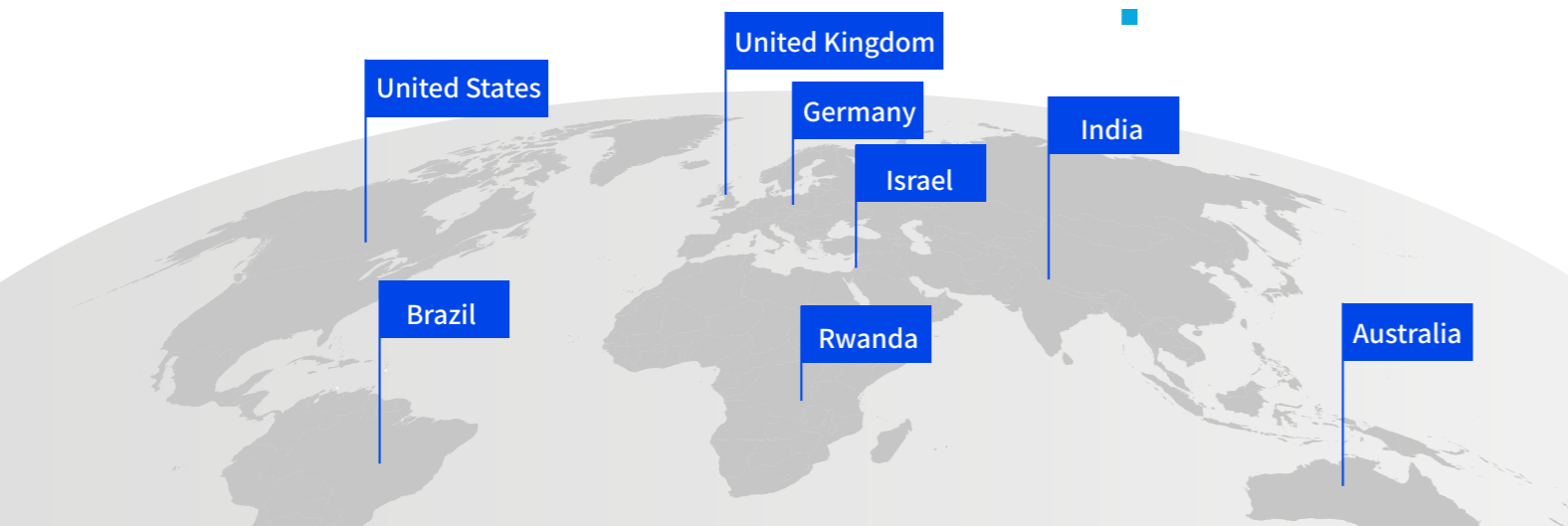
## Sites in Israel

The spread of Rafael's campuses and branches throughout the State of Israel reflects its significant presence in the geographical periphery, on all that this implies with respect to creating high-quality sources of employment. Together with these, the development centers in large cities successfully compete with the leading hi-tech companies in Israel and around the world, over the best minds in a variety of fields and technologies.



## Representative Offices Worldwide

The representatives focus on promoting and marketing Rafael's systems, continuous and close contact with customers, getting familiar with local defense and security needs, and integration in the ecosystem. The representations are dynamically deployed, changing in accordance with geopolitical analysis focused on identifying business potential and long-term marketing efforts.



# Subsidiaries

The contribution of Rafael's subsidiaries in Israel and abroad to the parent company's results has been increasing, and their establishment constitutes an important component of the organizational strategy. The companies operate in a variety of military and civilian fields - from advanced C&C and navigation systems, to observation balloons and electro-optical capabilities, to medicine. The collaboration with subsidiaries allowed

preserving and sharing knowledge, maximizing R&D potential with feedback between civilian and military technologies, as well as joint marketing of capabilities, with synergy and relative advantages. This is especially true with respect to global competitiveness, by offering high value in localization and the ability to transfer knowledge to destination countries.

Europe	South America	North America	Far East	Israel
RAFAEL  UK	Rafael Latino	RAFAEL  USA INC.	RAFAEL  FAR EAST	Aeronautics
RUK		RSCS	RAFAEL  AUSTRALIA	scl  mPrest
PEARSON ENGINEERING		PVP  ADVANCED EO SYSTEMS	RAFAEL  INDIA SERVICES	AccuBeat  CIELO
DND		4ATS	SPEARHOME	רפאל קרנפיט  SHILAT OPTRONICS
Euro Spike		R2S	SMART Systems Pte Lt	M  ISIT SOLUTIONS
EuroTrophy			RAS	RDC  Amarel
PAP			ARC Astra Rafael Comsys Pvt. Ltd.	Gal-El  Shafir Production Systems
			VRA SYSTEMS	



# Strategic Partnerships

As part of its organizational culture, Rafael establishes partnerships with governments, and in particular with leading industrial companies around the world. These allow the Company to leverage and maximize its technological knowledge in a competitive environment. In addition, in light of considerations such as preference for local manufacturing and various security restrictions -

Rafael's subsidiaries, mergers and collaborations around the world serve as a force multiplier for the company, in accessing tenders and in saving costs. This is particularly true when often, securing an order from a foreign company requires Rafael to conduct direct or indirect mutual procurement there, in significant volumes.



# Expanding Business Activities in The UK

The UK constitutes a clear example of Rafael's collaborations and subsidiaries - particularly around the Pearson Engineering acquisition. This British company specializes in the design, manufacturing and maintenance of combat engineering equipment, in particular for heavy vehicles and heavy engineering equipment.. Upon its acquisition in 2022, Rafael made sure to preserve the company's existing administrative and operational structure, while conducting mutual technological enrichment.

In addition, Rafael's combat-management and air-control systems are integrated in various projects of the UK Ministry of Defense, and are also integrated in the air-defense systems of the UK, NATO and Europe.

The cooperation with the UK constitutes a key element in Rafael's international activities, and require meticulous compliance with ESG standards and EU and UK regulations, as a basis for participating in complex international tenders.





# Innovation in Rafael

As an organization developing defense and combat systems that rely on globally leading technologies, Rafael invests significant resources in R&D. Rafael's organizational DNA is based on thorough and extensive technological knowledge that includes theoretical aspects, practical knowledge and groundbreaking engineering and technological applications. The Company employs internationally-renowned researchers who enable it to develop peerless capabilities.



The innovative components of Rafael's R&D program are expressed in many projects. Each of the Company's dozens of technological centers has a multi-year development plan. The plan is regularly updated based on technological developments, to always stand at the vanguard of knowledge.

Together with concrete military technologies, the knowledge centers also deal with subjects such as: artificial intelligence and analytics, computer vision, quantum technologies, autonomous systems and robotics, electro-optics, laser, miniaturization and advanced materials. 26 of the centers operate in the framework of national infrastructure and knowledge centers for the State of Israel and the Ministry of Defense, and are defined by the latter according to criteria of technological leadership.

The Gazit Institute, which conducts advanced and practical intelligence research on different subjects, works under a strategic partnership between Rafael and the IDF Military Intelligence Directorate. The institute's purpose is to expand the boundaries of intelligence research and to observe potential future and long-term developments, including social aspects, using AI and data science tools.

Rafael's R&D department is responsible for securing the Company's technological leadership in areas that contribute to the operational need, with an emphasis on long-term research on subjects defined as high-risk. The department's professionals observe the different knowledge centers and ensure that these are synchronized and "talk" to each other in a multidisciplinary approach - a critical element in modern systems.

# Rafael's Continuing Contribution to Israel's security

Ever since its establishment in 1948, Rafael has made a decisive contribution to preserving Israel's technological-defense edge and in providing a solution to the security threats facing the nation. This contribution is expressed in a variety of defense and combat systems that are based on a tradition of decades of groundbreaking technology, creativity, boldness and innovation.

Rafael's largest customers are part of the Israeli national defense establishment and the systems developed by the Company protected, every day, in routine and during war, the lives of the citizens, security forces and critical infrastructure of the State of Israel. The 61 Israel Defense Prizes awarded to Rafael are a testament to that. In the present war, on the 76th Israel Independence Day, Rafael was honored by lighting a torch.

## Business continuity and emergency preparedness

As a critical supplier of the IDF and the security forces, Rafael's continuous operation in routine and in emergencies is crucial to the security of Israel. The Company is committed to regulatory requirements in this field - with an emphasis on the requirements of the Ministry of Defense and the IDF, as well as Israeli Standard SI 24001 Organizational Resilience Management System, as Israel's largest and only company certified for this standard - and operates pursuant to the BCP (Business Continuity Planning) approach, which requires formulating a designated plan.

The Company's policy on this subject is designed to provide a solution to different threats, including security events, natural disasters (earthquakes, tsunamis and climate disasters) and substantial damage to infrastructure and energy. The policy refers to deterrence, prevention and protection, response, operational continuity and recovery.

The emergency management system is responsible for the security and safety of the organization's employees, adjusting the infrastructure to different situations, determining threshold maintenance requirements and setting goals and objectives for improvement. The policy is well-integrated among managers, workers and all stakeholders through procedures, exercises, content on the organizational intranet, the website, various publications

and training. The policy is reviewed from time to time, and is adjusted and calibrated according to the changing circumstances. Together with this, an annual work plan is in place that includes updating procedures, audits, exercises and investments in improving infrastructure to be ready for emergencies.

The Emergency Committee, whose members are seniors from all of Rafael's units, convenes several times a year. It deals with promoting preparedness and response processes in terms of civil defense, raw material inventory, identifying critical suppliers and functionaries, business continuity planning which includes inter alia appointing officers in divisions, as well as supply and maintenance of products.

The Rafael control center provides an up-to-date picture of the facilities and employees in routine times and in emergencies. It activates the relevant forces, builds a picture of the situation and reflects it from the ground to the managerial ranks and to outside factors in defense and security forces.

The Emergency and Rescue Department utilizes professional, diverse and innovative tools to ensure the ability to prevent harm to people, property and the environment. These include medical evacuation vehicles with response capabilities identical to an emergency care ambulance, an advanced medical simulator for self-training of medical teams, means for dealing with hazardous materials events, means of evacuation, communication systems, advanced personal protective gear and the Leviathan firetruck, the largest of its type in Israel, which often helps in firefighting operations in the Haifa area and beyond.

To reinforce the connection with the relevant external entities, work meetings and joint exercises are regularly held. These integrate Rafael's advanced capabilities, such as a robot for dealing with explosive parts, removing unexploded ordnance, scanning buildings and operating cameras without risking lives.



# Rafael in the Iron Swords War and Operation Rising Lion Israel's security

The intense multi-front war, the longest in Israel's history, which started on 7 October 2023 and continued throughout the reporting year, has required Rafael to recruit resources extensively, expand manufacturing and increase R&D, trials, and learning and drawing lessons from the ground. Naturally, it has had a deep impact on all systems, in the manner described in the following sections.

As a company that forms a significant part of the security of the state, and as a company that develops advanced defense systems and weaponry, Rafael, on all its divisions and systems, found itself facing unprecedented challenges. This is particularly true when a significant part of its manpower (peak of 15-20%) was called for reserve duty.

All this took place when the Company was already dealing with an unprecedented order backlog from its customers around the world, and a total order backlog that for the first time exceeded ILS 60 billion. Thanks to the sincere efforts of each and every employee, the sales volume recorded in 2024, an increase of more than 27% compared to the previous year, with no delays in supply. Despite the intense war, Rafael maintained continuous contact with its customers abroad and continued to develop its overseas business. The procurement, logistics and manpower efforts never ceased, to ensure the continuity of operations during the war and looking forward to upcoming years.

Together with the difficulties - such as the shortage in manpower in the marketing system and the need for constant mapping of risks and their immediate management (in light of the concern of delays in orders and prioritizing supplies to Israel) - opportunities were also identified. First and foremost: Proving the operational readiness, efficiency and successes of Rafael's systems, which contributed to accessing new markets.

**The main urgent objective in the war** was fully supporting the Israeli national security establishment and the IDF while adjusting the supply, significantly increasing manufacturing systems, and R&D for new solutions. At the same time, Rafael supported the war effort in IDF bases and staging areas by operating and putting systems in use, identifying needs and providing immediate solutions, while continuously upgrading the systems and integrating new operational capabilities. All this was synchronized with the other needs, missions and customers, while fully complying with quality and safety standards.

The organization's business continuity plan (BCP) was implemented in all aspects, immediately upon the breakout of the war. To meet operational and supply demands, critical systems have been changed to work in shifts throughout all hours of the week, and even on the weekend. This required diverting and maneuvering manpower between divisions, flexibility regarding remote work conditions, adjustment of the shuttling and catering systems, and more. In order to work around the clock, manufacturing line shifts were backed up with engineers from the various divisions, and through fast recruitment to the Company. At the same time, the issue of civil defense and protecting the Company's employees became ever more important, particularly in light of the location of the sites in regions under threat in Israel's north.

**In terms of human resources**, as foregoing, a large part of the Company's employees were called for reserve service, creating an urgent need for backup. At the same time, Rafael's employees fully dedicated themselves to work in the Company and the community, in an impressive manner. In addition, work procedures and tools were adjusted in order to ensure operational continuity. Among other things, different emergency procedures

were approved, comprehensive solutions were provided to employees' needs, including assistance to those in reserve service, regular contact was kept with family members, and solutions were found for children without school or kindergarten, resilience meetings were held, the intra-organizational communication management was enhanced and strengthened, and administrative tools for maintaining routine at a time of war were provided. On all these subjects and more, see below for more details.

**Financially**, Rafael's Board of Directors instructed the Company's management to improve the Company's liquidity and to maintain high cash balances, due to the need to ensure sufficient financing for regular activities. Some of the key actions taken for this purpose include: an ILS securities issue, diversifying credit sources, increasing guaranteed credit lines and finding approved credit lines that are not used in a significant scope (together with a high level of willingness on the part of banks).

## We Are All One Strong Light

To celebrate the holiday of Hanukkah, Rafael placed the Iron Beam menorah at the David Institute, symbolizing the triumph of the innovation and resilience of the people of Israel over their enemies, and the miracles and wonders of the previous year, and those to come.

The menorah, built by Rafael's workers, consists of 9 ordnance containers symbolizing the Tamir missile - the Iron Beam interceptor, and rises to a height of 4 meters.





# Committed to Leadership, Excellence and Responsibility

**Platinum  
Plus**

For the 12<sup>th</sup> time  
consecutively in the  
"Maala" rating

**NIS 60M**

Environmental  
investments over  
the last 4 years

**15**

Management  
systems  
who quality  
marks were  
complied with

**100%**

Participation in  
training on the Code  
of Ethics and the  
Prevention of Bribery  
and Corruption



# Our Corporate Responsibility

Corporate responsibility is an integral part of Rafael's business strategy in line with its mission, vision and values.

The Company's management and board of directors consider it an integral part of the organizational DNA, part of the Rafael Story, as expressed in its ongoing activity and periodic reports. It includes aspects related to ethics and compliance, corporate governance, environmental protection, safety, investment in the Company and the community, responsible supply chain and a respectable, comfortable, enabling and inclusive work environment. In terms of its performance in these aspects, Rafael is

considered a leading company in Israel and serves as center for knowledge and expertise in implementing processes, such as: responsible and transparent procurement management; creating and maintaining a mechanism to supervise the contractor's rights; ongoing dialogue with stakeholders, environmental protection; social and economic development of neighboring communities.



# Corporate Responsibility Vision

Rafael serves as a main pillar in the security of Israel. Consequently, it has developed a sustainable strategy to ensure its defense, social, economic and environmental resilience. The Company is committed to creating a connection and dialogue with stakeholders, employees, customers, partners and suppliers, the authorities, communities and Israel as a country, with an emphasis on its security. All this while maximizing the value, professionalism and technological innovation, and safeguarding the highest norms and standards in the world.



**12**

In 2024, for the 12th consecutive year, Rafael received the highest possible rating by the MAALA the Israeli organization for social environmental responsibility – Platinum Plus. Rafael was the first government company to receive this prestigious rating.

# Corporate Social Management System

The management system for the fields of ESG (Environmental, Social and Governance), is anchored by the standards of the Israel Standards Institution and the Company's procedures, and is comprised of a list of processes and initiatives that pertain to the Company's commitment to its stakeholders and the environment. The central activities related to these aspects are detailed throughout this report.

The Senior VP of Regulation, Administration and Communications is in charge of the aspects of the Company's corporate responsibility, reflecting Rafael's management commitment.

The Company's corporate responsibility administration authorizes the activity model, coordinates the various initiatives, conducts activity related to reciprocal learning and makes information regarding the performance in the relevant fields accessible. The goals and targets are defined in the work plans of the managers of the various fields.

The corporate responsibility steering committee provides the managers with knowledge, tools, resources and the authority to implement various aspects as part of their position. Once a year, the Company's ESG performance are presented to the management and board of directors.

In 2024, as part of the Company's periodic controls, an audit of the corporate responsibility team was conducted

by the internal control unit. It investigated and assessed it, according to accepted professional standards, including the effectiveness of the Company's strategy for this field, as well as the work plans for the environmental, social and governance responsibility fields, including preparing for future trends.

Among the subjects evaluated and found to be in good shape in the audit report, that was approved by the CEO are: reporting about ESG subjects to the board of directors, establishing and operating an ESG steering committee, offering training on the subject of ESG policy and procedures; appointing a supervisor to prevent work exploitation and sexual harassment; promoting employee health; steps to identify and address environmental influences; ESG reporting and discovery documents; due diligence reports for supply chain suppliers; and investment in employee retention and development.

The control unit has come up with recommendations with regards to gaps that have arisen, and in their spirit, during the reporting period, spearheaded by the CEO, several processes were promoted. These included the publication of the policies and an annual declaration (published in January 2025) regarding human trafficking and anti-slavery, including fields that are part of conflict minerals regulation. For further information, see the chapters on human rights and diversity and inclusion.



# Memberships in Organizations

Rafael takes an active part in promoting ESG principles as part of its membership in leading organizations and institutions in this field in Israel and around the world, including:



The Maala Organization that promotes corporate responsibility in Israel.



Transparency International Israel – SHVIL



The Israel Standards Institution



Association of Corporate Counsel (ACC) – the international organization for internal legal consultants



The Israel Manufacturers' Association



ACC Israel's security forum and tender forum – spearheaded by representatives of Rafael's legal office



The Israel Society of Quality



INCOSE IL – International Council on Systems Engineering



International Aerospace Quality Group – IAQG



TRACE – Transparent Agents Contracting Entities – an organization dedicated to promoting international business transparency, preventing bribery and corruption, compliance and good governance



The International Forum of Business Ethical Conduct – IFBEC, which incorporates the world's leading defense companies, and is engaged in creating international standards on subjects related to ethics and compliance.



Transparency International

# Dialogue with Stakeholders

Rafael publishes its performance in ESG related fields in a consolidated manner, using an international reporting method, as part of its corporate responsibility reports.

Department managers in relevant fields who handle relevant inquiries are responsible for the ongoing dialogue with the stakeholders. The dialogue is conducted in a responsible manner, which ensures privacy and confidentiality of the information. For this purpose, we have created policies and procedures to handle breaches and annual training of the employees. **In 2024, no cases of information leakage or breach of customer policy were reported.**

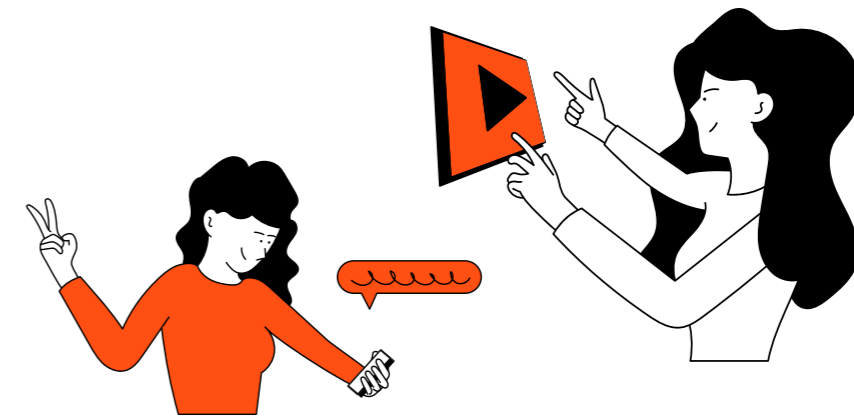
## Our Primary Stakeholders

- Employees** – Rafael is in constant dialogue with its employees throughout their entire time at the organization – from recruitment to termination of employment, and its philosophy is ‘the employee comes first.’ Surveys are distributed on a regular basis to the employees and receive a high level of response and serve as tools for the managers to provide feedback and to implement programs.
- Customers** – Rafael attributes importance to loyalty and commitment toward its customers and strives to provide them with optimal value in terms of solutions, products and service, while complying with the rules that protect the Company’s core assets and its economic resilience. We work hard to build long-term relationships based on trust, integrity and mutual respect. The dialogue is conducted before, during and after the systems are provided. Rafael provides solutions to the customers’ needs as they arise, including ESG – related questionnaires.
- Community** – We are proud to be a part of Israeli society and work responsibly vis-à-vis the community and the environment. We encourage activities that support the community and investment in it, both on an organizational level and on the part of the employees on an individual level. Rafael operates a variety of projects in the community, and annual work plans are designed in consultation with the local community partner, from initiation to implementation.
- Regulators** – Due to the nature of the systems and the sensitive field of activity, Rafael is subject to extensive regulation, both by the Governmental Companies Authority and by safety and environmental bodies. The Company operates in a thorough and consistent manner to adhere to all these aspects.
- Suppliers** – The Company’s suppliers are a business partner for success, and Rafael maintains ongoing contact with them, including through a designated area for them on the portal for questions. As part of the quality surveys conducted by the Company with its suppliers, it initiates joint improvement policies and training programs to develop them. In many cases, Rafael serves as a critical and significant customer for the supplier. This is the Company’s opportunity to strengthen the suppliers on quality, safety and employment indices, as well as the retention of quality suppliers over time. Development of suppliers is part of Rafael’s core procurement strategy, and it invests considerable efforts in improving work processes, strengthening relationships with the suppliers and supporting their growth. Approximately 74% of the Company’s project procurement is conducted with local suppliers, which reflects Rafael’s commitment to the local industry and to the development of a sustainable supply chain.
- Partnerships** – As part of its commitment to Israel’s security, Rafael is in close contact and ongoing collaboration with the Defense and Foreign Ministries, defense institutions, Israel Land Authority, and other governmental bodies. These partnerships include defense, operational, environmental and community aspects.

## Spokesperson’s Department

The Spokesperson’s Department is responsible for strengthening the dialogue with stakeholders from Israel and overseas. Its activity stems from the Company’s vision and covers four key content areas:

- Business Activity** - Promoting the Company’s business operations, including international marketing endeavors, deals and comprehensive publication of quarterly financial statements to position Rafael as a growing enterprise.
- Technological Leadership and Development** - Collaborating with technology divisions to highlight significant milestones and achievements, in the fields of development, while positioning the Company as a global technological and innovative leader.
- Social and Economic Leadership** – Reporting community involvement, such as contributions to the peripheral communities, promoting technological education and recruiting and training underrepresented populations, on various media and social networks.
- Employer Branding** - Locating personal stories to be posted, in order to create a positive organizational image for the organization and its employees and a desire to take part. Another goal is to encourage the best and most suitable candidates in the work market and among students, to interest them in a career at Rafael, and to foster pride to retain existing employees.



## Marketing, Communications, Sponsorships, and Advertising

As a government defense entity, Rafael's advertising initiatives are limited, targeted, and closely monitored. The focus is predominantly on prominent professional exhibitions and campaigns.

The marketing materials that are presented to customers are subject to the internal authorizations of marketing communications personnel at the Company, the CMO and senior VP of Business Development and the Security Unit, as well as approval from the Export Supervision Division at the Ministry of Defense.

Publications and advertisements in professional defense-related magazines require coordination with all relevant

bodies across the organization and divisions, security approval and, if necessary, the involvement of licensing and supervisory authorities. Sponsorship requests are submitted through a committee dedicated to this subject.

Marketing representatives also make sure that the materials comply with the local laws. The digital assets that are externally visible, such as the global website and websites operated by select companies, are overseen by the organizational security and cyber protection divisions, ensuring the procedure is followed.



# ESG – Material Topics for Reporting

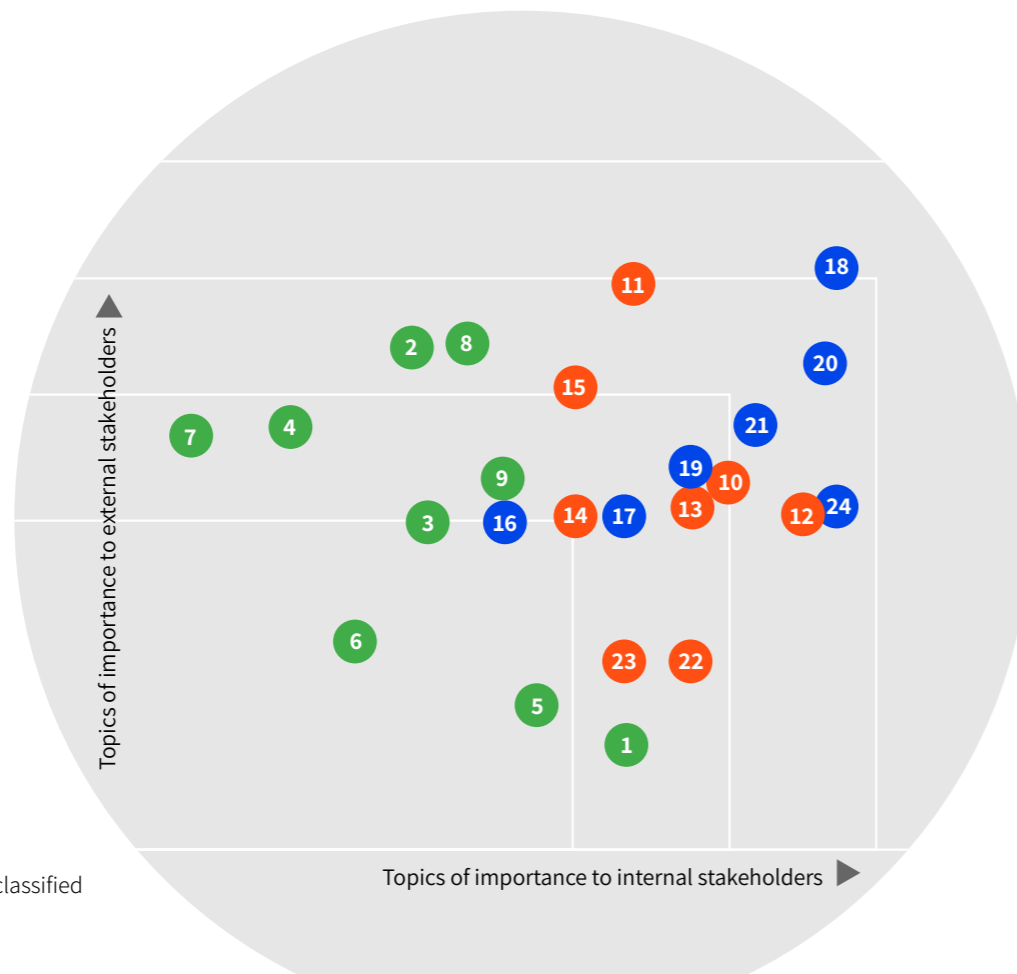
In 2024, Rafael completed a comprehensive process of examination and updating of the corporate responsibility strategy, using an international methodology based on GRI and SASB. It considers the regulatory changes, customer requests and the Company's determination to safeguard its position as a leader in the various fields.

This process included an analysis of global trends in the sector, research based on the ESG rating institutions and international investors interest points, in-depth learning with Israeli and foreign companies in related fields as well as subject prioritization questionnaires distributed to the stakeholders.

The following report addresses all the disclosures defined as "core" – material subjects in the organizational strategy – and specifies additional indices based on the analysis' principal findings.

## Materiality Map

- Environment
- Social
- Governance



### Environment



- 1 Energy management
- 2 Reducing carbon and managing greenhouse gas emissions
- 3 Environmental management
- 4 Advanced and responsible environmental resource management
- 5 Water and sewage
- 6 Preserving biodiversity
- 7 Climate change – adaptation and mitigation, climate risks management
- 8 Circular economy and waste
- 9 Sustainable operations

### Social



- 10 Diversity and inclusion
- 11 Safety, health and employee welfare
- 12 Human rights
- 13 Fair working conditions for employees
- 14 Connectedness and partnership with communities
- 15 Employee connectivity and retention
- 16 Responsible supply chain
- 17 Technological innovation and digitization
- 18 Information privacy and cyber protection
- 19 Business ethics
- 20 Prevention of bribery and corruption and compliance with the law
- 21 Product quality and safety management, accountability, and customer service
- 22 Corporate governance
- 23 Financial performance
- 24 Business continuity

### Governance





## E Environment

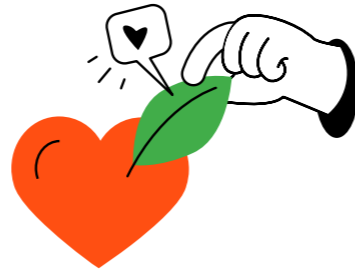


### Sustainable Operations

Investment in initiatives to reduce the company's environmental impact and focus on the preservation of resources, reduction in water and wastewater, effective management of energy consumption, reducing various types of waste and implementing the concept of a circular economy.

### Reducing Greenhouse Gases and Management of Emissions

Monitoring and measurement of greenhouse gas emissions, those emitted directly by the Company (scope 1), and those resulting from its electrical consumption (scope 2), with the intention of reducing their scope.



## S Social



### Protecting Human Rights and Fair Working Conditions

Guaranteeing the rights and appropriate employment conditions and ensuring that they are upheld throughout the supply chain, as a significant consideration in entering into agreements with suppliers.

### Employee Safety, Health and Well-being

The Company's requirements are higher than the legal and regulatory requirements and involve risk assessment, work plans and support systems. The organizational culture considers safety as a way of life for all its employees, and transparency to be one of the keys to achieving this goal. Safeguarding employees' health and well-being is fundamental to Rafael's success and strength.

### Diversity and Inclusion

Rafael attributes great importance to the integration of employees from under-represented populations and operates a variety of programs to promote this topic. The handling of employment diversity has been expanded and internalized, and the company works to meet the Israeli Governmental Companies Authority's diversity objectives.

### Connectivity and Partnership with Communities

Rafael considers its success as including the success of the surrounding communities. It invests resources and efforts in creating a positive impact. The Company's employees volunteer in areas that have the potential to make a unique contribution, such as science, technology and engineering, and promote technological education and assistance to vulnerable populations.

### Employee Engagement and Retention of Human Capital

Rafael works to create a challenging, fair and empowering work environment, which fosters the employees' abilities over time, and rewards performance and success. The Company attributes its technological and business success to its skilled and quality personnel. Rafael employees have specific expertise in a wide range of technologies, system engineering, management of development projects and manufacturing on a broad scale, etc. The Company has set as its main goal to preserve, cultivate, and develop and empower its employees' abilities, both personally and professionally, and to recruit the best human capital in the labor market.

## G Governance



### Appropriate Corporate Governance – Compliance, preventing bribery and corruption, business ethics, information privacy and cyber security

Rafael is committed to compliance with the law and ethical conduct in all aspects of its activity – between employees and managers, between the Company's employees and its customers, suppliers and partners, the Company's responsibility toward its employees and their responsibility toward Rafael. The Company's ethical code extensively addresses the prevention of corruption and bribery, regulating relationships with government officials and lobbyists, the commitment to non-discrimination and promoting transparency, integrity and trust. By nature of its field of operation, the Company has control over a great deal of personal and commercial information, and is committed to protecting the confidentiality and privacy of the information of the stakeholders, while implementing a strict policy.

### Responsible Supply Chain

Just as it is important to the Company to work responsibly, so too, it is important to the Company that its suppliers, throughout the value chain, conduct themselves accordingly, in terms of safeguarding their employees, human rights and environmental protection.

### Product Quality and Safety Management, Accountability and Customer Service

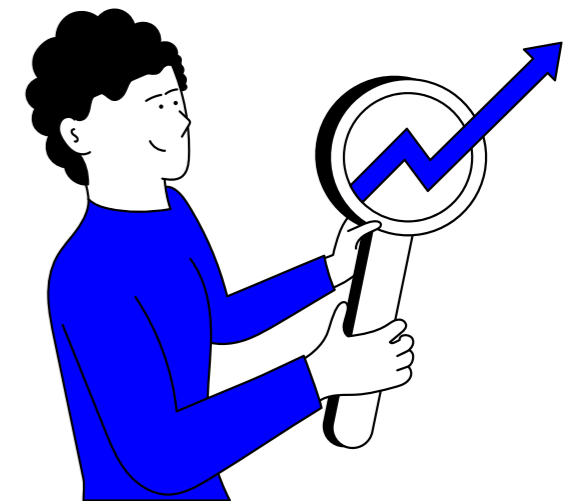
The systems produced by Rafael have a high risk potential in the case of insufficient quality. In order to maintain the highest levels of quality and safety in the industry, the Company operates an independent system that supervises the management of quality among the development, production and operations departments. The Company views its customers as its significant partners, and works to manufacture, supply and maintain its products while offering a comprehensive and precise response to its customers' needs.

### Technological Innovation and Digitization

Innovation is an essential aspect in this field of occupation – a technology intensive field that frequently changes. Striving for innovation and the success of its implementation, including digitization of the processes, is ingrained in the Company's character, and substantial resources are invested in R&D and in encouraging innovation.

### Business Continuity

Rafael's ongoing activity, whether in regular or emergency times, is essential to Israel's security. Consequently, business continuity in accordance with the BDP outline, is a fundamental issue for the Company, from a business and ethical standpoint, and risk management constitutes a significant part of thereof.





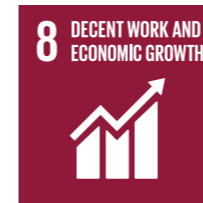
# SDGs at Rafael

Among the 17 UN goals for sustainable development, four are particularly relevant to the Company's activity:



## Gender Equality

Rafael works to integrate women into its workforce, and they constitute 25.8% of the Company's employees.\* We also invest in professional and management development programs and promote technological education for high school girls.



## Employment Fairness and Economic Growth

As the largest employer in northern Israel, and thanks to a record order backlog, Rafael is a major player in Israel's economy. Eighty-four percent of its suppliers are local, including many small and mid-sized businesses. We make sure to nurture and grow through continuous learning and development.



## Industry, Innovation and Infrastructure

Technological breakthroughs and innovation are Rafael's lifeline. The Company's R&D that frequently creates solutions to existing and future threats, is one of the most advanced in the world, as is shown in the 61 Israeli Defense Prizes and medals of honor we have received over the decades.



## Responsible Consumption and Production

Rafael considers environmental protection a significant value and makes sure to promote it both internally and externally. We are constantly examining our energy consumption and carbon footprint, and invest considerable resources in reducing waste and a "green" organizational culture.

\* This figure is based on the total number of employees in the company, including students (10,395 employees). The remaining data in this chapter and the Human Resources chapter refer to the number of permanent employees only (9,588 employees).



# Governance

## Solid corporate governance -compliance, prevention of bribes and corruption, business ethics, privacy and information and cyber security

Rafael is committed to compliance with the law and to ethical conduct in every aspect of its activities - between workers and managers, between Company employees and the Company's customers, vendors and partners, and in the Company's responsibility to its employees and the employees' responsibility to the Company. The Company's ethical code deals extensively with prevention of corruption and bribery, regulates the relationship with government and lobbying factors, undertakes non-discrimination and promotes transparency, integrity and trust.

## Responsible supply chain management

Just as it is important for a company to conduct itself responsibly, it is important that its suppliers, throughout the value chain, will conduct themselves in the same way in terms of protecting their employees, human rights and the environment.

## Product quality and safety management, warranty and service to the customer

The systems manufactured by Rafael entail a risk potential in case of inadequate quality. To maintain one of the

highest levels of quality and safety in the industry, the Company operates an independent system to supervise quality management among development, manufacturing and operational factors. The Company considers its customers important partners, and it acts to manufacture, supply and maintain its products while providing a comprehensive and accurate solution to the needs that they raise.

## Technological innovation and digitalization

Innovation is a crucial aspect of the Company's field of business - a constantly changing, technology-heavy industry. The desire for innovation and success in implementing it, including in process digitalization, are inherent to the Company, and extensive resources are invested in R&D and in encouraging innovation among employees.

## Business continuity

Rafael's continuous operation, in regular times and in emergencies, is crucial to the security of Israel. Therefore, business continuity, pursuant to the BCP outline, is a key matter to the Company from both a business and a moral perspective - and risk management constitutes a significant part thereof.



# Proper Corporate Governance

Rafael is a government-owned company. At the same time, it operates as an internationally competitive business, and as in any other field, it does everything necessary to meet the highest standards of proper corporate governance.

Rafael's Corporate Governance Procedure, which was approved by the Company's Board of Directors, is based on the Israeli Companies' Law, the Government Companies Law, the guidelines of the Government Companies Authority and the Company's constitutional documents and regulations. The procedure defines, inter alia, the relationship between the Board of Directors, the management, the shareholders and other stakeholders, as well as the composition and powers of the board committees. The Corporate Governance Procedure serves as a reference and touchstone, allowing the Company to set forth mechanisms to define its goals, means to achieve them and supervision over the path.

The principles of corporate governance in light of which Rafael operates are beyond compliance, and implement the recommendations of the relevant authorities and entities in Israel and around the world (best practices). These express striving for integrity and ethical conduct, transparency, responsibility and commitment to the organization and the stakeholders. Thereby, they are integrated with the Company's values and vision, and form another layer in the aspiration for excellence in all fields, including environmental protection and sustainable development, safety, hygiene and business ethics.

Our numbers for 2024:

**NIS 1.04 billion**  
in self-funded R&D

**NIS 444 million**  
in dividends paid to the state in 2024

**66**  
Board of Directors meetings

**100%**  
of employees underwent ethical code training

**100%**  
of employees underwent anti-bribe and anti-corruption training

**46**  
internal audit reports

**Zero** corruption incidents  
fines for ethical violations  
fines for environmental issues

Formulating and implementing  
a human rights policy

Publishing an annual policy  
and declaration on human  
trafficking

Integrating the principles of  
moral and ethical use  
of AI in development processes



## Rafael's Board of Directors

Rafael's Board of Directors is the body that outlines the Company's vision and policies, ensures that they are implemented, and audits and oversees the activities of the CEO and the management. It bears top responsibility for the Company's activities, financial position and long-term viability, including: directing the strategy and outlining guidelines for implementing it; striving for effective control and supervision processes; setting standards for promoting excellence; getting updates on the execution or non-execution of various instructions, some in real time; approving standards and salary and remuneration policies; approving work, control and audit plans; approving the ethical code, compliance plan and environmental protection and sustainable development strategy; and approving investments, mergers and acquisitions and financial statements. In addition, the board's approval is required in order to appoint directors in subsidiaries and the heads of representations abroad.

All this takes into consideration the law and Rafael's commitment to act in accordance with business considerations to maximize its profits together with its contribution to Israel's defense, while constantly taking care of its employees, suppliers, customers and the public good.\*

Regarding ESG aspects, once a year the Board of Directors convenes to discuss the Company's ESG strategy, risks and opportunities, activities performed and their efficacy, as well as planned activities, including training and promotion of knowledge.

The Board of Directors is permitted to delegate powers relating to financial, social and environmental matters to Company executives and employees - excluding those powers set forth in section 32 of the Government Companies Law, and those that the government or its members have determined cannot be delegated.

The appointment of the Board of Directors, its diversity and ensuring the expertise and knowledge of its members is under the responsibility of the Government Companies Authority and the ministers in charge of the Company.

**As of 31 December 2024, ten directors serve on the board, of whom three are women, and all are independent.**

\* Pursuant to section 11 of the Companies Law, section 5 of the Basel II framework, the OECD principles and the Government Companies Authority circulars.

## Board and committee meetings

The Board of Directors convenes as necessary and at least once every two months. In the reporting year, 66 board meetings were held, and the minimal quorum for meetings, as well as the effectiveness of the board's work as a whole, is measured according to the guidelines defined by the Company.

As of the end of 2024, the following board committees have been appointed: Finance and Investments (8 meetings in the reporting year); Strategy and Business Development (4 meetings in the reporting year); Compliance (4 meetings in the reporting year); Audit (11 meetings in the reporting year); the ad hoc Corporate Governance Committee (3 meetings in the reporting year), which was established in 2024 and examined the Board of Directors' work vis-a-vis the Company's management, and following the recommendation of which the Corporate Governance Procedure was reviewed; as well as the Committee for Supervision and Control over Subsidiaries (7 meetings), which started operating in 2024 and deals with organizational, business and strategic processes in coordination with the subsidiaries.

## Director training

Directors joining the Company following the identification and screening process conducted by the Government Companies Authorities receive an orderly onboarding portfolio detailing their needed learning processes. Over the year, all directors undergo seminars and study days on professional subjects. Rafael's Company is responsible for preparing plans to deepen the directors' knowledge, supervising relevant activities, and providing the directors with tools to support the performance of their duties. This includes organizing tours, meetings with senior officers, and the provision of data, documents, and periodic reports regarding the Company's activities and applicable regulations. In 2024, the Legal Department established a special-purpose external site that collects information relevant to the directors on behalf of Rafael in its related corporations.

## Remuneration of directors and senior officers

The members of Rafael's Board of Directors are remunerated in accordance with the procedures of the Government Companies Authority. Senior-officer remuneration is according to an orderly formula that sets

forth remuneration and bonuses to managers and senior employees in accordance with the Company's quarterly and annual results. The remuneration is differential and is affected, among other things, by meeting ESG objectives, such as the employee diversity required by the Companies Authority.

## Prevention of conflicts of interest

There is a built-in separation between the Company's Board of Directors and management. Pursuant to the Goshen Committee Regulations (Schedule B, section 1.3), the chairman of the board cannot serve as CEO or any other officer in Rafael; cannot be a family member of the CEO (as the term 'family member' is defined in the Companies Law); and cannot deal with the day-to-day management of the Company and the companies it controls, and may not serve in any other position in them. However, they may serve on the Board of Directors of subsidiaries and companies related to Rafael.

The members of the board are not subordinate to the Company's CEO, and they bear the duty of care and fiduciary duty to the Company. In their professional and personal life, they must abstain from any role or action that may create a conflict of interest with their service as directors in Rafael without arranging this in a conflict of interest arrangement, or which may compete with the Company's business or exploit the Company's business opportunity. Upon their appointment, the directors sign a declaration and commit to this.

Rafael's employees or service providers it employs, whether directly or through third parties, may be in potential conflict of interest in their work. A special procedure requires reporting and defines a process for examining the appropriate solution for settling this concern, through a Conflict of Interest Committee consisting of a senior VP HR and Organization, another senior VP, the Company's Legal Advisor and another member of the management who is determined ad hoc, in accordance with a letter of appointment from the CEO. The Conflict of Interest Committee convenes in accordance with the cases brought before it. In 2024, the committee discussed 20 cases. Appropriate instructions were issued with respect to each case.

## Risk management

Rafael conducts risk management in accordance with the COSO model, benchmarks of other companies in Israel and around the world, and expert consultation. This is an ongoing, methodic process that is part of the Company's

current management. It is meant to provide a reasonable degree of assurance as to the prevention of the realization of risks, this by identifying the risk, assessing its likelihood and severity, managing it and formulating a mitigation plan for it. It is very important to rank and prioritize risks, while highlighting those whose risk level exceeds the Company's "risk appetite".

Once every four years a comprehensive risk survey is conducted, which is updated in accordance with the procedures of the Government Companies Authority. The last one was completed in 2022, and the next survey is planned to be carried out in 2026.

A risk manager is defined for each identified risk - a senior factor who is responsible for acting to manage and reduce the risk. This system is the responsibility of the Organizational Risk Management Committee, which convenes twice a year to review the present risks and to examine the need for updating the system. The committee is headed by the Senior Vice President of Regulation, Administration, and Communications who serves as the organizational risk manager and as the member of the management in charge of activities in this field. He ensures quarterly contact with the risk managers, who also serve in the committee, as well as several business and operational VPs.

At least once a year, the risk management status is presented to the Board of Directors Audit Committee, which is requested to approve or adjust the risk appetite pursuant to the Company's objectives.

As of the reporting period, the risk subjects being monitored include: local and international regulations, war, natural damages, operations and business continuity, supply chain, safety, HR and knowledge management, financial risks, quality, subsidiaries, IT and cyber risks and environmental risks.

## The management of the war risk - and its manifestation

A state of war is among the risks that were identified and that required special preparations. Rafael's role in such a situation is critical: to supply and support the systems used by the IDF, and pursuant to the Company's vision, the serve as a significant pillar of the security of Israel. All this, while the Company's facilities, due to their nature, are under real threat of impact. The solution to the risk was defined through the prism of functional continuity in emergency, in the framework of the Business Continuity Plan (BCP). This plan is frequently updated, examined and tested in drills, and has proven itself with the outbreak of the war and the immediate shift to emergency mode in October 2023.



# Ethics and Compliance

Rafael's strength is built not only on its technological capabilities and business successes - but also on the reputation it has accumulated as a company that sets integrity, business ethics and human relations as an utmost value, and from the trust that its customers, employees and partners put in it.

The approach to ethics and compliance matters is fundamental to the Company's organizational culture, and support both excellence in results and in establishing clear identity and values. The Company's approach on this matters requires all executives and employees to meet demanding standards of integrity and reliability, out of the understanding that in this way, we can reduce in advance any undesirable risks.

We believe that an inspirational organizational culture that encourages executives and workers to conduct themselves professionally and ethically is a crucial component of our success. In this spirit, beyond the binding laws and

regulations, Rafael took it upon itself to meet strict domestic and international standards. Thus, among other things, it meets the ISO 37001 Anti-Bribery Management System (ABMS) standard, and is an active member in compliance and ethics organizations such as IFBEC (The International Forum on Business Ethical Conduct).

**In the reporting period, 5 ethical violations were recorded, no criminal or administrative proceedings were conducted against Rafael or officers therein relating to bribery or corruption, and no fines were imposed on the Company for ethical violations.**



# Ethical Code

Rafael's [Ethical Code](#) is based on the Company's vision and values. It is compatible with the values of the State of Israel and the international business sector in which it operates.

For employees and executives, the code serves as a compass for proper conduct on all levels, while adopting a high level of honesty and integrity and ensuring fairness, reliability, transparency, responsibility, quality, professionalism, ethical conduct and incorruptability. Thereby, the Ethical Company employees also encourages a sense of belonging on the part of Company employees, who desire to continue to be a part of an ethical, leading organization. It also addresses the Company's commitment to its employees, to defending human dignity, lives and health, and the relationships with all stakeholders, including customers, suppliers and competitors. Some of the key topics in the Ethical Code include:

- Integrity and trust
- Equal opportunity
- Prevention of discrimination and harassment on the basis of religion, nationality, race, age, health condition, political beliefs, sex and gender or sexual identity.
- Guidelines on receipt of gifts and benefits
- Protecting the privacy of stakeholders
- Preventing bribery and corruption
- Use of confidential and insider information
- Prevention of conflicts of interest
- Transparency in personal relationships with customers and stakeholders
- Fair competition, including collection of information on competitors.
- Supplier relationships
- Shareholder and debtholder relationships
- Government relationships
- Community relations
- Fairness to employees
- No abuse of the Company's power
- Validity and veracity of the Company's reports
- Environmental responsibility
- Health and safety

- Employees' quality of life
- The customer's best interest
- Employees' personal responsibility with respect to demands by supervisors, including pointing out failures

## Drafting and implementing the code

Rafael's Ethical Code is reviewed and discussed by Board of Directors once a year. In 2024, a preface to the Ethical Code was signed by the CEO and chairman of the board, was published, and now forms an integral part of the code. The preface and the main points of the code can be viewed on the [Company's website](#).

To implement the Ethical Code and to assist in dealing with daily ethical questions, Rafael created an annual implementation plan, which is updated annually, with new objectives added. In this framework, in the reporting year, an education software was distributed and defined as a mandatory education software for all Rafael employees. It includes, for the first time, a separate layer for executives.

The framework of in-person training was also updated in 2024 by the Compliance and Ethics Division, and is presented in the relevant management courses. Together with this, refreshment courses and answers to ethical dilemmas and concrete events are included in periodic training, in lectures, in communications and in the CEO's letters to employees. Ethical aspects are also included in providing assessments and feedback to employees, and before any appointment process.

This effect, however, is not only internal: Rafael requires suppliers, business partners and other third parties to study the Ethical Code and to comply with its values and rules. This demand is included in the compliance declaration signed by every supplier contract. In addition, the general conditions of the Company's contractual agreements and all orders issued by the Company include elements of the Ethical Code.



# Ethics Management in The Company

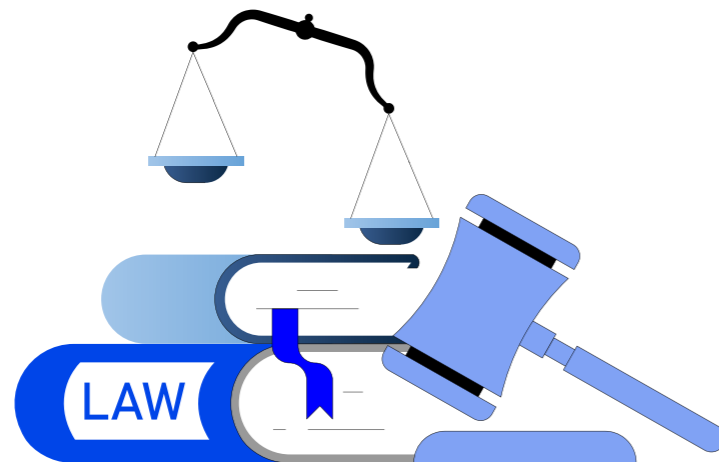
The Ethics and Compliance Division is responsible for managing, implementing and integrating the Ethical Code. Its roles include: preventing bribery and corruption, implementing relevant regulations including international sanctions, supervision over procurement, and integration of all ethics aspects in the organization. The VP Compliance and Ethics heads the division and is responsible, in consultation with the Ethics Committee and with the assistance of the Ethics Community (see below) for the implementation of the code integration program, annual reporting to the Company's management and board, informational and training activities for workers and executives, integrating ethics contents in executive training, publishing and distributing the Ethical Code, and more.

The other members of the Ethics Committee, alongside the VP Compliance and Ethics, are the Legal Advisor, VP of HR and the Internal Auditor. The Committee convenes at least once a year, and delivers an annual report to the Board of Directors. It deals with the interpretation and periodic update of the Ethical Code, defining ethics policies, setting goals for the ethics plan, discussing assimilation plans and

various individual and annual plans, as well as control over the efficacy of the plans and ways of dealing with violation incidents subject to the Company's procedures, including with regards to privacy protection.

Out of the concept of ethics as a cross-organizational tool, the Ethics Community was created as a third layer on this matter (together with the VP Compliance and the Compliance Committee). The community convenes periodically to discuss general issues or issues arising from the ground. Its participants include ethics trustees in the various divisions, who serve as local professional authority for consultation and reporting, a reliability supervisor from the security unit, ESG officials, internal audit and legal counsel representatives and other relevant parties.

On the Board of Directors level, the Compliance Committee of the board convenes for an annual review with the presence of the CEO. In addition, the Board of Directors holds an annual review of management and implementation of the Ethical Code, and in a separate meeting reviews the compliance plans.



## Learning, implementation and inquiries on ethics matters

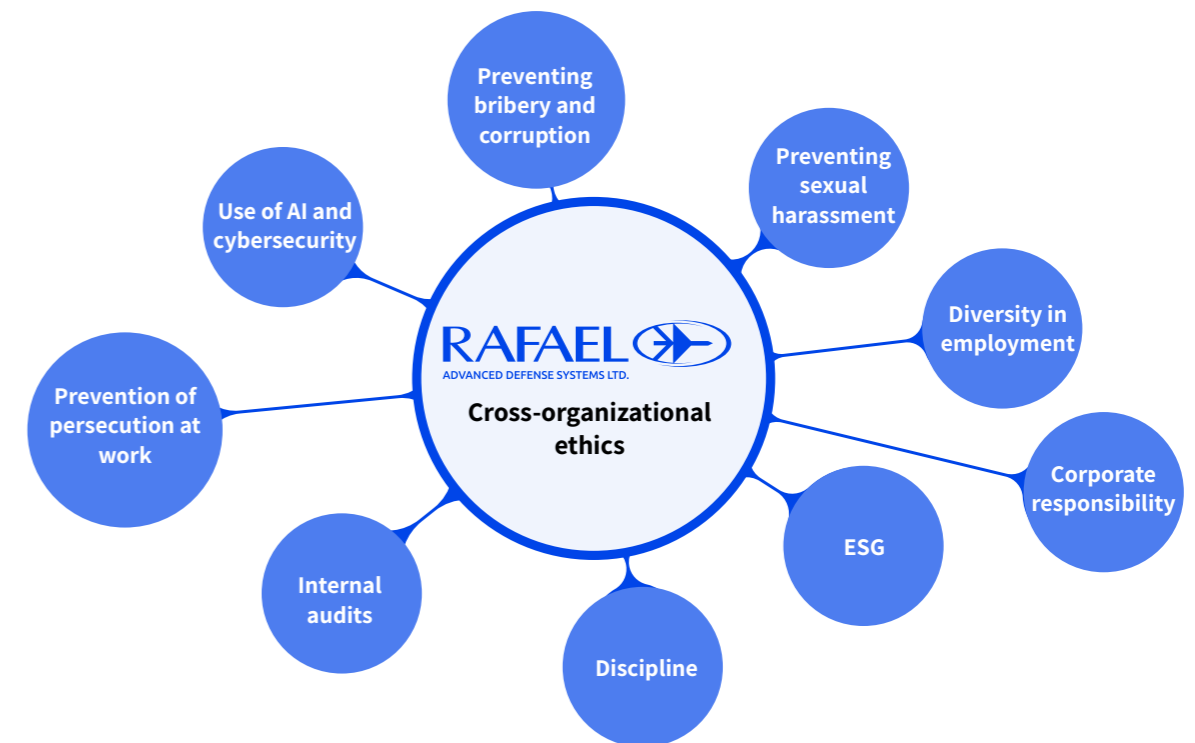
As part of the annual implementation plan, all Rafael employees are obligated to successfully complete e-learning courses and in-person training on Ethical Code subjects. In addition, in recent years, executive courses on all levels have incorporated diverse ethics contents, and regular training of employees is conducted. To provide further enrichment, external experts are brought in from time to time. In the reporting period, an international export control expert from the US joined Rafael for two seminar days, to which employees and stakeholders, as well as relevant representatives of subsidiaries, were invited.

According to the goal set in the previous report, in the reporting period Rafael has acted to encourage its subsidiaries to act in the spirit of the Company's Ethical Code, while adjusting it to the required needs in their areas of operation, and to develop internal ethics mechanisms consistent with its principles.

In all subsidiaries, compliance officers were appointed, and a special forum that reports to the subsidiary's board annually was put in place. Employees who wish to raise concerns or seek advice regarding ethical matters are

invited to contact their supervising manager, the ethics trustees, the HR unit head, or the VP of Compliance and Ethics directly. An anonymous whistleblowing mechanism is available, and in 2025 this option was enhanced so that employees can choose whether to report to the Compliance and Ethics Department or to the Internal Auditor. Reports and complaints are processed with utmost discretion, with a guarantee that the complainant will not be exposed to any persecution due to their report.

When any activity suspected to be illegal or to constitute a violation of the Ethics Code is discovered, an investigation is conducted by a relevant official. The process of managing the complaint is documented by the office of the managing official, subject to the law and to the directives of the Ministry of Defense, and upon its conclusion, the primary recommendations are presented to the complainant. As necessary, actions are taken to correct the misconduct and to prevent its recurrence, including disciplinary steps and publishing the circumstances of the case.





## Compliance plans and preventing bribery and corruption

Rafael's compliance plan is based on a public policy paper, a periodic risk survey with orderly methodology, voluntary internal instructions and analysis of regulations.

The analysis is carried out in accordance with the guidance and priorities of the U.S. Securities and Exchange Commission (SEC) and the U.S. Department of Justice (DOJ) for the development of a plan under the Foreign Corrupt Practices Act (FCPA).

The compliance plan undergoes a process of internal consultation and external consultation with a leading, reputable law firm dealing in this field. It is approved by the CEO and the Board of Directors, and is subject to the internal auditor's audit. This is a dynamic plan that undergoes periodic refresher training and is expressed, among other things, in key schedules to the business partner engagement procedure.

On the matter of prevention of bribery and corruption, the compliance plan, based on the ISO 37001 standard that Rafael is certified for, and which is updated from time to time, deals with: giving and receiving gifts and benefits; hospitality, culture and leisure events and expenses; inviting customers on business trips; donations and sponsorships; background and reliability checks of suppliers and business partners; instructing third parties in activities abroad; and more.

**As of the reporting date, 100% of all Rafael employees participated in anti-bribery and anti-corruption training.**

Rafael complies with anti-corruption legislation in Israel and in all countries where it operates, as well as the OECD Anti-Bribery Convention. The procedures on this matter apply to all directors, managers, employees, consultants working for the Company and its business partners - including suppliers, distributors, contractors and service providers, as well as the subsidiaries. In 2024, all of these factors received communications or information relating to the Company's anti-corruption policy and procedures.

In oversight and reporting aspects, the key processes are annual reporting to the Board of Directors by the Company's management's Compliance Committee;

approval of the work plans by the compliance committees of the management and the board, where they are presented by the VP Compliance and Ethics; and the audit of the Internal Auditor, which includes the compliance plans of subsidiaries. The compliance plans are also presented voluntarily to external factors, such as banks, as the Company is a reliable business customer.

Rafael maintains continuous contact with regulators and professional bodies in Israel and around the world, including IFBEC - the International Forum on Business Ethical Conduct for the Aerospace and Defense Industry. To adapt to the most up-to-date and demanding ethical standards, Rafael takes care to participate in international self-regulation bodies, such as: IFBEC, ACC and TRACE. As a leading company in the sector, it participates in conferences in Israel and around the world that deal with promoting compliance and ethics processes such as a legal advisors course, seminars of the Manufacturers Association of Israel, and courses in universities and in international financial bodies. **In the reporting period, no corruption cases involving Rafael were recorded.**

## Lobbying and political contributions

As a government-owned company, Rafael is not permitted to make any political contributions of any kind, in cash or cash equivalent, including provision of its assets or rights for the use of others. In Israel, the Company has marketing consultants, but no lobbyists - the Company's reputation precedes it, and it defines needs and builds solutions together with its customers. In the US, lobbyists are sometimes used, as mentioned and detailed in the relevant reports, in accordance with the provisions of applicable law and reporting requirements. Work with governance entities in various countries is conducted pursuant to clear agreements in the framework of the compliance plans, with each item examined and validated.

**In the reporting period, no fines or convictions were recorded in any matter relating to compliance.**

## Fair competition

During 2024, the Company's Antitrust Compliance Program was updated with a focus on the risks relevant to its activity and operations. As part of this process, a comprehensive organization-wide risk survey was conducted with the participation of the Company's chief risk administrator. This process included meetings with key personnel, in coordination with relevant professional stakeholders within the organization. The main risks were consolidated in a working document, and the practical solutions for reducing the exposure arising from them will be integrated as part of the updated enforcement plan.

## Ethics and AI

Regulation in the field of the ethical use of AI technology is still evolving, and Rafael is closely monitoring the emerging regulations in the US and in Europe, as well as international standards in the field, such as ISO/IEC 42001:2003: AI Management Systems. In Israel, the Ministry of Justice and the Ministry of Innovation, Science and Technology published an AI policy paper, which lays out a set of general principles and non-binding guidelines.

However, using a proactive approach, and in light of the fact that the development of key systems takes several years - Rafael has expanded its approach to the issue. In a collaboration by the Compliance Division, R&D and quality bodies, the Legal Department (which dedicated a seminar to this matter in 2024), and other relevant units, work guidelines were formulated for any project involving AI.

In 2024, the preliminary document was distributed. It detailed 10 principles for the ethical use of AI in design surveys, development and in the Company as a whole. These principles were determined according to international standards of reliability and safety, and were integrated in Rafael's development procedures and processes. In case one of these is not met, a committee consisting of representatives of the relevant disciplines (R&D, quality, etc.) examines whether it is possible to set a waiver.

In the reporting year, a pilot program was conducted for the implementation of the requirements and their integration in the system engineering procedure, various

stages of R&D, contracts and tests by the quality system. This was in addition to training through educational software, proficiency tests for the relevant employees, as well as training for certain professionals, such as system engineers and quality engineers.

Rafael presented the process and its general preparations in the field in various forums of stakeholders, inter alia before representatives of different of the Ministry of Defense.

AI applications in general, and the ethical aspects relating to them in particular, will become a growing part of our regular work in the coming years. We continue to keep closely monitoring developments and anticipating the binding requirements.

## Sanctions

Rafael ensures full compliance with all applicable international sanction regimes, including those of the USA, the European Union and the United Nations. The Company implements stringent screening and control processes, and ensures that no product or service are sold, exported, re-exported or transferred to any person or entity in violation of these sanction regimes, including those that appear in the list under ITAR § 121.6. To ensure its compliance with requirements. In light of the exposure to a wide variety of suppliers, the Company conducts a monthly review of the entire supply chain, with the assistance of leading software. Immediately upon the discovery of any "red flags" regarding any supplier being included in a blacklist, under Interpol investigation, in a category subject to US or UN sanctions etc. - such a supplier will be blocked from doing business with Rafael. Borderline cases that raise dilemmas are sent to the Sanctions Committee, which convenes as necessary or once a quarter, with the participation of the VP Finance, VP Compliance and VP Operations, the Legal Advisor, procurement personnel and division representatives.





## Human rights

This field, which relates to aspects such as the protection of individual rights in the age of AI, human trafficking and more, was added to the risk plan in 2024 and was discussed in the Risk Management Committee. In the reporting period, a [declaration](#) on the matter of the human rights policy was drafted, signed by the VP Compliance and Ethics and published in January 2025.

On the matter of anti-slavery and human trafficking, including those areas included in the EU Conflict Minerals Regulation, in 2024 a [general policy](#) and an [annual declaration](#) were published, signed by the Chairman of the Board of Directors and the VP Compliance and Ethics. The policy on this matter was formulated and updated by the Legal Department together with the Compliance Division, in a process that included benchmarks from leading global companies. All this was performed in accordance with the tender requirements of key customers, as well as international regulations and standards - with an emphasis on the USA, UK, Australia and Canada - which require commercial corporations to adopt a policy against human trafficking. For transparency and extensive integration, the declaration is published on the Company's website.

As part of the Company's efforts and commitments to protect human rights, Rafael completely prohibits child labor, forced labor and discrimination, and is in compliance with the International Labor Organization (ILO) Convention on these matters.

Another aspect of human rights relates to protection of privacy. In August 2024, an amendment to the Israeli Protection of Privacy Law was approved, which entered into effect in August 2025. The field of privacy protection, like the other legal aspects applicable to Rafael, is managed and implemented by Rafael, and the Company allocates extensive resources and implements the security measures required by the law, in order to protect personal information in the organization. Rafael maintains a Privacy Policy available on the Company's website.

## Compliance with international trade regulations and defense exports

Rafael ensures full compliance with all export control laws and regulations applicable in Israel and abroad. In Israel, Rafael operates pursuant to the Defense Export Control Law, and all the regulations and accompanying instructions issued by the Defense Export Controls Agency (DECA) of the Ministry of Defense.

Exports and re-exports by Rafael are performed only pursuant to the laws and licenses required by law, and after all required legal approvals are received. Rafael's Defense Export Control Unit, which consists of 20 professionals, is managed by the Chief Defense Export Control Officer, who is personally authorized by the Head of DECA in the Ministry of Defense.

On all matters relating to foreign export controls, which relates to components and items procured from foreign sources (mainly the US) and integrated in systems and products, Rafael is subject and obligated to the export control laws of those countries, and operates pursuant to them. Rafael operates in full compliance with the US Export Administration Regulations (EAR), the International Traffic in Arms Regulations (ITAR), the Office of Foreign Assets Control (OFAC) sanctions, and all relevant regulations of the EU and other international trade regimes.

In addition, the Company's defense export control arrangements were updated according to regulations that the State of Israel is obligated to comply with, including the Missile Technology Control Regime (MTCR) and the Wassenaar Arrangement on Export Controls for Conventional Arm and Dual-Use Goods and Technologies.

The Company's Business Marketing and Development Division includes the Defense Export Control Officer, who is responsible for implementing the law and the regulations, receipt of licenses as necessary and conducting training on the matter to Company factors. In addition, Rafael operates an internal compliance program designed to ensure compliance with licensing requirements, re-exports, final use and end user. The program includes screening and examining all suppliers, subcontractors and business partners, against the relevant sanction and export restriction lists (as detailed above in the "Sanctions" section of this chapter).

Cybersecurity projects are especially sensitive in exports. For this purpose, Rafael has established a committee, with a letter of appointment from the Head of the IDF Intelligence Directorate, which oversees all projects in this field, ensuring compliance with the law and the generally accepted standards of the UN and the US State Department.

## Internal Audit

Rafael's audit unit is an objective, independent and innovative professional body that assists the management and Board of Directors in leading the realization of the Company's goals through constant examination of work processes and giving actionable recommendations for improvement. The focus is on matters that are at the core

of the Company's work, business and risk management. The Audit Unit is headed by Rafael's Internal Auditor, who has a fixed term of seven years, in accordance with the decision of the Companies Authority.

In 2023, the internal audit policy in subsidiaries was updated; the audit of development process management was expanded; a methodology was set for conducting audits of technological/engineering projects; the process of answering the State Comptroller was refocused and made more accurate; a methodology for compliance audits was established; technological tools were integrated for data analysis; audit findings were established and adjusted in collaboration with the audited bodies, to provide added value; and agile solutions were implemented for meeting the audit goals despite the challenges of the war.





# Quality Management

The quality of the systems and the processes is a strategic tool, a significant aspect in the creation of value for the customer and in implementing Refael's vision, values and business targets. Refael's quality control system is integrated into all our divisions, and it is implemented across the organization and throughout the lifecycle of projects and activities.



# Quality Concept



**The following are the principles according to which the Refael quality control conception is formulated:**

- Creating a culture of quality
- Preserving and advancing our reputation as a company that strives for excellence and dependability
- Achieving profitability and growth
- Ensuring activity based on accepted norms in the global business and defense market
- Operating uniform, methodical, and cross-organizational processes for development, production, service and support for the product, while ensuring flexibility in meeting the customer's special needs.

**Among the objectives and goals that were defined:**

- Streamlining work interfaces.
- Adapting work processes to the nature of the project and the product.
- Improving customer satisfaction and safeguarding the Company's reputation.
- Strengthening the relationship with the customer, including management and assessment of customer satisfaction.
- Improving the quality of the products received from subcontractors.
- Expanding the impact and involvement of the quality system on the project or product.
- Improving learning processes.
- Improving the work processes from development to production.
- Improving work interfaces between the divisions.
- Managing solutions to match customer requirements throughout the life of the product.

The targets are described from several aspects: the stakeholders (who influence and are influenced), the processes derived from each target and the necessary infrastructure. Work plans are derived from all of the above, and there is control of the activity's status. During the reporting period, an emphasis was placed on improving our organizational effectiveness and performance ability, including:

- Adapting processes to large projects and the scope of extensive production.
- Improving the quality of the outsourcing processes, with an emphasis on BTS and subsidiaries.
- Reviewing the outcomes for the product's planning and the planning process; learning from the world of projects, evaluating the improvement and analysis of deviations.
- Considering the maintenance throughout the product's life, as a supportive company, and even in the absence of an actual maintenance contract.
- Integrating AI in the quality processes and expanding the use of statistical tools.
- Impact on the regulation as knowledge experts.

Rafael plays an active role in shaping industry regulation through its participation in Aerospace & Defense standardization forums. As a member of the International Aerospace Quality Group (IAQG), alongside the world's leading aerospace companies, Rafael directly contributes to the development of international quality standards. Moreover, Rafael's Quality Supervisor serves as the president of the International Council on Systems Engineering in Israel (INCOSE IL) – an organization that facilitates the sharing of knowledge, development and implementation of system engineering methods and processes to create better systems.



# Quality Policy

The Company's quality policy is available to all the employees and is distributed through the internal communications channels and implemented through the application of the quality procedures and annual programs for quality improvement. Its main principles include:

- Organizational and personal commitment to ensure quality, which will provide the products and services with a high level of quality and a competitive edge, to the satisfaction of the customer.
- Implementation of an effective and streamlined integrated management system based on defined processes, prevention, measurement, control and personal responsibility for creating quality at source.
- Striving to constantly improve the processes, while using and implementing advanced methods, employee involvement, quality leadership and teamwork.
- Implementing a value system that supports human capital: professionalism, excellence, innovation and ongoing learning across the organization.
- Quality-focused partnership and mutual commitment

with suppliers, subcontractors, business partners and subsidiaries.

Rafael's process-based approach, which it uses to conduct ongoing activity to identify and assess risks, enables it to identify the factors that can lead to a deviation from the planned results and implement controls and preventative steps. Within this framework, the Quality system is involved with the projects from the proposal stage, from the contract and customer requirements to defining of the work points for the design and development stages and the definition of verification and validation processes.

This involvement continues through product release, support and scrapping (evaluating the compatibility to the requirements, execution of all the specifications and necessary documents, a lack of damage and foreign bodies as well as marking and tagging).

In parallel, the organizational approach promotes integrated management systems, combining quality management with environmental protection, as well as occupational health and safety.



# The Organizational Structure of the Quality System



The quality assurance infrastructure is an independent and autonomous body that reports directly to the CEO. The Quality Supervisor reports to the CEO, and manages quality deputies in the divisions, the quality certification and infrastructure supervisor, the quality engineering methods and processes manager, and the project management and system engineering supervisor.

The infrastructure field also reports to the Quality Supervisor and is responsible for the reliability center, environmental engineering, configuration management, calibration, NDT (Non-Destructive Testing), components engineering and supply chain quality. In addition, across the organizational and operational hierarchy, there are quality managers, who adapt the quality management system to the customers' requirements and the standards, manage the product's quality and the processes in all the units and implement improvement processes.

There are a number of professional bodies that serve as service providers in the quality system: The Calibration Center – that sets the calibration standards and supervises their implementation; the Components and Materials Quality Engineering Center – that outlines the policy on the subject and conducts assessment, acceptance and standardization tests for new components in the procurement; the Reliability and Safety Center that is engaged in the creation, building and maintenance of the comprehensive professional infrastructure on the subjects of reliability, availability, maintainability, safety and testability (RAMST); the Environmental Engineering Center – that operates the Company's environmental engineering labs and prepares infrastructure for support for authorization tests in the various stages of the project; and quality departments in the production plants, departments and in the supply chain, which deal with quality infrastructure, quality engineering, testing and auditing.





# Standardization at Rafael

Rafael is a leading company in standardization and has been awarded the Diamond Mark from the Israel Standards Institution for complying with the quality marks of 15 management systems. The standards are authorized by certification bodies and by relevant customers, where Rafael is certified as meeting international and local standards, laws and contractual

requirements and quality aspects defined in the quality plan for each project.

Rafael's quality management system meets the requirements of AS9100 – a quality standard for aerospace, defense and space companies, international standard ISO 14001, Israeli standard 9001, and other standards detailed below.



## Quality certification management



### SI 1000

Social responsibility management system



### ISO 50001

Energy management systems



### AS 9100D

Quality in aerospace, space and defense companies' management system



### ISO 17025

Laboratory certification



### ISO 27035

Guide for the management of information security incidents



### ISO 9001

Quality management system



### IPC

Electronic production certification



### ISO 27032

Cyber security



### ISO 14001

Environmental quality management system



### ISO 27701

Privacy protection online, new in 2023



### ISO 37001

Management of systems for the prevention of bribery and corruption



### ISO 27001

Information security management



### SI 9301

Safety and quality management systems Transport and traffic system



### ISO/IEC 90003

Software engineering implementation



### ISO 45001

Safety and health



### About 65

Audit days of an external regulator



# System Safety and Preventing the Use of Counterfeit Components

A special procedure outlines an orderly method for implementing safety as an inherent characteristic of all the products, modules and systems supplied under Rafael's responsibility – when they are directly developed and supplied by the Company, or by subcontractors under its responsibility or in collaboration with other industries. The procedure is also designed to ensure the acceptable level of risk in the use of the products, including in terms of logistics, storage, maintenance, training, conveyance, operational use and scrapping.

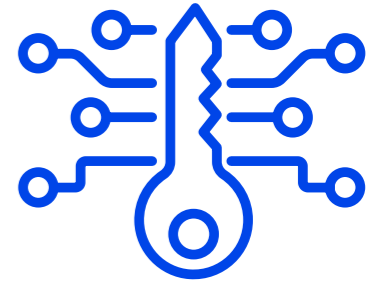
This procedure impacts the process of the development, maintenance and scrapping of the products and systems, starting with the definition of the safety requirements and their implementation throughout the life of the products until the end of their service at the customer and their scrapping. Reference to the system's safety aspects is conducted in coordination with all the stakeholders in the project – those placing orders and customers, partners and subcontractors, potential users, other systems and projects that interface with a technical or management project, and any other party that impacts the project or is influenced by it.

In case the developed system interfaces with other systems (for example: system of systems), the project manager ensures that there is regular assessment and follow-up of the way the safety-related technical and management processes are implemented on both sides of the interface. This activity will ensure that failure modes and failure scenarios that impact the product's safety will receive a complete solution, even if they stem from the interface with the components and systems for which the responsibility applies to other project managers.

Avoiding the use of counterfeit materials and components is one of the most substantial in the aerospace & defense sector. At Rafael, a procedure based on the guidelines of standard SAE AS553 is strictly enforced. The procedure notes ways for managing risks and preventing leakage of materials and non-original components to the supply chain, including an alert to the quality and engineering officials and distribution of information to suppliers regarding the disqualification and elimination of components.



# Quality Assurance Innovation and Mechanisms for Promoting Quality



As part of its ongoing quality management process, Rafael applies several main approaches:

- **Constant improvement** – Annual plans for quality improvement set goals, objectives and indices for significant topics such as the customer's centrality, project management, the design process, tools and infrastructure, procurement and logistics and the human resource. The divisional plans are derived from the annual plan and are regularly monitored.
- **Total Quality** – The quality processes are integrated into all the organizational activities, and all aspects of project management and systems engineering, from the proposal stage and throughout the life of the system, in coordination with the customer and the regulators.
- **Utilizing a designated fund and budget to encourage initiatives** – as part of the effort to implement innovation in the field of quality assurance and in order to improve the organizational and project-based processes.
- **Integrating the management systems** – quality, environmental protection, safety and occupational health as well as health and quality in the transportation system. The integrated management infrastructure enhances the effectiveness of the systems, improves their professional level and helps with integrative management focusing with all the processes.
- **Integrated engineering** – An approach used in the initial stages of the project in order to shorten the time to market, improve the production processes and reduce costs.
- **Collaboration among subsidiaries** – The quality managers forum in the companies meets at least one every six months to convey messages, present investigations and share conclusions.
- **Internal and external tests** – As feedback for reflection and leverage for continual improvement. In 2024, Rafael conducted more than 600 internal and external quality tests.
- **Mechanization and digitization** – aimed at making information and knowledge accessible (target map, definition of suppliers, management of customer requirements and validity date), improving the quality of the procurement and the product, and enabling cross-organizational activities. Mechanization enables instant access to data at the click of a button and supports consistent and transparent process management.
- **Training and accessibility for employees based on expertise** – Courses for certified quality engineers (CQE), certified reliability engineers (CRE) and certified quality managers (CQM); seminars, videos and online training.
- **Management surveys** – For consultation, drawing conclusions and formulating ways for improvement.
- **Quality awards** – As a way to promote employee and departmental improvement. Rafael's quality awards, that include financial bonuses, are designed to encourage excellence (and to reflect this both to customers and suppliers), to increase productivity, to provide public recognition for outstanding individuals and to serve as leverage to encourage self-improvement. The preparation process for these awards also equips candidates to compete for external quality awards, reinforcing the message that at Rafael, **quality is fundamentally about its people.**

## Responsibility, transparency and customer service

Customer service (Post Sale), including system support and maintenance, is managed by the Customer Support and Retention Unit, which reports directly to the CEO. In engagements with business partners – often local partners – the interface is managed through a separate Rafael unit, ensuring coordinated and aligned communication.

The unit strives to attain long-term maintenance agreements; and during this reporting period, agreements were signed for 20 years. As part of the agreements and the service treaty, the commitment also applies to items that were defined as obsolete (i.e., their production was terminated). The maintenance plans are integrated into a system that is accessible to the customer, based on authorizations granted to the customers' center. **In 2024, the Customer Service received 4,200 customer inquiries and 6,700 service calls for customer items repair were opened.**

The connection with business partners is conducted through the business units for support and customer retention in the business administrations, in the business divisions at Rafael. Engagement with the business partner can be managed in a secure and controlled manner, only by those with the relevant authorizations, to ensure compliance with regulation, both in terms of defense aspects and protection of privacy.

As a rule, transparency of the information and protection of privacy are essential aspects of the Company, and this is expressed throughout the handling of the products and the supplied services. As part of the organizational culture, Rafael ensures transparency with customers and supports them as much as possible. This plays a decisive role in the success of maintaining customer discretion and creating unique solutions for them.

Periodic rounds of surveys and meetings with customers are conducted both at Rafael facilities and at customer sites, further strengthening transparency and trust in the work processes. Full compliance with customer requirements—both in terms of technical specifications and the preparation of user manuals for the delivered system—adds another important layer to this effort. The

user manuals document all tests performed on the system, including performance evaluations, safety and quality checks, calibration procedures, and environmental testing.

Requests that pertain to freedom of information that is not related to customers – such as inquiries submitted through the Government Companies Authority – are evaluated and reviewed on a case by case basis, without disclosure of sensitive information about the systems. Information that can be publicly shared regarding Rafael's defense systems and products is available on the company's website, in its various publications, and in public media.

During the reporting period, no claims were filed against the company regarding information transparency

In 2024, the Customer Service received **4,200** customer inquiries and **6,700** service calls for customer items repair were opened

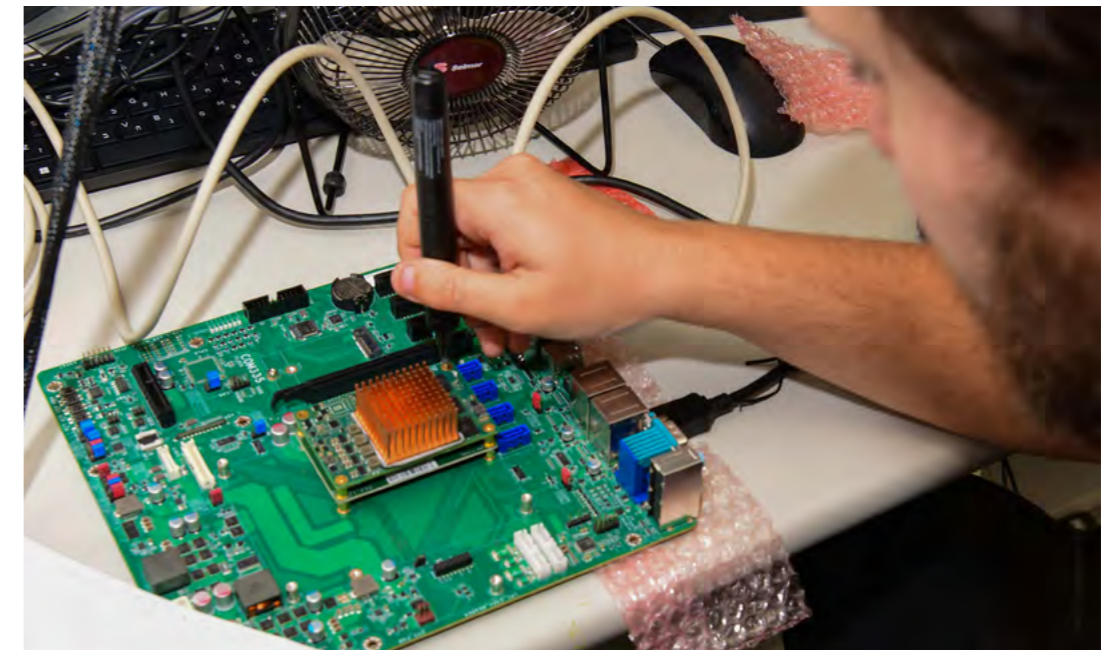
# Management of Knowledge Assets and Intellectual Property

The basis for the methodology for handling Intellectual Property at Rafael is a direct derivative of the organizational strategy and the various strategies of each business division, as well as the technological developments that were identified as such that will enable maintaining the quality advantage of the development and the production capability in the coming years. In order to position Rafael as innovative and to maintain its technological advantage in relation to its competitors, the Company records its knowledge and information database in a methodical manner and with a comprehensive strategic outlook.

Protecting the technological advantage is expressed in two focus spheres: A. Creating a protective core of knowledge assets in strategic fields, based on an extensive and diverse portfolio of patents, as part of the development processes, identifying innovation, examining alternatives and extensive training in business development for product leaders, while registering the activity territories; b. Active opposition to patent requests of competitors that may disrupt development at Rafael or block it in other ways – is a complicated process that requires follow-up and ongoing analysis of a great

deal of information on the market, potential customers, competition and growing technologies. Often, the process of legal opposition to a patent ends in a license agreement between the parties of the proceeding.

In any partnership, academic or otherwise, Rafael does its best to protect its intellectual property rights through appropriate legal agreements. Moreover, at Rafael, there is a strict mechanism for managing cyber risks and protecting confidentiality and privacy. Rafael operates under a updated privacy policy that is available on the Company website and it meets all the internal procedures required for proper supervision. The Company complies with all the relevant standards and regulations related to this subject, including the Israeli Privacy Protection Law, and information security and GDPR guidelines.





# Committed to Protecting the Environment

Rafael operates with the sustained goal of reducing as much as possible its environmental impact and its use of natural resources. The Company takes a proactive approach and advances binding regulation that places environmental protection as a top priority - particularly as a government-owned company committed to the Israeli public. This is expressed in all stages of production - from planning, development and manufacturing to storage and shipping to the customer.



We are committed to compliance with the legal requirements and to the concept of corporate environmental responsibility, in accordance with the policies set out by the management. This policy is regularly reviewed and periodically updated, and is embedded in the Company's procedures, publications and training. For an industrial manufacturing company, this is a considerable challenge - and we are proud to successfully accomplish it, while integrating top-of-the-line technologies. Rafael is ISO 14001 certified and in 2023, the certification was renewed for all of the Company's facilities following inspections on behalf of the Standards Institution of Israel. The recertification entailed extensive work at the Company's headquarters, preparing special-purpose procedures, drafting practical documents, conducting training and performing system inspections. Rafael is dedicated to continuous improvement in this field, while setting and meeting new multi-year environmental goals.

In the last four years, Rafael invested **approximately NIS 60 million in environmental management**, with this activity, in accordance with the multi-year plans, centered on: energy efficiency; waste treatment and reduction; reduction of air emissions from manufacturing processes; and adapting infrastructures to a proactive, advanced and cutting-edge design.

In the reporting period, air emission treatment facilities were built at a cost of ILS 20 million, two new operational yards were planned and built, and new sites were planned for the storage of hazardous material and metal waste, with interim sites built for their storage. Other additional systems were also planned - including a unique system for the treatment and reuse of process water. Relevant processes, such as disposal of different types of waste, modelling and environmental consultation were regularly advanced.



Our numbers for 2024:

**Zero**  
violations or fines in the field of the environment

**NIS 60 million**  
in environmental management investments in the last 4 years.

**45%**  
decrease in water use intensity since 2021

**Approximately 40%**  
of all waste produced in the David and Leshem sites is sent to treatment and recycling/reuse

**22%**  
decrease in the amount of solid waste relative to the previous year

**80%**  
of the hazardous waste from Rafael sites is sent for recycling/reuse



# Environmental Management

The Environmental Protection Division is responsible for implementing the Company's environmental policy, under the guidance of the VP Operations, VP Environmental Protection and the Head of the Infrastructures and Logistics Administration. The division includes the Environmental Protection Headquarters, safety and environmental engineers, the toxins officer department and the manufacturing plant managers. Its purpose is to ensure proactive and efficient environmental protection according to all legal requirements, including legislation updates, with the goal of continuous improvement of results.

Rafael has established a unique strategy for environmental protection and sustainable development, as formulated by the Environmental Protection Headquarters and the VP in charge of this matter. The strategy was presented to and approved by the management and Board of Directors. It refers to all aspects impacted by the Company's activity, focusing on key issues and actions that can be taken to reduce environmental impact as much as possible, despite activities of types that may potentially harm the environment, while recognizing the value and importance of this matter to stakeholders - employees, neighbors, regulators, customers and suppliers.

Alongside the strategy, objectives, timetables and ways of monitoring and measuring are determined. The headquarters prepares procedures and guidelines; advises on environmental risk issues; analyzes environmental performance; leads the implementation of green technologies with reduced environmental impact; is

responsible for the relationship with regulators; provides environmental response in emergencies; and ensures, together with other headquarters entities, publication and reporting in environmental events to the relevant impacted factors.

The work processes and risk surveys designed to guarantee optimal protection of the environment and compliance with laws and regulations are coordinated and approved by the safety and environmental protection engineers. Rafael employs site environmental protection officers who work with the matrix of the organization's various systems.

The Company's sites are required to meet the environmental protection requirements as a necessary condition for receiving a business license and a toxins permit from the Licensing Authority for Defense Enterprises in the Ministry of the Interior, which works together with representatives of the Homefront Command and the Ministry of Health, the Ministry of Economy and Industry, and the Ministry of Environmental Protection.

In the end, each and every employee is involved our environmental efforts. Upon joining the Company, employees undergo training with special-purpose educational software. In addition, in accordance with the direct impact of their work on the environment, such as in the case of working with hazardous materials, workers undergo special-purpose training with the unit's safety and environmental protection engineer, alongside additional training and refresher courses as necessary.



# Environmental Risks

The Company has a special process in place for risk assessment and risk management in the fields of work safety and environmental protection. Every risk is assessed with respect to people, equipment and the environment. This process is expressed in all relevant activities - R&D, building infrastructure, manufacturing, trials, testing and

operation, maintenance and service, demonstration, training and use, transfer of knowledge, upgrades and disposal. It involves adopting and implementing optimal technologies to reduce the environmental impact, as well as consulting experts and the professional literature before using any new material.

## Climate change

The Environmental Protection Unit takes a proactive, forward-looking approach to the said risks. As part of this, an emerging risk relating to climate change has been identified.

In 2023-2024, in light of the importance of this issue and in anticipation of regulatory changes centered on it, a special-purpose survey was conducted to prepare to climate change, through an external consultation firm. This survey relied, inter alia, on the models of the Israeli Meteorological Service and tours of the Company's premises, and was designed to improve readiness and preparations to the expected changes. The survey was divided into two parts:

**a. Physical risks** - arising from climate changes that are already taking place, and those expected in the upcoming years, focusing on the three primary sites of the Company's activity in Israel. The survey examined both chronic physical risks (such as gradual increase of temperatures and precipitation pattern changes) and acute physical risks (such as heatwaves, floods, snow and extreme cold, high waves, dust and haze and unusual precipitation) through a climate scenario analysis. In addition, risks, exposures and the potential of damage to the business continuity of the various sites were analyzed, and were presented in a heatmap in accordance with their severity.

**b. Transition risks** - mainly regulatory changes in the fields of the climate, energy and the environment in Israel and in two of our main export destination countries.

According to the survey's results, concrete recommendations were formed, and in 2025 the Company began integrating part of the conclusions into its organizational risk management. In the framework of the preparations in anticipation of physical climate changes, the work plans include formulating a plan for site-specific surface runoff, as well as gap surveys and updates of the work methodologies at the various sites.





# Indices and Monitoring

Rafael conducts environmental monitoring backed by comparable measurements and quantitative data of air emissions, sewage water, treated wastewater, groundwater and soil, energy consumption, raw material consumption, waste including hazardous waste and noise. In all of these, the Company makes sure to comply with the threshold requirements set forth in laws and regulations. For this purpose, ongoing monitoring is conducted of the efficiency of sewage treatment plants, manufacturing, evaporation and treatment of air emissions, as well as the efficiency of infrastructure with environmental impact, such as transportation of hazardous materials and containers.

As part of its environmental management, effects on the environment were characterized and defined, alongside stakeholder demands and expectations. Rafael ensures that all aspects related to its environmental footprint, including biodiversity, are updated as needed and at least once a year. A dedicated document details the measures to minimize the impact as much as possible, the various risks, and the opportunities.

Once a year, the VP of Environmental Protection and the Head of the Infrastructures and Logistics Administration present to the management and Board of Directors the environmental goals and objectives, as well as the status of the actions taken to achieve them. A similar process takes place in each of the divisions in the framework of 2-year and 6-month management reviews, and work plans are formulated accordingly.

Environmental considerations are integrated into the initial planning stage and the design of the systems and products ("design for the environment" or "reduction at source"), bringing together the Environmental Protection Team, safety engineers and the Quality Officer. The "Rafael Planner Guide" instructs how to realize the environmental protection policy in products, as early as in the development phase - including limitations and restrictions on using certain materials and production processes, and recommendations on environmentally friendly technologies and materials instead.

In managing the lifecycle of a product or service, social responsibility considerations—such as health, safety,

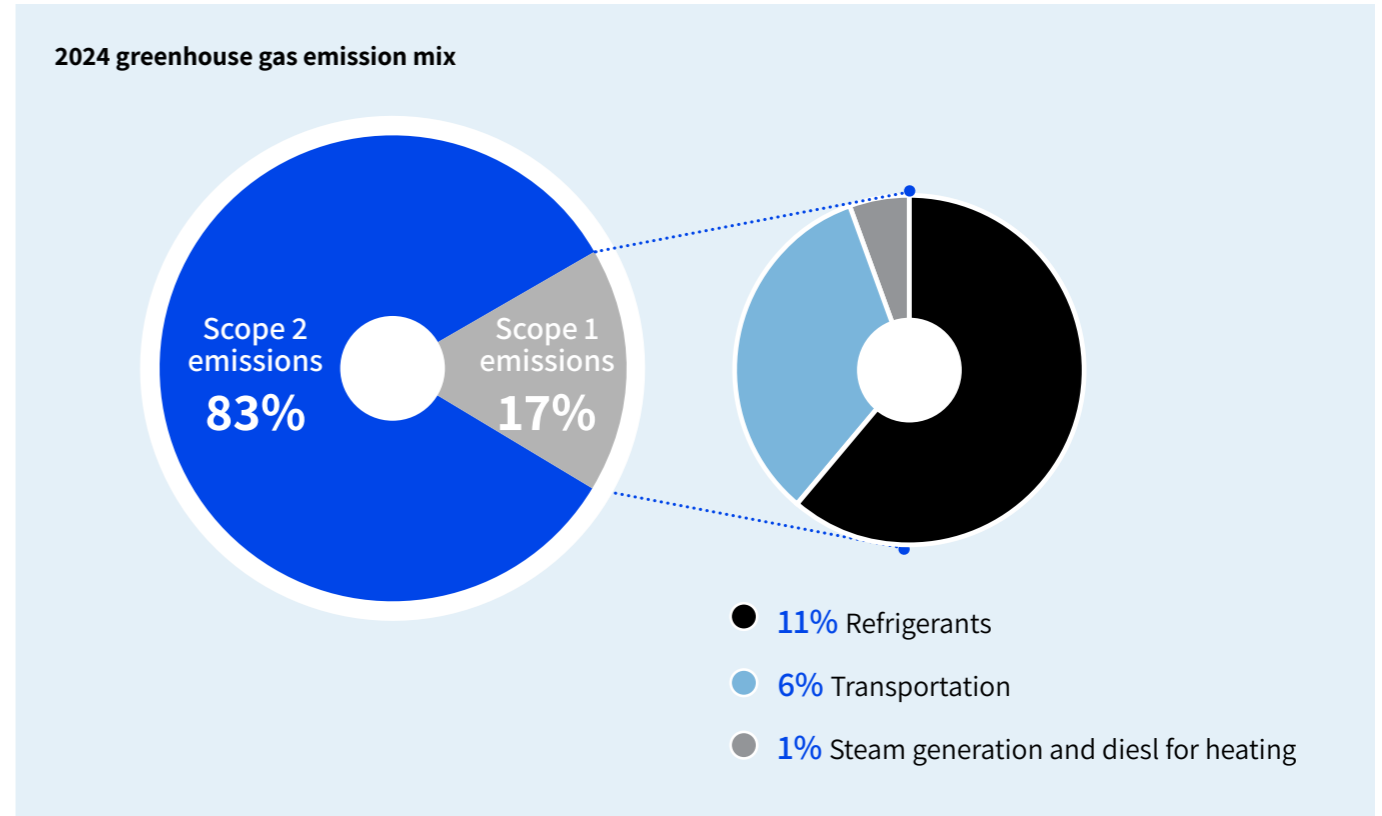
and environmental protection—are taken into account from design through the end of the product's life. This is also reflected in stringent standards for the planning and construction of new facilities, in space allocation, and in assessing the feasibility of transitioning to green construction or a closed system without air emissions, while examining the use of alternative environmentally friendly materials. Environmental aspects are also given attention in procurement and throughout the supply chain, as expressed in concrete demands from suppliers, which are built into contracts, and environmental requirements and instructions to Rafael's suppliers and contractors.

**In the reporting period, no violations or environmental fines were imposed for issues such as pollution, waste and water use.**

## Managing and monitoring greenhouse gas emissions

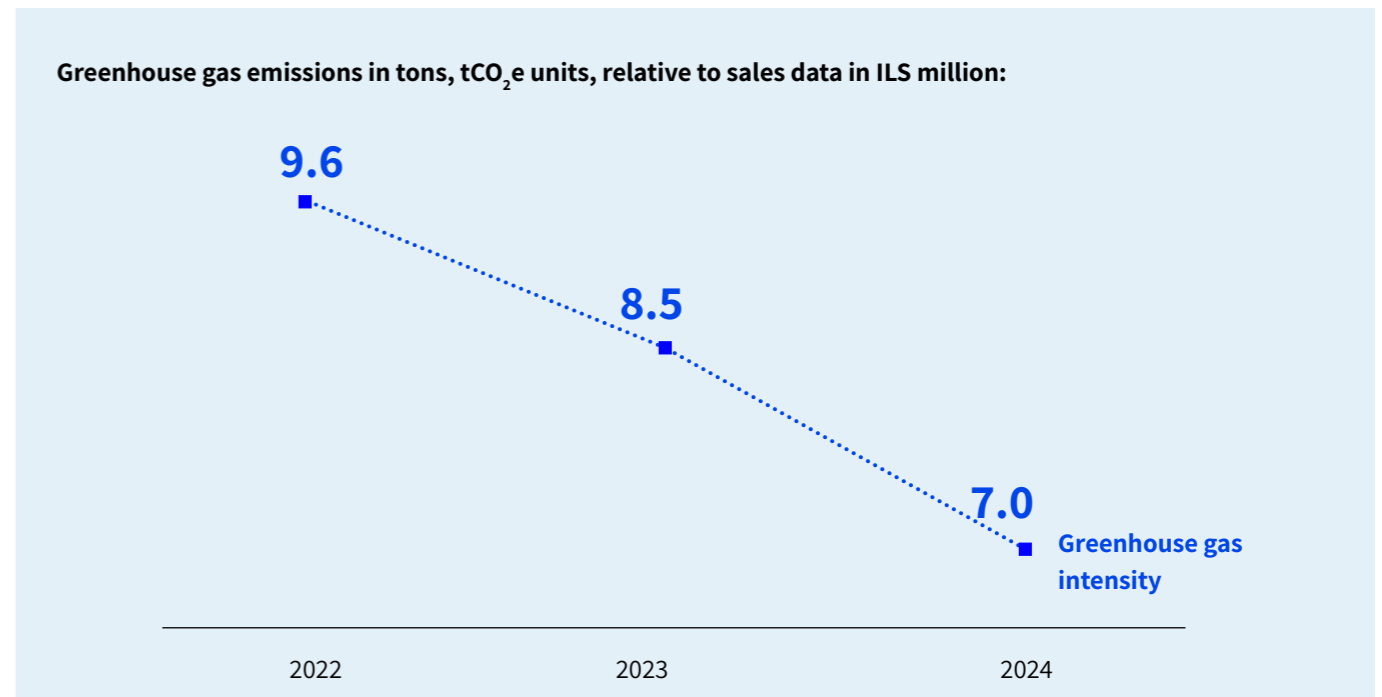
Rafael's primary greenhouse gas emissions derive from the consumption of electricity and fuel for manufacturing and transportation. As of 2024, 83% of the Company's carbon footprint derives from electricity consumption (Scope 2), and the rest from direct emissions (Scope 1) - transportation (6%), use of refrigerants (11%) and steam generation (1%). The Company consistently monitors and measures greenhouse gas emissions caused as the result of its activity, and acts to reduce them through maintenance activities and integrating innovative technologies. We should note that the electricity consumed by the plants is produced from a power plant that uses natural gas, which has lower emission intensity relative to that of the national electricity grid.

In 2024, a thorough examination was conducted of components and products relevant to the Company's activity, which are included under the CBAM category - a new mechanism for carbon pricing implemented in the European Union. In this framework, their carbon footprint was calculated, and a special calculator was created for this purpose. Due to regulatory changes in Europe, this activity has been suspended for the time being, however it made a significant contribution to understanding and calculating the carbon footprint of various components.



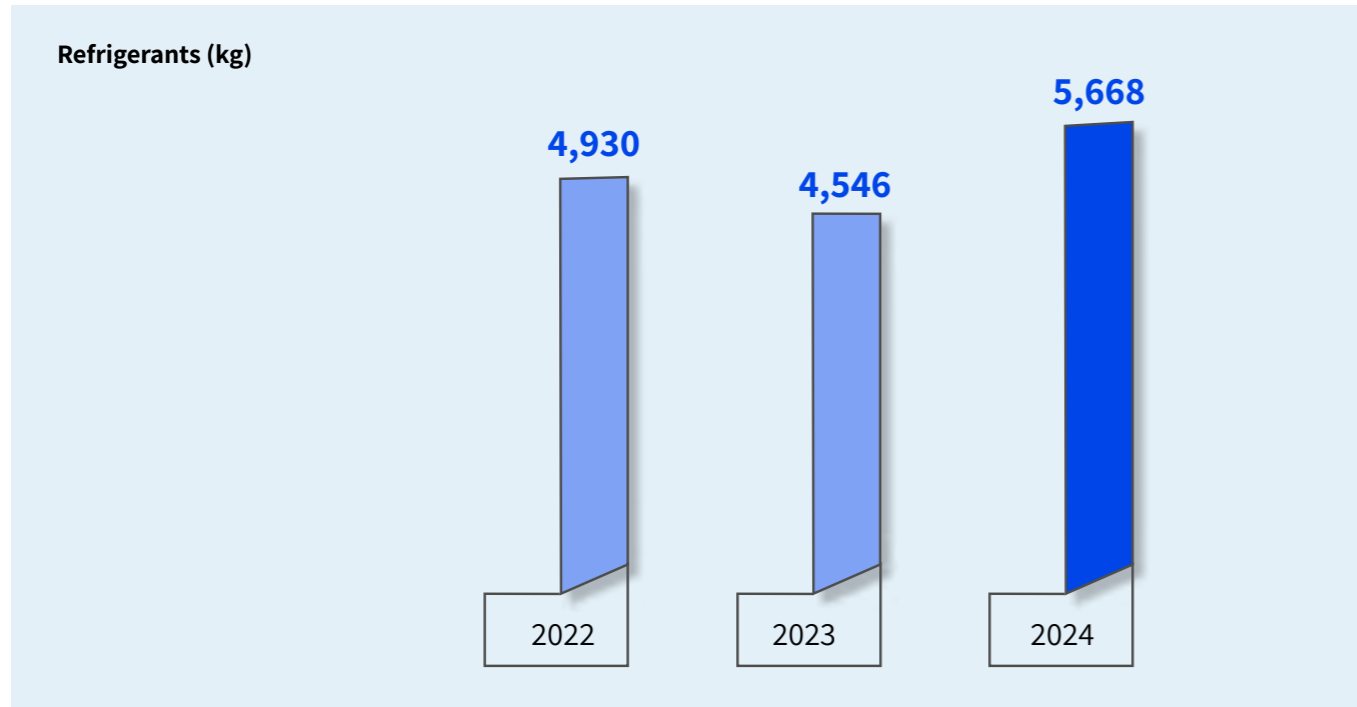
The emissions intensity index (tons of CO<sub>2</sub>-equivalent per ILS 1 million in sales) has seen a significant reduction of approximately 27% for every one million ILS in sales. This is despite an increase in manufacturing scopes and an increase in energy consumption at the rate of approximately 9% for the same period.

The decrease in this index is attributed to shifting to refrigerants with a lower emission coefficient, reductions in the fuel consumption for transportation, and a significant increase in the Company's sales. The emissions data is reported once a year, voluntarily, to the Maala ESG ranking.





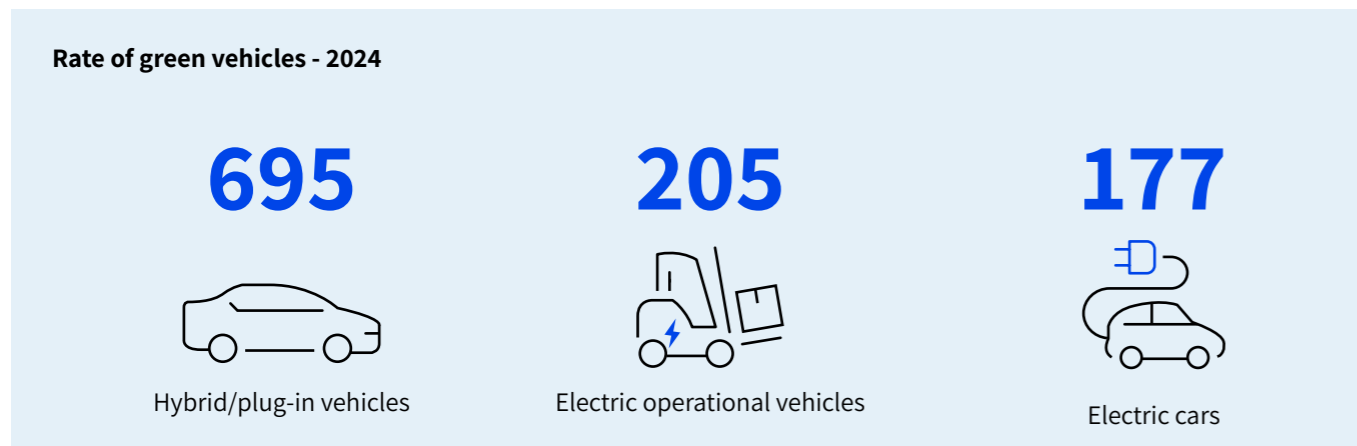
## Reduction in emissions deriving from refrigerants



## Reduction in emissions deriving from transportation

The company vehicles used for Rafael employees have a low air pollution rating, and employees entitled to a company vehicle may also select a hybrid vehicle. Dozens of electrical forklifts and vehicles have also been put into internal use. In the reporting period, ILS 4 million were invested in electric charging infrastructure, and in the central sites, 40 stations are deployed (David Site: 20 AC stations and 6 DC stations for fast charging; Leshem Site: 10 and 4, respectively). In 2024, the rate of green vehicles was 34.8% (695 hybrid/plug-in vehicles, 205 electric operational vehicles and 177 electric cars),

compared to 22% at end of 2020. The Company intends to replace a significant part of its vehicle fleet with electric or hybrid vehicles, and meticulously performs air quality tests of the exhaust systems of the vehicles, in every periodic servicing. At the same time, Rafael encourages its employees to use the extensive transportation system it operates - approximately 650 transportation lines used by thousands of employees every day - as another way of reducing carbon emissions.



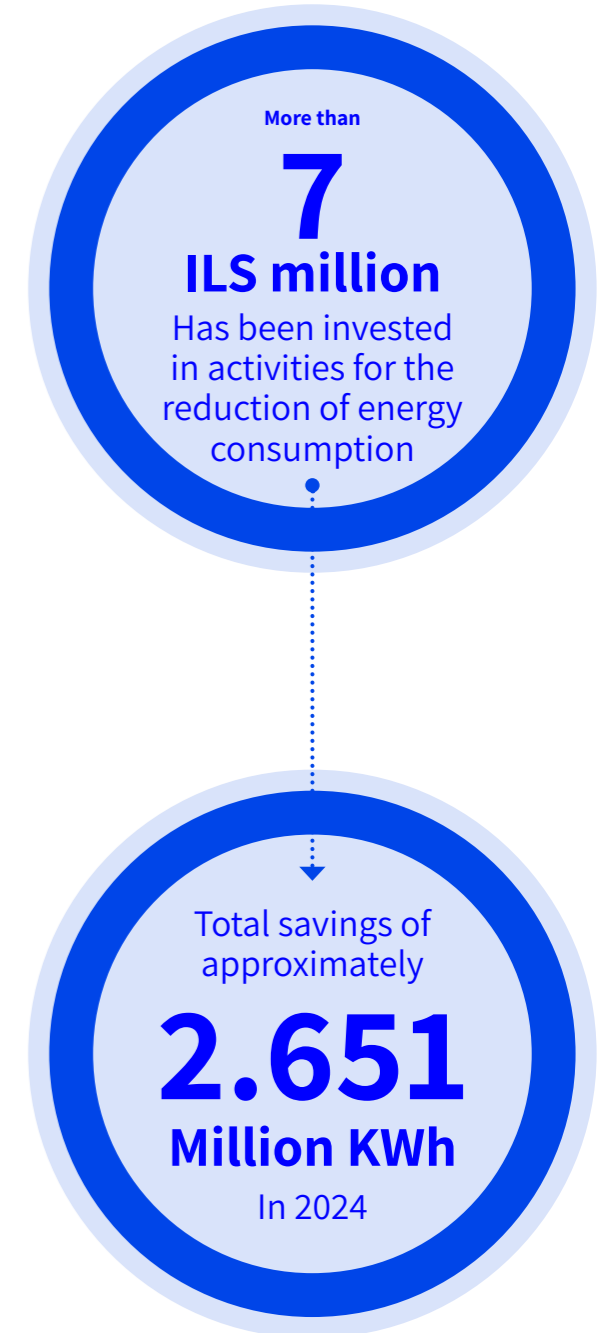
# Energetic Efficiency

As a manufacturing industrial entity, energy management is a key issue for Rafael. To improve performance quality, economize the use of natural resources and utilize them optimally, while ensuring an appropriate solution for its energy needs - the Company took it upon itself to establish and maintain advanced management systems.

Rafael has been ISO 50001 certified for a decade, and once every six years it is required to conduct a comprehensive energy survey of all company sites, which includes an examination of all consumers and equipment, with the purpose of identifying any potential for saving and formulating practical recommendations. The last survey was conducted in 2025 and is awaiting the approval of the Israeli Ministry of Energy.

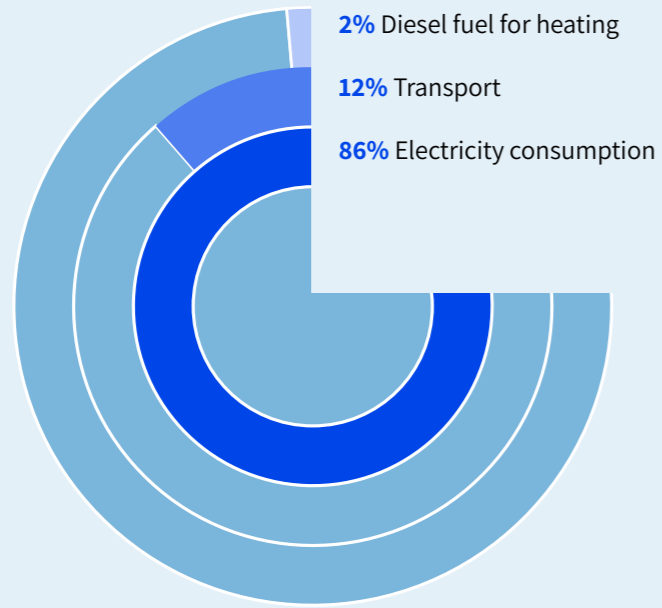
In this framework, in 2023, an ILS 11 million multi-year plan was approved for investing in energy efficiency. The actions performed include: replacing systems with poor energy efficiency; installing controllers for watering gardens; installing additional electricity meters; installing presence sensors; as well as a solar-control windows pilot program, to reduce thermal loads in buildings.

The scope of energy consumption in all of the Company's sites is under constant monitoring, and in 2024 was in the cumulative amount of 731,000 GJ - an increase of approximately 5% compared to 2023, caused by an increase in manufacturing and activity scopes. In the framework of optimizing the data in the Company's IT systems, the mixture has changed, and this has had a certain effect on the data, also retroactively. Most of the consumption is in the David and Leshem sites. In the reporting period, more than ILS 7 million has been invested in activities for the reduction of energy consumption, which have led to total savings of approximately 2.651 million KWh in 2024. Key activities included: a pilot for installing remotely controlled water meter controllers, for watering the gardens, and systems for controlling the water consumption in building, following which the laying out the grid of the David Site is expected in a continuous process; another ongoing process for the installation of electricity meters in electricity cabinets, with a connection of 64 Amperes or more; converting the vehicle fleet and installing electric vehicle charging stations; replacing old cooling systems with more efficient systems; a guideline that no electrical equipment with an energy ranked less than A, except for exceptional cases with the committee's approval; mapping significant energy consumers in the organization; implementing the energy survey and adopting recommendations; and building a multi-year plan with economic investments in the field of energy.



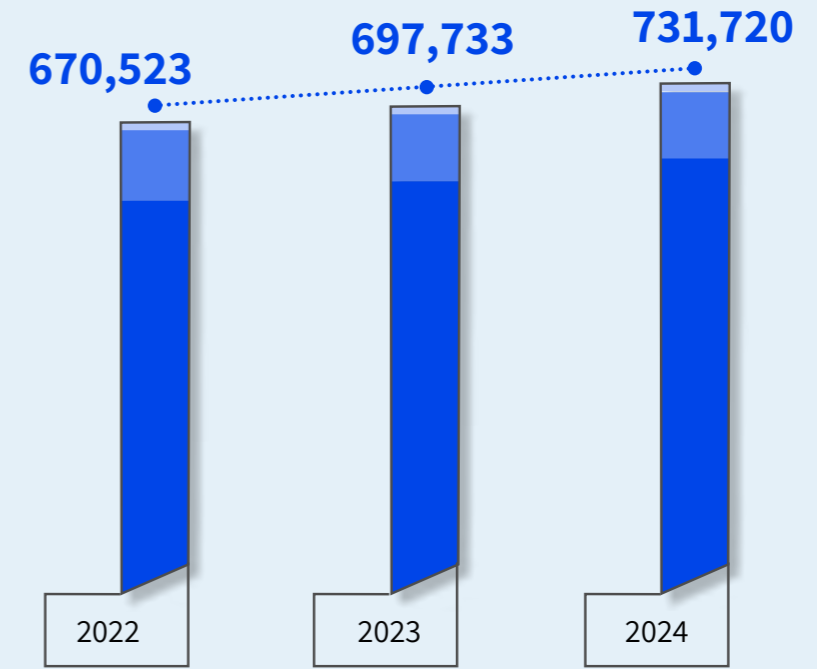


2024 energy consumption mix



Energy consumption mix (GJ)

■ Electricity consumption ■ Transport ■ Diesel fuel for heating ..... Total



The organization's energy consumption in 2022 - 2024 (GJ)

Source	2022	2023	2024
Diesel fuel for heating	9,870	12,230	14,152
Transportation	98,546	95,271	90,588
Electricity consumption	562,106	590,232	626,980
<b>Total</b>	<b>670,523</b>	<b>697,733</b>	<b>731,720</b>

Another step on the path to energy independence

In 2024, Rafael made another important step on the path to achieving energy independence, with the completion of a tender and selection of a vendor for the establishment of a hybrid powerplant. The plant is planned to be based on natural gas, with a capacity of 15 megawatts, together with solar energy production with a capacity of 10 megawatts, and a storage capacity of 50 megawatts. The plant, which is designed for

internal use only, will provide significant leeway for energy efficiency, reduction of the use of generators and reducing the carbon footprint. The green power generation potential from solar energy is expected to reach approximately 16.5 million KWh per year. Once the regulatory approvals are received, construction will commence.



## Management of pollutant emissions into the atmosphere

As a manufacturing industrial company, Rafael uses hazardous materials. To reduce their use, the Company continuously acts to improve manufacturing and mechanization processes, to update the work methods, and as necessary - to change materials. In this manner, scrubbers were put into use. These are acid-treatment facilities that reduce their emission into the air by at least 98%, through a neutralizing chemical reaction. In addition, solutions were developed for focused treatment of air emissions, such as special-purpose covers for containers or a collection container with a special-purpose cap to prevent leakage. The contribution of these proactive activities of reduction at source - without regulatory requirement - is estimated to be about 900 kg to 1 ton of TOC (total organic carbon) per year. In addition, in installing new stacks and in building structures, the Company meticulously implements the most stringent requirement back in the planning stage.

We ensure responsible use of hazardous materials and storage of the necessary inventories for ongoing activity only. Any storage of hazardous materials is performed in accordance with the guidelines of the toxins permit, in

compliance with the permitted quantities, with control by a special-purpose ERP system. Another point of emphasis in storage is meticulous risk management at different points, to prevent leaks and environmental damage as the result of an unexpected incident. Any addition of hazardous materials or increase of quantities is accompanied by an examination of the effects on separation distances and reduction of risk ranges, inasmuch as possible. At the same time, a multi-year process is conducted to examine and identify alternative, environmentally friendly materials.

In 2022, following an update of the regulatory requirements in the framework of the Clean Air Law, Rafael developed and constructed, at a cost of more than ILS 12 million, a special-purpose facility for treating pollutants and preventing their emission into the atmosphere. The facilities treat volatile organic compounds (VOCs) through a full combustion method (thermal oxidation). It is connected to both stacks and solvent containers, thereby providing a solution to both focal and non-focal emissions. Its efficiency is estimated to be 99.9%.

## Protecting nature and biodiversity

There are two nature reserves within the Company's premises: one is next to the beach, near David Site, and the other is the winter pond in the Leshem Site. Rafael acts to protect the reserves, abstain from construction and from using their area, and prevent damage to their biodiversity. These actions include academic studies on preserving the natural pond and the unique regional diversity, a quarterly plan for cleaning the beach from waste coming from the sea, and taking care of the sea turtle egg laying areas, together with the Sea and Shore Department of the Ministry of the Environment, including relocating eggs as necessary.

## Prevention of soil contamination

Changing from steam boilers to electrical boilers to heat water reduced the scope of use of fuels, and consequently the need to store them. To prevent soil and groundwater contamination from unused underground containers, the containers were taken out of the ground in a planned operation in the various sites.

In the field of surface runover, important actions were taken to separate drainage of the clear surface runover and leachates coming from the operational areas, with the latter collected and treated in accordance with regulatory requirements. In 2024, two new, unique operational surfaces were built - interim storage sites for hazardous materials waste - which meet all requirements, including sealing, prevention of permeation to the ground, and preparing unique ducts, at a cost of ILS 2.5 million. The surfaces enable prevention of soil and groundwater contamination and hazardous materials reaching the environment





# Water Consumption

Water is supplied to Rafael by Mekorot and local water corporations. The water is used by the Company for industrial needs, as well as drinking, watering gardens, cooling systems and sanitary needs. The Company strives to reduce their consumption, with a reduction objective of 2% per year. For this purpose, water meters and advanced control systems were installed and continue to be installed, to allow continuous monitoring of water consumption and monitor and leaks. In addition, a comprehensive mapping of consumers and potential weak points for water loss was prepared, together with ongoing monitoring of high-consumption facilities and processes.

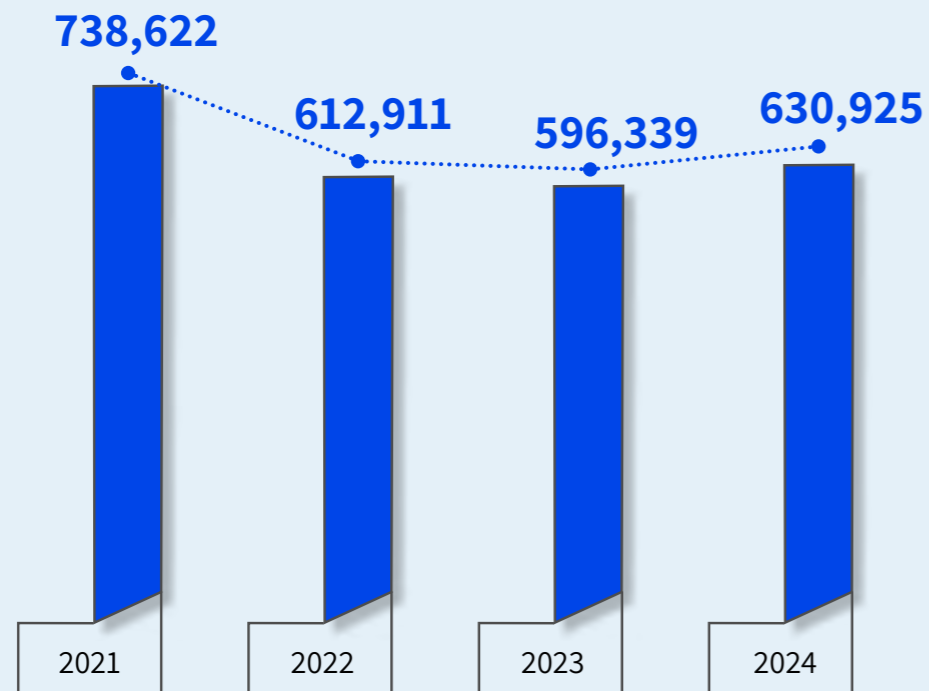
The Company's growth and unprecedented increase in the volume of orders and sales in the last three years have led to an increase in the total water consumption. On the other hand, the water use intensity rate (water consumption relative to revenue) decreased significantly and consistently over the same period - a 45% decrease since 2021 - which indicates significant improvement in the efficiency of use of water.

This has been achieved in the framework of a multi-year plan that included upgrade of the water consumption management control systems - especially in Rafael's gardens - replacement of the chiller system, creating a building water consumption control system, replacing old infrastructure pipes, measurement and monitoring of water and energy consumption, and more.

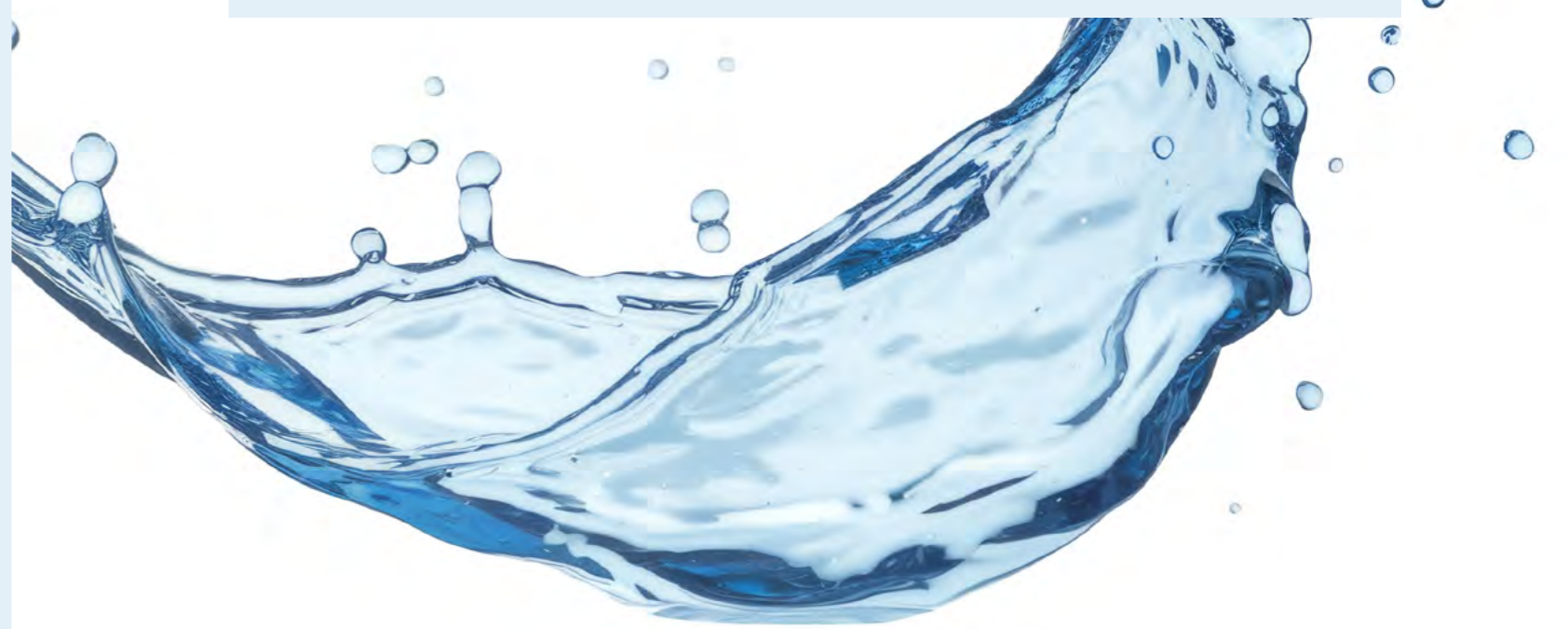
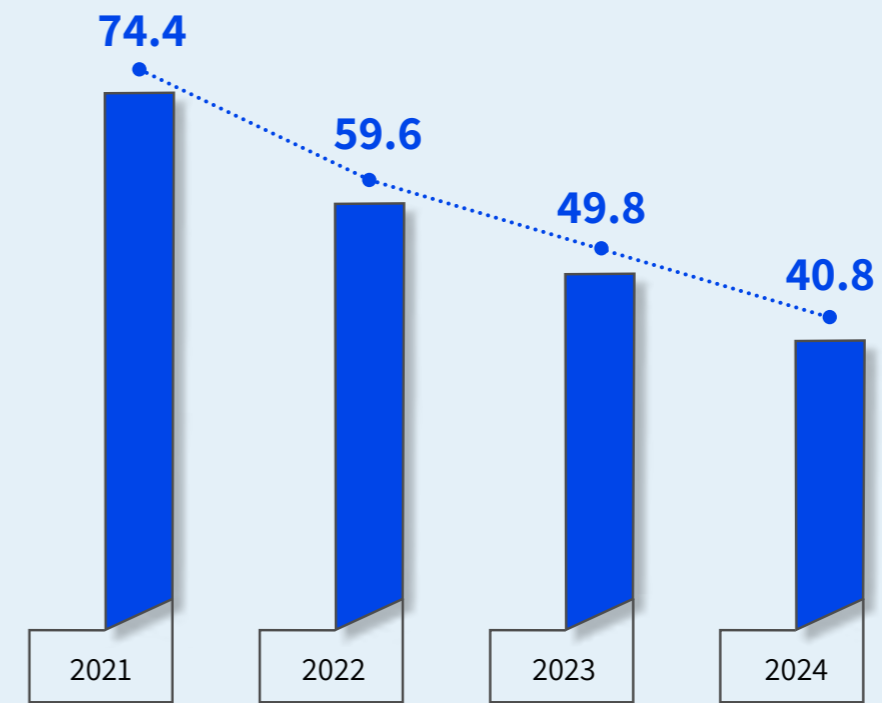
The Company also acts to improve water consumption management in its facilities through a multi-year work plan for placing meters in the various structures. In the framework of the plan, the first meters for monitoring and analyzing consumption in reality were installed, with the purpose of finding points with high consumption and to formulate efficiency measures. The objective for 2025 includes the installation of 19 additional meters, and the project's completion is planned for 2026, with the placement of 30 additional meters in all Company sites.



Potable water consumption (cubic meters)



Water use intensity (Potable water consumption in cubic meters relative to sales in ILS millions )



# Treatment of Sanitary Wastewater

There are two sewage treatment facilities on Rafael's sites, which operate according to the guidelines of the Ministry of the Environment and the Ministry of Health and treat sanitary wastewater only.

The David Site wastewater treatment facility treats approximately 600 cubic meters per day, equivalent to approximately 11,000 average showers.

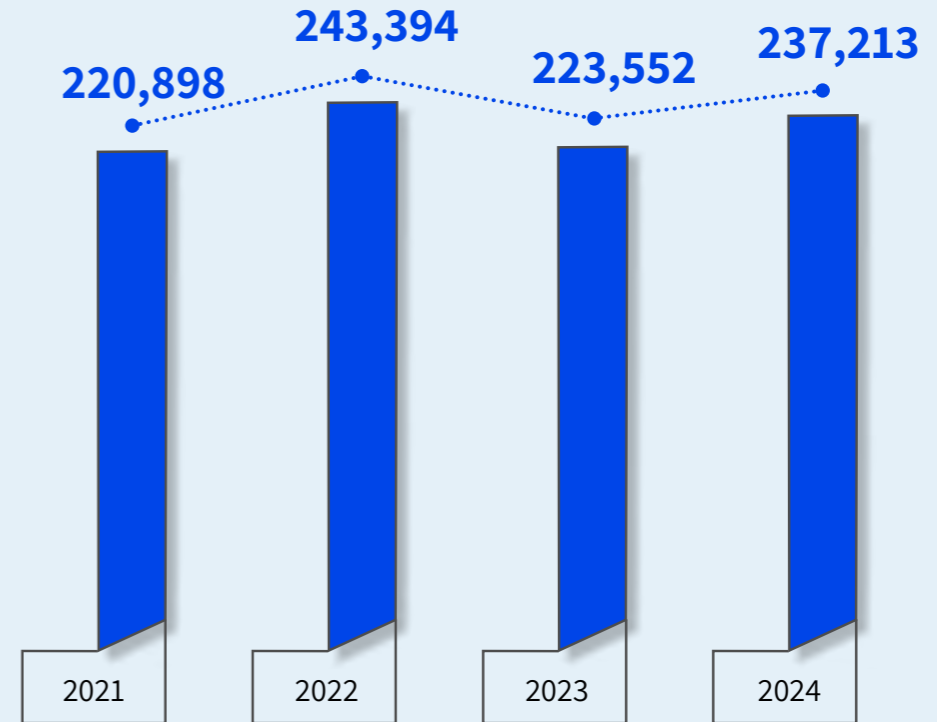
The wastewater treatment plant (WWTP) includes a primary retention basin and an emergency retention basin, filtration and disinfection systems, and a computerized control system. The treated wastewater is treated to

a tertiary level and is reused for agricultural irrigation through the regional treated wastewater reservoir, Match Asher.

The Sdema sewage treatment facility treats approximately 24,000 cubic meters per day, to a secondary level, and the treated wastewater it treats is used to water local vegetation, with the approval of the Ministry of Health. From the Leshem and Hagiva sites, sanitary sewage flows to regional collection systems, and is treated and then used for irrigation.



Quantity of sewage produced (cubic meters)



# Waste Treatment

The waste management and treatment system operates with the continuous goal to enable recycling and reuse as much as possible. It consistently acts to optimize and enhance the collection of information relating to waste in the Company's different sites, while accordingly analyzing trends and efficiency measures.

Construction waste - the scope of which was significantly reduced in the reporting year - is collected in a concentrated manner from all sites and is sent, as much as possible, to shredding and recycling processes in Rafael's premises. Gardening waste is shredded and distributed as fertilizer in the Company's sites.

The scope of domestic waste increased in the reporting period, mainly as the result of the increase of the quantities of food given to employees in the kitchenettes. This is in light of the widespread recruitment for the war effort and the increasing use of disposable food packaging, in periods

in which it was prohibited to convene in the dining hall. An increase of packaging was also required for additional shifts of workers. As part of the agreement with the Tamir recycling corporation, the packages are transferred in a concentrated manner for recycling.

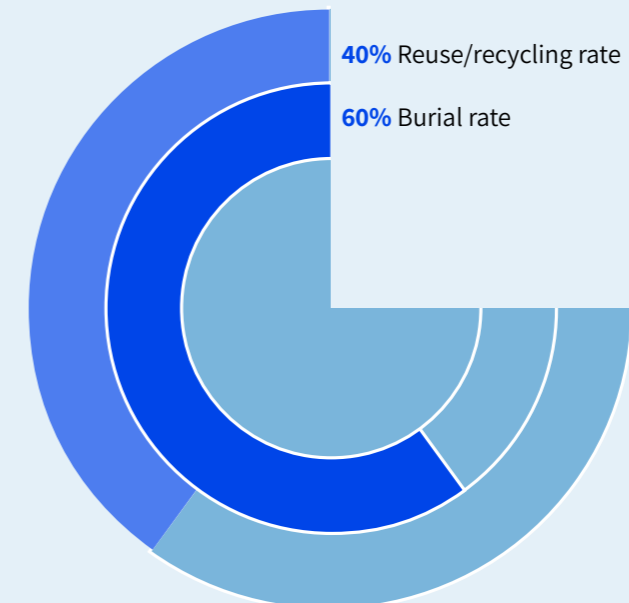
Waste that cannot be recycled is sent for processing at licensed sites, in accordance with the instructions of the Ministry of the Environment.

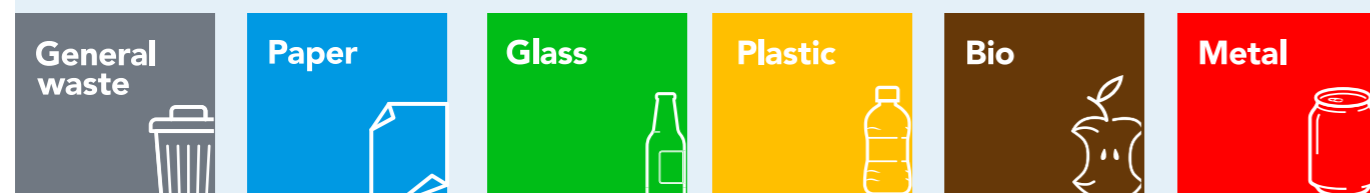
**In the reporting year, there was a significant, 22% decrease in the amount of solid waste** relative to the previous year, with the most significant item being the decrease in construction waste.

**Approximately 40% of all solid waste was sent for recycling or reuse and not burial.** This is a decrease relative to a rate of 73% in the previous year, which can be explained by a reduction in construction waste and constraints relating to the war.



2024 solid waste treatment mix





**Scope of non-hazardous waste (in tons) in the David and Leshem Sites:**

Waste type	2021	2022	2023	2024
Domestic	1,614	1,901	2,319	2,374
(Construction (waste transferred to licensed sites	182	1,043	511	984
Bulk, mixed	1,017	471	975	1,072
<b>Total waste for burial</b>	<b>2,813</b>	<b>3,415</b>	<b>3,805</b>	<b>4,430</b>
Metals	4,781	720	520	616
(Construction (after recycling at Rafael's premises	-	3,048	4,085	1,200
Electronic	962	115	160	127
Wood	503	363	445	509
Cardboard	214	218	446	424
Paper	72	17	50	55
Foliage	37	430	-	0
Plastics	11	14	12	57
Packaging - new flow, since 2023	-	-	6	28
<b>Total waste for recycling/reuse</b>	<b>6,580</b>	<b>4,926</b>	<b>5,724</b>	<b>3,016</b>
<b>Total solid waste</b>	<b>9,393</b>	<b>8,341</b>	<b>9,529</b>	<b>7,446</b>

**Hazardous materials waste**

There has also been an increase in hazardous materials waste in 2024, in light of the increase of manufacturing in service of the war effort. Hazardous waste storage is done in special-purpose sites, with separation by risk group, while ensuring standard signage, emergency equipment and more.

An innovative, safe interim site, equipped with an electronic control system, enables safe and orderly management of the waste inventory until its removal.

Special-purpose processes relating to treatment were optimized through customized smart systems, that enable maximum extraction in production - and thereby also reduction of the hazardous waste quantity created in the process. Thus, for example, to replace a material with potential hard to human health, the manufacturing method was changed, while ensuring no damage to the product quality.

In addition to the existing treatment processes, Rafael is leading studies with the leading universities in Israel, with the purpose of finding solutions for biological treatment of waste types that constitute a special challenge.

Hazardous materials waste is managed in Rafael through an "infrastructure and means of production" section, with a Hazardous Materials Waste Supervisor, who is the toxins officer, in accordance with the Company's toxins permit and the legal requirements.

To make waste treatment more efficient, different waste types are separated by treatment streams. In 2024, a survey was conducted of one of the waste flows and the ways of treating it. This was the result of a gap that arose in its management, and served as a basis for work and streamlining of the treatment process later on.

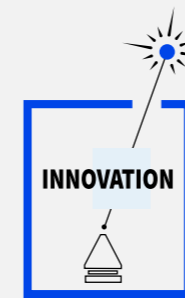
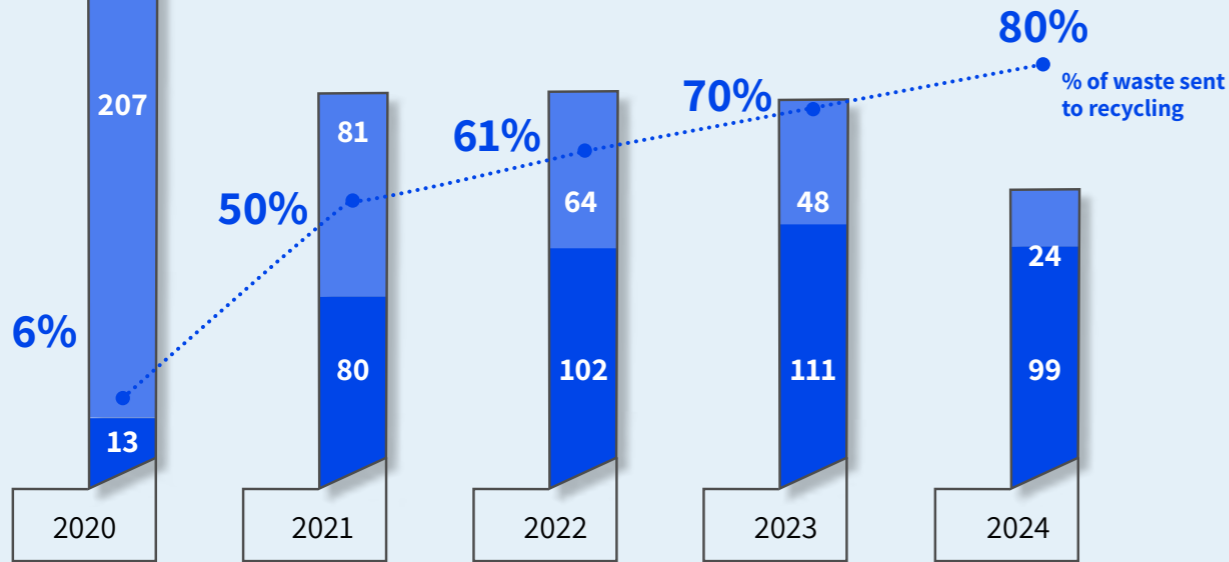
**Thanks to the Group's efforts to advance and improve ways of treating hazardous materials waste, the rate of hazardous waste sent to recycling increased significantly in recent years - from 50% in 2021 to 80% in 2024.**





**Recycling of hazardous materials waste, and waste data relative to sales (ILS billions)**

- Hazardous waste sent for recycling or reuse, normalized per ILS 1 billion
- Hazardous waste sent for burial relative to sales



**Innovation and green technologies in treating hazardous materials**

The industrial sewage in Rafael facilities constitutes an environmental challenge, as it is liquid waste with complex attributes. It is collected, transported to and treated in licensed hazardous materials waste sites. In a pilot conducted in 2024, a certain flow of industrial sewage, which thus far was disposed of as hazardous materials waste, undergoes filtration, filtering and treatment, and finally the return of the sewage i.e. the water without the hazardous materials, to Rafael's manufacturing process. After this action, which leads to significant savings in costs and water consumption,

was proved to be practical, it was expected to two other points. Rafael considers it of utmost importance to improve hazardous materials filtering and treatment capabilities, and continues to invest in innovative technologies and techniques to make this operation more efficient.

**Hazardous waste data in David institute (tons)**

Waste type	2021	2022	2023	2024
Hazardous waste - burial	737	658	581	437
Hazardous waste - recycling	728	1,042	1,326	1,772
<b>Total hazardous waste</b>	<b>1,465</b>	<b>1,700</b>	<b>1,907</b>	<b>2,209</b>

# Rafael Thinks Green

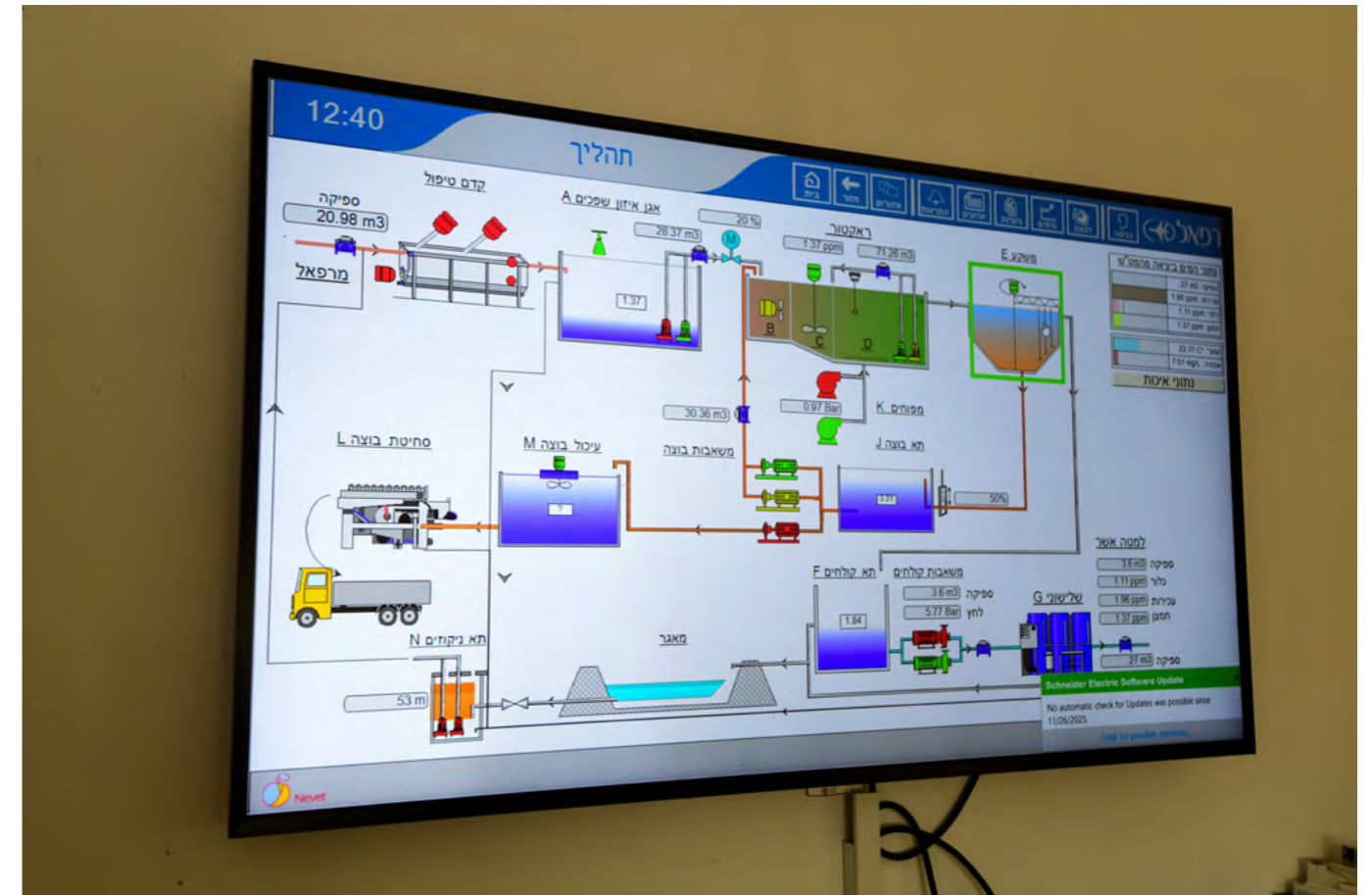
Reducing the environmental impact of a company involves not only manufacturing, storage and operational efficiency, but also the day-to-day conduct of each and every employee. The Rafael Thinks Green project was designed to encourage initiative, thinking and action for the environment in Company sites, and to provide tools that would enable reducing environmental impact on the individual level.

In the framework of this project, Rafael has increased exposure to this subject through special-purpose signage, publications, videos and internal communications. In this way, "Green Days" were held to increase awareness of subjects such as waste separation, encouraging recycling and reducing food waste. In June 2024, around World Environment Day, several full learning days were dedicated to the subject, with workshops, lectures and different activities. As part of this, a community was established to promote environmental initiatives.



Throughout the sites and next to building entrances, there are **approximately 500 bottle and can recycling bins, 75 packages recycling bins and 90 battery recycling stations**. In recycling centers on our grounds, to maintain order and cleaning and to assist in separating waste streams, 26 enclosures were installed.

Near dining halls and eating areas outside building, **30 waste bins for collecting trays for recycling** were placed. To prevent food loss, leftovers are sent as a donation by the catering vendor, in collaboration with the "Leket Israel" NGO. In 2024, **approximately 15,000 food containers** were sent, which translates to **approximately 100,000 meals per year**.



## Learning and specialization

The education software and training in environmental matters, including all subjects required by law and standard requirements, are under the responsibility of the Safety Training Center, which distributes a comprehensive program for this purpose annually. The instructions are relevant to those employees whose work may have a significant environmental impact, or who are given responsibilities in the environmental management system.

As part of the procedures, internal and external reporting pipelines are defined for nuisances and defects in the daily operation; reports to the management and Board of Directors through VP Infrastructures and Logistics Administration; reports to the divisional managements in divisional management reviews; regular reports in the internal network; and bringing up comments and suggestions through the relevant factors. Public notices through the media, authorities, etc., are coordinated with the PR Division and are detailed in a separate procedure.

## Environmental protection during the war

Around the Iron Swords War, changes in the scopes and patterns of activities also constituted an environmental challenge. Despite the complex situation, it was decided to avoid as much as possible acting hastily without examining the environmental impact, and to consider alternatives. A special challenge was the noise caused by the increase in the intensiveness of product trials. Optimally, before each and every trial, weather conditions are examined with the purpose of minimizing the noise impact. However, this is impossible in an emergency. To reduce the impact on the public and to avoid unnecessary anxiety at a sensitive time, cooperation with local authorities, municipal unions and the Homefront Command was tightened, and updates on expected trials were sent to residents.



# Committed to Socio-Economic Change

**9,588**  
employees

**60**  
community  
outreach projects

**2,500**  
employees  
volunteer in the  
community

**16**  
municipalities  
that the Company  
work with

# Our Human Resources

What was true ever since Rafael was founded, has become even more evident in this prolonged war: Rafael's employees are the Company's most important asset. They are the secret to its many years of success, and it is them who make the company the leader it is.



Out of recognition of their value and importance, Rafael invests great resources in recruiting the best in the labor market and academy, in ensuring an equal opportunity to employees of different backgrounds, in retaining employees through fair terms of employment, and in promoting them through personal and professional development processes.

The employee's experience, in the broadest sense, including a correct work-life balance, forms a pillar in realizing our organizational goals and strategic objectives. In addition, supporting workers' welfare assists in retaining qualified and skilled manpower, and enables recruiting high-quality employees.

Employees who feel appreciated, who are supported by Rafel, support our strong organizational culture and consider themselves part of our joint mission. They internalize the importance of their personal contribution and are therefore willing to contribute more, to innovate and to influence the services provided and systems.

We add to this the sense of a mission, which derives from Rafael's triple purpose: to serve as a key component in building the security of the state in Israel, and in particular in one of the most complex war years we have ever known, and as a national defense technology R&D center; to be a business company committed to excellence and maximizing profits; and to serve as a significant engine for the country's economic and social development.

At the end of the day, this level of commitment and motivation translates into improved results and innovation, while ensuring high standards - the importance of which in the defense industry cannot be overstated.

As of the end of 2024, Rafael had **9,588 employees** (excluding student positions), a **13% increase** from the previous year.

The rate of those employed in a full-time position was **99%** of all employees.

The rate of women in the Company was **25.6%** during the reporting year.

Segmented by age: **approximately 67%** of the employees are 30 to 50 years old, **approximately 25%** are over 50, and **approximately 8%** are under 30.

## Our numbers for 2024:

**25.6%**  
women in the Company

**25.3%**  
women in management roles

**35**  
training hours per employee on average

**260**  
role types

**4.16%**  
employee turnover rate

**2.28**  
ratio between "near misses" and industrial accidents

**100%**  
assimilation of the safety culture index

**73%**  
local procurement out of the total procurement

**67%**  
growth in the scope of local procurement relative to 2022

**56%**  
procurement from peripheral regions

**84%** local suppliers

**Segmentation by gender and position type (full/part-time):**

	2021			2022			2023			2024		
	Women	Men	Total	Women	Men	Total	Women	Men	Total	Women	Men	Total
Full-time	1,930	5,972	7,902	2,028	6,066	8,094	2,149	6,277	8,426	1,520	4,597	6,117
Part-time	42	75	117	62	110	172	43	46	89	936	2,535	3,471
<b>Total (excluding students)</b>	<b>1,972</b>	<b>6,047</b>	<b>8,019</b>	<b>2,090</b>	<b>6,176</b>	<b>8,266</b>	<b>2,192</b>	<b>6,323</b>	<b>8,515</b>	<b>2,456</b>	<b>7,132</b>	<b>9,588</b>

**Segmented by age:**

	2021	2022	2023	2024
Over 50	24.8	27.4	25.2	24.9%
50-30	69.3	68.2	68.7	66.97%
Under 30	5.9	4.5	6.1	8.09%



# Human Resources Management

**The HR division is headed by Senior VP HR, who is in charge of five headquarters units:**

- Salary, Benefits and Work Relations Unit
- Training and Development Unit
- Recruitment and Mobilization Unit
- Employee Experience, Processes and Operations, Systems and Analytics Unit (HOTAM)

**Talent and Core Populations Management Unit**

A critical element in the effective management of human capital is collecting the relevant data and making it accessible, to enable making educated decisions on its basis. Three functions of the HR division are charged with performing this mission:

- The Salary Unit, which analyzes the employer's costs and their effect on system prices and on the Company's competitiveness.
- A unit that integrates different HR indices in the IT systems and makes them available, for example: recruitment, training and budget management aspects.
- A unit that deals with organizational surveys and provides information to managers on employee connectedness and satisfaction levels.

In addition, centers of excellence operate in the headquarters, which implement an approach of excellence in service and execution. These centers build knowledge and methodologies and develop infrastructure, tools and work procedures to promote excellence.

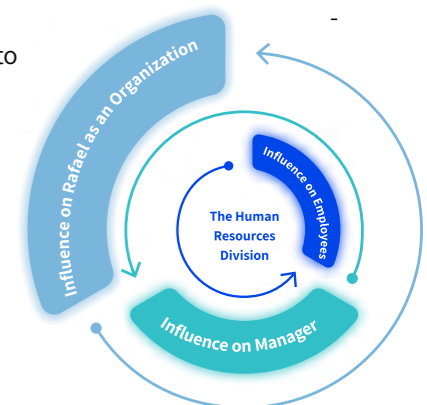
HR Teams operate in Rafael's different divisions to take care of the needs and development of the division's employees. With the assistance of the excellence centers and with their professional guidance, they assimilate processes and solutions while adapting them to the division's needs. The combined operation is intended to create optimal conditions in terms of human capital, from onboarding to retirement, to enable realizing the divisions and Rafael's goals.

**The HR Division operates through three circles of influence:**

- **Workers** - Supporting employee development and addressing their needs throughout the full employment lifecycle, from recruitment to retirement, through an employee-centric approach.
- **Managers** - Providing guidance and development for managerial roles, recognizing their critical impact on organizational success.
- **Organization** - Enabling the implementation of organizational strategy in human capital aspects and supporting organizational change in response to a dynamic and evolving environment.

**The action paths for realizing the circles of influence are assisted by digitalization processes and are also divided into three paths:**

- **Employee experience** - creating a significant and satisfying experience, ensuring optimal conditions, presenting clear and accessible information on the benefits and social conditions that employees are entitled to (by law and beyond the law), leading transparency in information and processes, updating procedures, ensuring automated processes, ensuring an advanced work environment adjusted to the employees' needs.
- **Growth and development** - being an organization that creates meaning, challenges and interest for its employees.
- **Performances** individual attention to each employee in assessment and remuneration processes encouraging excellence and organizational flexibility, while supporting a culture of cooperation.



## Innovation in HR

Rafael's HR division encourages professionalism and excellence, and has garnered recognition and various awards for this, within the organization and outside it. In 2024, the Company won first place in Israel's HR Excellence

competition, in the "Employee Retention and Preservation Programs in a Time of Crisis" category, recognizing the Company's commitment to employee welfare and responsible management in challenging times.



Over the past four years, no legal or administrative proceedings have been initiated against the Company for violations of protective legislation

## Labor Relations

More than 90% of Rafael's employees are unionized under collective-bargaining agreements and belong to two representative organizations - the New Histadrut Federation of Labor and the Research Staff Association. The rest are employed under personal contracts. Approximately five worker committees operate in the company.

Out of an approach that sees employees as dominant stakeholder and a significant part of Rafael's DNA, the

Company's management invests significant resources in preserving good and strong work relations with their representatives, through negotiation processes conducted from time to time and consulting processes when making significant decisions that affect employees.

# Recruitment, Mobility and Onboarding

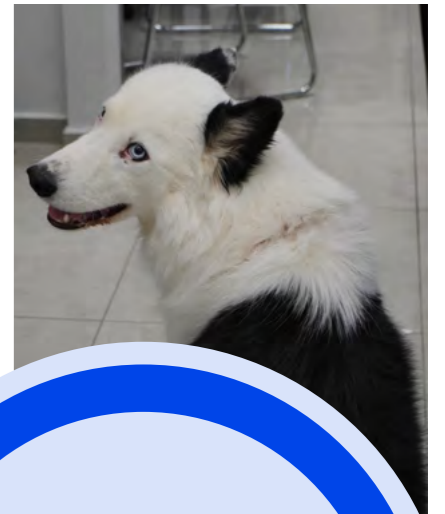
Rafael guides its employees from recruitment and onboarding through their years in the Company, until the process of their retirement and even beyond. The Recruitment and Career Department oversees finding, recruiting and onboarding new employees, as well as dealing with employer branding. The division incorporates the Mobility and Career Advice Center. Thus, the department provides a comprehensive solution to the divisions in finding, recruiting, and filling positions, whether from within the organization or from outside.

In the reporting year, in accordance with the increase in opportunities, the growth trend in employee recruitment continued - a 64% increase compared to the previous year. The main part of recruitment in 2024 was in the professions of technical engineers, software, electronics, machines and algorithms. Among the employees recruited this year, 54% hold an engineering degree, while 21% hold an academic degree.

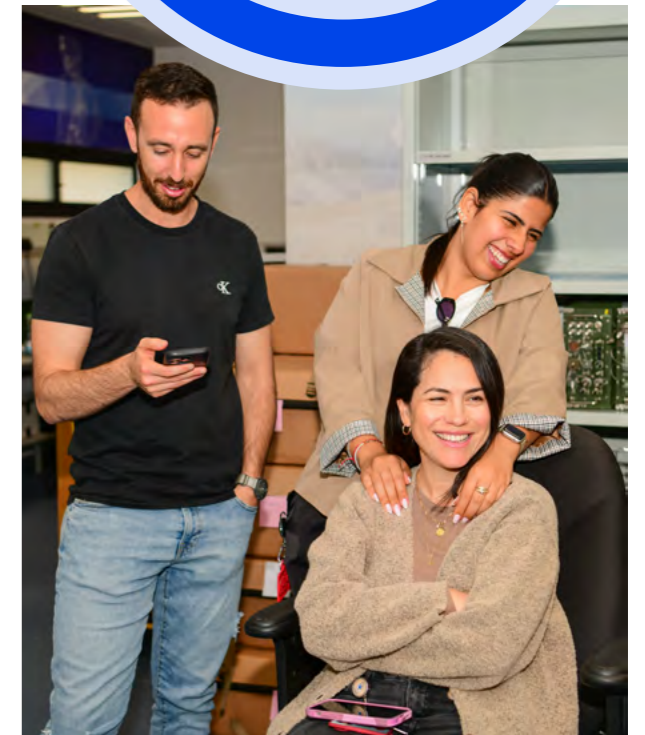
In 2024, as part of the extensive recruitment required by the Company, significant changes were incorporated in the recruitment system: operating intra-organizational assessment centers to quickly and accurately screen candidates, changing the the order of screening stages to improve compatibility, expanding recruitment teams and using external sourcing companies, alongside with upgrading digital means of recruitment and broadening the sources of recruitment. For additional details, see the section on "Human Resources - Iron Swords War".

Rafael offers student positions in various fields, which, in addition to the immediate contribution to the company, serve as an important reserve for future professional recruitment. In 2024, the Company recruited 408 students. To empower them, while strengthening their sense of success, meaning and belonging to the organization, a student community operates in Rafael, allowing them to get together around common interests, show their strengths, improve their personal and professional skills and get feedback.

For more on the increased recruitment in the reporting year - see the section on HR management in the context of the war.



In 2024, the growth trend in employee recruitment continued - a **64%** increase compared to the previous year



## Diversity in employment

Recruiting employees from underrepresented demographics is a key issue for the Company. VP HR oversees this matter, and a special-purpose function in the recruitment center is dedicated to this. The Company is subject to the diverse objectives of the Government Companies Authority, which it successfully meets.

In the reporting year, Rafael accepted dozens of employees from Israel's Druze community, tripling the number of

employees from the community. The total number of employees from diversity populations in the organization - which also includes Ultra-Orthodox, people of Ethiopian background and disabled people - increased by 36%. In absolute numbers: a growth of 100 employees, to a total of 379, in 2024. The professional advantages of diversity (team building, plurality of opinions and voices) were emphasized in management training workshops. For more on this matter, see the section on diversity and inclusion.

Population	December 2023	December 2024	% Increase in
Druze	26	78	200%
Ultra-Orthodox	84	112	33%
Disabled employees	109	118	8%
Ethiopian background	61	74	21%
Diversity - total	279	379	36%
<b>Rafael - total</b>	<b>9,412</b>	<b>10,395</b>	<b>10.44%</b>

Note: The data presented on meeting the diversity objectives of the Government Companies Authority is based on the total of all employees in the Company, including students, totaling 10,395 employees. The other data in this chapter refers to the number of permanent employees only (9,588 employees).

## Employee retention

Many of Rafael's projects are long-term projects. The manufactured systems integrate knowledge and skills from various fields, and require unique specialization acquired over long learning processes. The need to be at the technological cutting edge calls for constant competition among the best employees. Therefore, employee retention forms a significant challenge, and employee experience as a key tool in their preservation is a strategic matter for organizational strength.

In the reporting year, the employee turnover rate decreased by 63% - from 11.4% in 2021 to 4.1 in 2024. This is the result of significant retention efforts - investment in employee welfare, improvement of the work environment and enhancing the sense of connection between the employees and the organization. All these were conducted in 2022, and their fruits were reaped in the two years that followed.

One of the ways of identifying and distilling the root causes of employees leaving is a questionnaire sent to every employee that informs us of their intention to leave the Company and on their reasons for doing so. A sample of the respondents are also invited to face-to-face interviews. The answers are analyzed to draw conclusions and create insights on horizontal issues. More than once, focused attention prevents employees from leaving, for example by transferring to another position.

Another important tool in retention relates to work-life balance. Rafael allows a hybrid work model of up to two days a week from home (subject to appropriate scopes of work and with supervisor approval). In 2023, the list of roles allowing this was expanded, with provision of IT and office equipment and support. The new development center opened in 2024 in Hadera expanded the options for work close to home, while reducing commuting times.

### Employee turnover in 2021-2024

	2021	2022	2023	2024
Women under 30	0.81 %	0.40 %	0.1 %	0.15 %
Women between 30 and 50	3.09 %	1.85 %	0.6 %	0.52 %
Women over 50	0.56 %	0.50 %	0.3 %	0.28 %
<b>Total women turnover</b>	<b>4.46 %</b>	<b>2.75 %</b>	<b>1.1 %</b>	<b>0.95 %</b>
Men under 30	0.55 %	0.69 %	0.3 %	0.33 %
Men between 30 and 50	3.93 %	4.95 %	1.5 %	1.49 %
Men over 50	2.46 %	2.07 %	1.5 %	1.39 %
<b>Total men turnover</b>	<b>6.93 %</b>	<b>7.71 %</b>	<b>3.4 %</b>	<b>3.21 %</b>
Total under 30	1.36 %	1.09 %	0.4 %	0.48 %
Total between 30 and 50	7.02 %	6.80 %	2.2 %	2.01 %
Total over 50	3.02 %	2.56 %	1.8 %	1.67 %
<b>Total turnover rate</b>	<b>11.40 %</b>	<b>10.45 %</b>	<b>4.5 %</b>	<b>4.16 %</b>
<b>Turnover rate, initiated by employee</b>	<b>3.36 %</b>	<b>7.2 %</b>	<b>1.9 %</b>	<b>2.1 %</b>

## Employee retention through career advice

In the framework of employee retention efforts, as a pilot program in the Recruitment Center, two career consultants joined the department. Their role is to meet employees who are at a crossroads in their careers, and whom the Company wishes to retain. The consultants guide the employees with the purpose of mapping their skills and motivations for the future and help in thinking of opportunities and creating connections in the organization. Since August 2021, the career center guided approximately 300 employees, of which approximately half were moved to another position in the organization. In 2024 alone, the Career Center received requests from 95 employees, and a total of 357 internal transfers were carried out between divisions and sites. In 2024, a new initiative was launched to train the recruitment managers in the field of career advice, with the purpose of expanding the service and integrating it as part of their role. The recruitment managers are currently in training stages, and the integration of the model is planned.



# A package of Services, from Onboarding to Retirement

Out of the approach that considers human capital to be the Company's most important asset, and to retain employees and fill them with the necessary motivation and sense of purpose, connection and belonging, several headquarters' organs operate in Rafael that provide employees with a broad package of services.

The current solutions in onboarding, welfare, work accidents, the Refueli medical insurance, loss of working capacity and retirement are provided by the Tamir Center - the Service and Information Center for Employees and Human Resources. The employees' channels of communication with the center include a digital service platform, chat with a representative, email inquiries and a telephone call center. In addition to these, informational pages and data available in digital assets allow independent actions.

The Tamir Center, which guides the employees even prior to their onboarding in the Company and after their retirement, also works with the service centers in the field of mobile devices and vehicle leasing, so that the vehicles arrive at the site in advance, and are delivered to the employees entitled to them already on the day of joining the Company.

In the field of welfare, the operation covers the employees' lives in all circles, including taking care of the work environment, healthy lifestyle (diet, vaccines, sports facilities in the organization's premises and subsidizing gym subscriptions), departmental team-building and high-quality family leisure activities that contribute to the team spirit.



On day-to-day operational issues - from maintenance requests to delays in shuttling or an issue with the dining room - the solution is provided by the MATAL service center, which serves as an all-in-one address for any service call, and maintains a high standard. The center also contributes to the employees' experience and serves as a sensor for employees' needs, desires and sentiments.

Among the many channels of communication with the service center, the one most used is the smart system for submitting and managing inquiries. It includes a customer file for each employee, a module for suggestions for

efficiency, feedback and a "kind word", as well as advanced capabilities for analyzing inquiries for the purpose of producing insights on systemic issues. The purpose of this is to enhance and strengthen day-to-day communications with employees, as critical stakeholders, and to improve their long-term experience in the Company.

**In 2024, the service center processed 284,366 inquiries** (monthly average - 23,698), with 90% answered within the SLA specifications - up to 30 seconds. The satisfaction level of the service among employees was 93.7%.

## Shuttling and catering

The day-to-day management of employees' needs also includes a multi-line, dynamic shuttling system to Rafael's sites, especially to and from northern towns. Rafael operates 650 fixed lines with a wide time spread, to allow optimal flexibility and the best solution for the employees. The lines and times are updated by the Transportation Committee in coordination with the work committees and are also adjusted to parent employees.

When the war broke out, the lines were adjusted to the dramatic expansion of activity hours, including a second and third shift in the manufacturing systems. In 2024, lines were also added to Druze communities in the North - Beit Jan, Maghrrar, Daliyat Al-Karmel and Osafiyya.

Catering, which is also managed by the MATAL Service Center, includes a healthy and diverse menu, under careful quality control, with the assistance of culinary consultants and dietician. A full solution is offered to vegetarians, vegans and people with allergies. Food that is not consumed but is still edible is sent through the supplier to the "Leket Israel" organization and donated to

the community. In 2024, 14,699 gastronomorms were donated (9,384 at the David Institute and 5,315 at the Leshem Institute) - **saving food in the scope of approximately 100,000 meals per year.**

The catering system also required far-reaching adjustments during the war, including a solution for work on the weekends and refrigerated food supply to end points.



# Preventing Sexual Harassment and Bullying

Rafael has a zero-tolerance policy for sexual harassment in its premises. We take all means at our disposal to prevent it and to create a safe work environment and an atmosphere that encourages filing complaints without fear - using means of communication, special-purpose educational software, orientation days and lectures and presentations to raise awareness in all divisional managements.

In 2024, a cross-organizational campaign was held on this matter, and informational posters, including contact information, were placed throughout the Company's facilities. In addition, an orderly comprehensive presentation was created for management groups, and as necessary, for specific groups of employees also. The presentation includes possible situations and quotes from everyday life for discussion and implementation in practice.

In November, month of the International Day for the Elimination of Violence Against Women, Shira Isakov, who was attacked and survived an attempt murder by her husband, spoke before an open audience of both men and women in Rafael. On International Women's Day, "TED talks" were given by female employees who presented their personal stories.

The executive in charge of dealing with sexual harassments is the Head of HR Requirements, Planning and Sourcing (HOTAM), who underwent special-purpose training in this field. Officers in charge of this issue are positioned throughout the organization, and in the reporting year, this system was expanded to a supervisor in each division - those supervisors, a team of six officers, with a structured workplan, and a monthly meeting.

In 2025, an amendment to the legislation on the prevention of sexual harassment came into effect, extending employer responsibility to cases that do not involve direct employees. Considering this, Rafael updated its articles, added procedures regarding the entrance gates to the facilities, and commenced orderly training

on this matter also in external contractors. It should be emphasized that in any case, according to Company policy, any person found on Rafael's premises is under the Company's responsibility - and therefore, events involving outside workers/contractors in the Company's premises are also managed by the officer in charge.

The Company ensures effective investigation and management of any inquiry or complaint regarding sexual harassment.

In the reporting year, the contact mechanism and chain of processing were regulated for each incident. **In 2024, 16 sexual harassment complaints were received**, of which 8 were verified following examination.

Rafael also has a zero-tolerance policy regarding workplace bullying, and the Company is committed to providing all its employees with a fair and safe work environment. The complaints and processing procedure are available and presented to all employees. The Head of HR Requirements, Planning and Sourcing (HOTAM) is responsible for this area, and issues a decision to the complainant and the alleged violator.

Another reporting channel that any employee can contact anonymously is the internal auditor who also serves as the employees' ombudsman. Every year, the internal auditor publishes a detailed report to the management and to the Board of Directors' Audit Committee presenting an analysis of the complaints filed to him (number, type, whether they were found to be justified, whether they lead to recommendations or corrective measures, etc.).

**In the reporting period, no bullying events were recorded.** In 2024, seven complaints were received and examined on this matter, and in all of them, it was held that no bullying took place. In some of these cases, inappropriate conduct was identified, and correction actions were taken, including guidance to the alleged violator and support to the employees involved.

# Individual Welfare

The Social Services Department supports the organization's employees in all matters relating to their personal and family situation, and assists them in times of crisis, while providing tools to managers and HR representatives.

The tools available to the social workers include subsidized loans and assistance funds.

**The Assistance Fund** helps members in recovering costs for medical or psychological treatment, which are not covered by any other plan. Membership in the fund entails an annual cost, half of which is paid by the members, with the other half covered by Rafael. In summer 2023, due to increasing exercise of rights which led to a low balance of funds, the funds' articles were changed and socioeconomic considerations for eligibility were added. In 2024, the fund resumed operation in accordance with orderly bylaws, and the socioeconomic considerations remained in effect only in case the fund member requests exceptional coverage beyond the provisions of the articles. **In 2024, refunds to employees out of the fund's accounts amounted to approximately ILS 989 thousand.**

**The Mutual Help Fund** is a charity fund fully funded by Rafael, in the amount of approximately ILS 200-300 thousand annually, which aids employees in economic distress according to the resolution of the committee, with the participation of the management and committee

members. The fund assists employees through a grant or a zero-interest loan, which is then deducted from their salary.

**Both funds** - the Assistance Fund and the Mutual Help Fund - are managed jointly by the HR management and the committee's representatives. The council conducts its work in a unique demonstration of partnership and equality, in a way that makes it impossible to identify which of the participants represents the management, and which represents the workers' committee. All council members cooperate with the singular commitment to providing optimal assistance to employees in need.

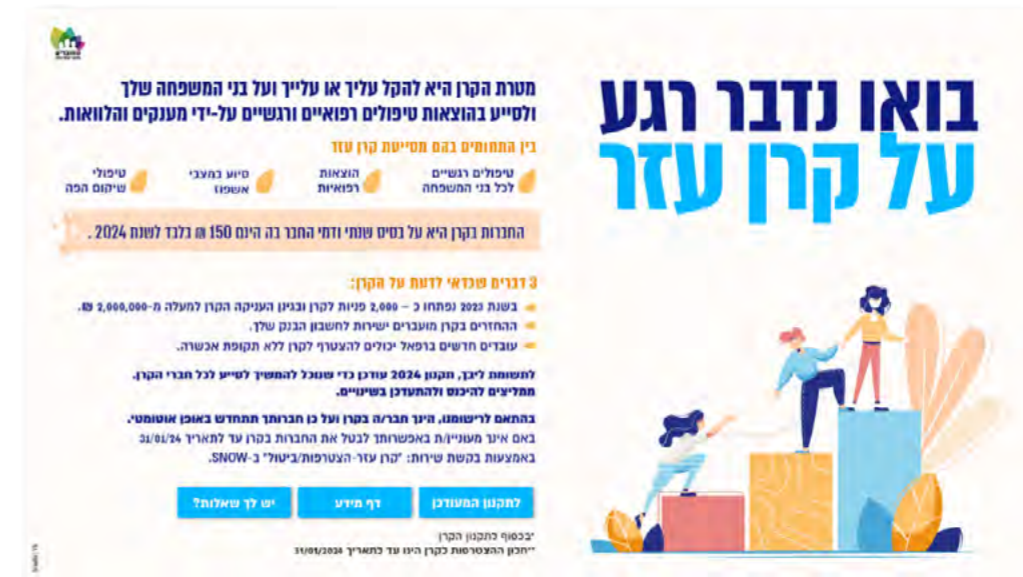
**The Sick Day Fund** provides up to 90 additional sick days to employees who exhausted their accumulated quota and who are forced to be absent for a prolonged period.

In addition, out of recognition of the need for flexibility in accordance with employees' life situations, Rafael offers convenient arrangements for parent employees. Mothers and fathers of children up to the age of 8, or of two or more children up to the age of 12, are allowed to finish their workdays 30 minutes earlier, without any impact on their salary (this arrangement is in place when working from home also). The Company has a high rate of return to work following maternity leave and staying in the position afterwards.

The Company's assistance in key life junctions is expressed, among other things, in unique courses in an "employee to employee" format - for example, training of employees who are parents of children with disabilities, training for employees going through divorce by employees who went through the same, and who can listen, support and assist.

In the reporting year, a community of parents of children with disabilities was established in the Company. In this framework, a team of 30 leading employees was created, and three training sessions were held. In addition, in Rosh Hashana and in Passover, shopping vouchers were distributed to approximately 150 employees in need.

Additional activities held: improving the information kit to female employees expecting a baby and making it digital and regularly updated; improving declarations regarding common-law marriages - integrating a unified declaration for all eligibilities (partner disease, Refueli insurance, welfare events, Assistance Fund and more); improving the onboarding experience at the Tamir Center - updating the content and the design language of the onboarding presentation, onboarding kit and additional information; and streamlining the loan process with the bank - without requiring the employee to arrive at the branch.



**Rate of return to work following maternity leave and staying in the position afterwards:**

	2022		2023		2024	
Employees who went on maternity leave	179	8	185	11	181	1
Employees who returned after maternity leave	179	8	172	10	187	2
Continued working for at least 12 months after maternity leave	188	3	172	8	157	2

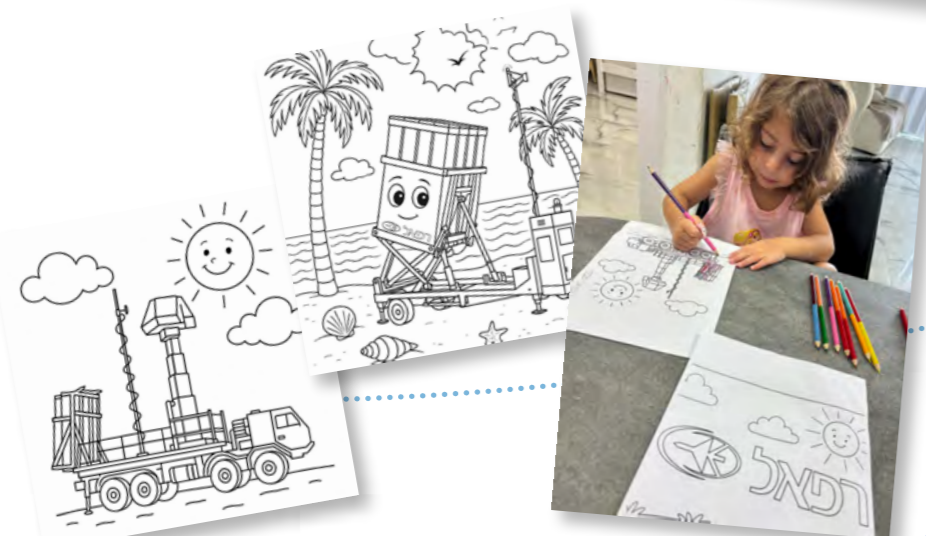
## Employee benefits

Most of the benefits are provided in a uniform manner and are set forth in the collective-bargaining agreements, including: collective health insurance (Refueli insurance, in which the expanded layer is funded almost completely by the organization, including coverage for children under 30 years of age and half of the cost for partners - optional insurance for Company retirees, also); pension arrangements under preferential terms (from the first day at work); continuing education fund to be selected by the employee with reduced management fees; option of a vehicle leasing arrangement with loans under convenient terms; attractive cellular phone package; a consumers club that includes a credit card without card fees, which offers significant discounts when used; vouchers for family activities as well as consumer products at attractive prices; fairs for the products of Israeli suppliers ahead of holidays; gifts commemorating life events such as weddings and birthdays; bridge days and shorter days on holiday eve; and of course - transportation, catering and refund of various expenses.

Additional benefits and compensation are provided based on performance, with an emphasis on fairness and encouraging excellence and innovation. The Company also offers a retention bonus as a tool for employee retention, as well as a signing bonus which serves to attract talents possessing unique expertise. During the war, it was decided to make a distribution out of the incentive funds also to the hundreds of employees called up for reserve service, and to expand the benefits policy (for example, refunding tolls on Highway 6 on Saturdays too).

The Salary, Benefits and Work Relations Unit has orderly procedures for studying market trends, observing different segmentations (divisions, areas of business, employment format) and implementing adjustments. The unit conducts salary reviews and periodic analysis and participates in the Zviran comprehensive and methodic salary and benefits survey.

In 2024, diverse events were held - bar and bat mitzvahs, new employee event, event for first grade children, fun day at Superland and four days in the Shfaim Water Park, couples' nights, travelling camp and trips - with the participation of thousands of employees and their families. In addition, events were held for specific audiences - a students' evening at the Shonit Water Park, events honoring military reservists, film screenings for evacuated families and more. Different dates - International Women's Day, Pride Month, the Sigd holiday and more - were celebrated with various activities and inspiring lectures. In addition, a race was held to raise awareness to breast cancer, as well as a torch race titled "Bringing Back the Light".



# Sensing the Organizational Pulse

To ensure continuous improvement in how employees are treated, surveys and feedback are frequently conducted. The headquarters include a unit whose entire purpose is organizational research and surveying, with the goal of assisting in managerial challenges and meeting the growth objectives.

Recruitment and onboarding surveys are regularly conducted for new employees (at the time of onboarding and about six months afterwards), with pulse surveys to examine different needs that arise from the field, as well as surveys focused on specific issues (i.e., a survey on hybrid work).

The periodic connectedness survey was given special emphasis. At the end of 2021, the survey was called "Implementing Connectedness and Resilience - from Measurement to Action." 67% of Rafael's employees participated in the survey then, and following it, conclusions were drawn and the "People Before Anything" plan was formulated. To examine whether the workers feel the change, in December 2022, another survey was conducted, and 75% of respondents stated that indeed

a change for the better was felt. The 2024 connectedness survey already dealt with the "war routine" and the question of diversity in the organization. The participation rates this time climbed to 74%.

Alongside the survey, every year assessment and feedback talks are held with each employee (with a seniority of at least four months, including student positions). The talks are held with the direct superior, and employees who wish can also receive the response of their indirect superior. The purpose is to manage expectations, encourage positive behavior, focus on issues for improvement and strengthen organizational connectedness by increasing motivation and commitment to the unit's goals. This talk also offers an opportunity to take responsibility jointly and for mapping the career path and gives employees a place to express their sentiments on various matters.

The feedback and talk summaries are documented in a special-purpose platform, which is transparent and accessible to the employees and their managers, and allows reviewing past feedback in the "Personal Improvement Zone" area.

Percentage of employees who received periodic assessment and professional feedback

	2022		2023		2024	
Women	1989	24%	2174	26%	2837	27%
Men	5878	71%	6246	73%	7509	73%
<b>Total</b>	7867	95%	8420	99%	10346	99%
<b>Total employees in the year</b>	<b>8,266</b>		<b>8,515</b>		<b>9,588</b>	

Note: The data presented is based on the total of all employees in the Company, including students, totaling 10,395 employees. The other data in this chapter refers to the number of permanent employees only (9,588 employees).

Another part of "feeling the pulse" and creating an open and welcoming environment is the open-door policy and roundtables - two mechanisms on the organizational and the divisional level that enable a direct conversation on organizational and personal issues.

At the same time, the Company strives to update its employees if possible on significant change processes, interesting employee development stories, trends and forward thinking - through podcasts, campaigns, divisional newsletters and inspirational communications, belonging and pride.

## Guidance in the retirement process

The Head of Retirement provides a professional and sensitive service to employees in retirement or termination processes, and serves as a consultation point for HR managers and teams on this subject.

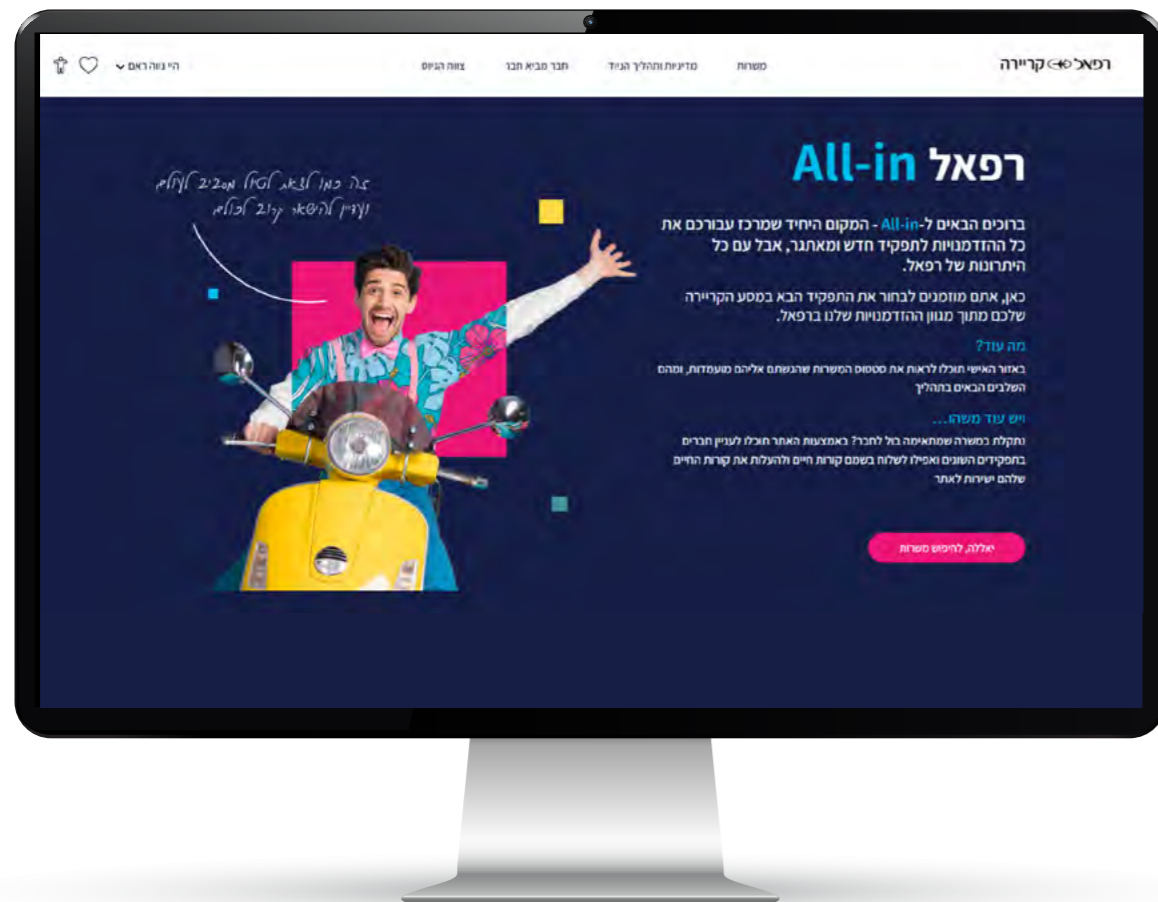
Every year, a retirement preparation workshop is held, led by the retirement team at the Tamir Center. Its purpose is to provide psychological, economic and behavioral tools for success and happiness in the retirement period. In 2024, the workshop was held in four meetings at the Alma Hotel, with the participation of approximately 125 employees and their spouses.

Some of the organization's retirees continue to contribute to Rafael from their experience and skills in diverse ways, as volunteers or in a freelance format. In 2024, 48% of employees past the retirement age continued in their work, thanks to the option of further employment in a different format. As part of improving infrastructures, processes and knowledge for employees, the information and planning for employing retirees were concentrated for 2025.



# Employee Growth and Development

As an innovative company at the cutting edge of technology - in an age when technology is advancing faster than ever - Rafael attributes great importance to investing in the continuous professional development of its employees. The Company offers challenges in one of the world's most advanced work environments, with great potential for growth and career development, while promoting learning and knowledge sharing. We are committed to learning as a continuous and ongoing process, rather than a one-time event, in the lifelong-learning approach.



# Learning Center

This entire field - including the Rafael Learning Center - is under the responsibility of the Learning and Development Unit, which oversees implementing organizational strategy while adapting it to environmental challenges.

Professional knowledge is delivered through four Rafael schools purposed with imparting tools and options for professional and managerial development:

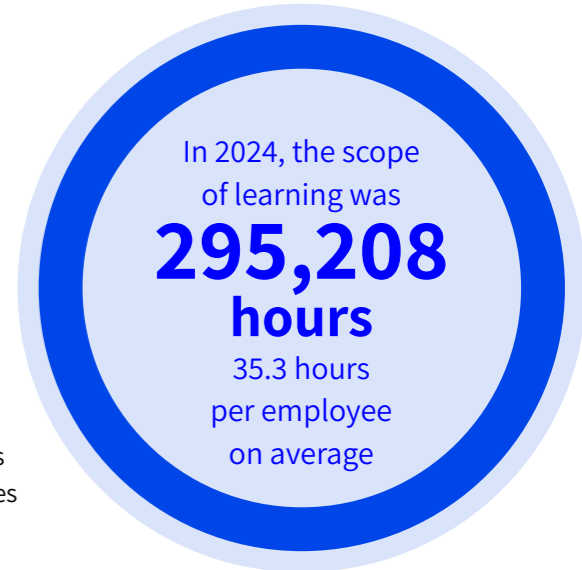
- The Technological Professions School leads training in various disciplines and system engineering.
- The Business Management School runs managerial training and training for business populations segments (project managers, contractual engagements, marketing and more).
- The Headquarters Professions School is intended for segments such as headquarters, operations and financial managers.
- The Safety Training and Certifications School trains relevant position holders and integrates a safety culture through the organization.

In addition, a digital learning function operates in the center, which takes care of hybrid training and means for

independent online learning.

The learning center guides the employees throughout their professional life in the Company, offering training, qualifications and activities adjusted to the different stages of their personal and professional development:

- **When starting a position** - internships and training processes starting from the onboarding stage, such as onboarding workshops and core trainings.
- **Professional training in the position** - technical and technological training to allow employees to perform their work in the most professional way.
- **Reskilling** - imparting additional skills as an answer to the demands of the changing job market.



Index	2022	2023	2024
Internal and external hours of learning *	203,020	222,934	295,208
Average learning hours per employee	33.8	35.4	35.3
Advanced degree students	251	227	229
Conventions abroad	221	203	264
Independent learning hours on outside websites	Not measured	8,385	10,337

\* In the reporting year, the date of producing the data in the organization has changed, from next year to the end of the same year. Data produced at the end of the reporting year does not include courses and workshops whose closing process has not been completed yet as of this date, and therefore the learning hours for these are not included in the calculation.

An innovative platform with a user-friendly mechanism for searching and retrieving professional contents, educational software and accessing the training catalog is used for managing learning processes and providing students with a variety of tools. An independent learning portal was implemented for the employees' use, covering broad subjects such as negotiation, infographics, storytelling, time management and more.



# Reserve Programs

Rafael's succession programs are intended to identify, prepare and guide future managerial ranks in a number of paths: **'Rakia'** for core senior positions (area heads), **'Yuvalim'** for project management in the business divisions, **'Bareket'** for management roles (department heads and line managers), **'Hoshen'** for developing Rafael's headquarters managers and **'Halamish'** for the senior, complex and critical role of system engineer, including conversion of engineers from other fields. In the last succession class, among those who completed the two-year training in 2022, the rate of appointments exceeds 90%. In the previous classes, among those who completed their training in 2022, the rate of appointments to positions exceeded 90%.

The Halamish succession is a unique and innovative program that requires knowing a wide diversity of worlds, as a precondition for making educated multidisciplinary decisions. Acceptance in the program entails a long and meticulous screening process, which examines personal skills, psychological aspects and resilience. In the framework of this 3-year program, participants are assigned to departments outside their original field of expertise, gain practical work experience in new projects and participate in long-term learning that includes approximately 380 training hours in defense systems and cybersecurity, verification and validation and manufacturing technologies.

In addition, the program participants undergo managerial skills workshops, personal mentoring and apprenticeship, and are exposed to learning modules in a variety of disciplines. In 2024, the fourth class in this program was opened.

## Encouraging studying for postgraduate degrees

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## Encouraging knowledge sharing

Rafael encourages its employees to serve as lecturers inside the organization and in the academy, to impart lessons and to share the unique knowledge and experience that they acquired in different fields. In the reporting year, Rafael's lecturer team included approximately 140 intra-organizational lecturers, who participated in the learning and training processes, in addition to their roles in the Company. An appreciation event was even held for the intra-organizational lecturers.

As part of encouraging sharing, and to allow employees to get to know possible alternatives and channels open to them, a "Career Cafe" is held - an opportunity for employees to sit with senior executives and hear details on various optional positions that are available, even if not connected to the present role. In addition, a learning and development week is held, intended to reinforce future skills, promote innovation and enhance the employees' acquaintance with AI technology and advanced technological tools. In the event, approximately 5,800 employees participated in a wide variety of workshops, lectures and enrichment activities to support their personal and professional development and deepen knowledge in various worlds such as development, innovation, experience, business, connectedness and management.



## Leadership development

A strong, skilled and unified leadership rank to lead the Company in renewal and growth is a necessary condition for maintaining a leadership position in a complex, global and rapidly changing world.

Rafael's leadership model faces several challenges: business, managerial, national defense and technological-professional. All Company managers are trendsetters who motivate people and teams, adopt resolutions and make brave decisions. This requires them to possess a systemic perspective, be ready for different results, leave a personal mark, be passionate, sense of meaning, innovation and daring, flexibility and adjustability, professionalism, critical thinking and learning, responsibility and managerial courage.

In addition to developing these required skills, managers and future managers are trained in databases and knowledge base management and preservation tools. Special emphasis is placed on imparting tools for mindful management - encouraging positive leadership out of awareness and listening. This was done, among others, through 'recharge' workshops for communicating up-to-date trends and directions in management, roundtables, field meetings and an open-door policy.

As a way of providing employees in the technological and business units with close apprenticeship, an intra-organizational mentoring program is conducted - assigning experienced professionals in different core positions.

In 2024, dozens of mentoring pairs were formed in this framework. External mentoring, by professional coaches and consultants, is also implemented, in a series of online meetings on a dedicated platform. In 2024, the number of managers who were trained in the program was approximately 50.

These programs allow learning from the cumulative personal and organizational experience in Rafael, as well as the development and growth of participants.

# Diversity and Inclusion

Diversity and inclusion are tightly correlated with creating an enriching work environment with a high potential for innovation, creativity and boldness, while encouraging the sense of connectedness and pride. Rafael attributes great importance to integrating employees from diverse populations, and as necessary, upholds corrective action for candidates from under-represented categories in the labor market.

In the reporting period, Rafael defined a strategic plan backed with objectives for absorbing employees from four diversity populations - the ultra-Orthodox, Druze, people of Ethiopian background and people with disabilities - while also striving for gender equality. Inside the organization, tolerance and accepting others are emphasized, so that each employee is allowed to express themselves when preserving their identity, without needing to hide their uniqueness and be assimilated in the majority population.

- In 2024, the rate of diversity populations (Ethiopian background, Druze, ultra-Orthodox, people with

disabilities) out of all new employees increased from **5.32% to 7.8%** - far beyond the objective set by the Government Companies Authority (minimal objective - 4%, full compliance - 6%).

- The rate of women in tier-4 management roles (Department Heads) and above was 26% at the end of 2024 (minimum objective - **26%**, full compliance - **27.5%**).



**שונים אבל שווים**

**יום הגיוון הבינלאומי 2024**

ההבדלים בינינו הם גם הכח הגדול שלנו. ברפאל חשוב לנו שכולם וכולן ירגישו שייכים ושייכות. אנחנו מעריכים נקודות מבט מגוונות ומאמינים שבשביל לאפשר חדשנות פורצת דרך, אנחנו צריכים קודם כל לאפשר לאנשים להיות מי שהם באופן הכי אותנטי.

גיוון והכללה עבורנו זה לא עוד יעד, זו מחויבות לטפח ולעודד את הפוטנציאל המיוחד שטמון בכל אחת ואחד, לקדם גישות ורעיונות שונים ולתת הזדמנות שווה לכל אחד ואחת להשתלב, להתפתח ולממש את עצמם.

גיוון והכללה זו הדרך היחידה ליצור תרבות אכפתית ומיטיבה עבור כולנו.

לכבוד יום הגיוון, הפגשנו 5 זוגות של עובדים ועובדות שלא מכירים זה את זה ואיתגרנו אותם למצוא את המשותף ביניהם. תכלס אנחנו יותר דומים ממה שאולי נראה לעין.

**<לצפייה>**



Index	2021	2022	2023	2024
Rate of diversity populations out of total new employees.	2.055%	2.14%	5.32%	7.8%
Rate of women accepted for new positions	-	-	-	28.4%
Rate of women in management roles (department head and above)	25.6%	25.87%	26.42%	26%

Meeting the diversity objectives was made for the first time, part of the divisions' quarterly objectives to be reported to the management. The divisions were updated on the objectives and indices to be included in calculating the annual senior executive bonus. This subject was also added for the first time as a statement in the organizational connectedness survey - and the results pointed to a need to continue with integration and activities.

In the reporting year, under the leadership of the Munitions Unit, a recruitment channel was created with the Ministry of Defense Recovery Division and other entities active in this field, for the focused and accelerated recruitment of IDF wounded veterans. At the same time, the Munitions Development Plant Division started training injured veterans of the war as software testers, in preparation for onboarding in the Qualitest company. It should also be stated that 50% of the participants in the technical engineering class, under the responsibility of the Operations Divisions, belong to diverse populations.

In 2024, training was conducted for the recruitment and HR managers to raise awareness of recruitment of employees from diverse populations, and to impart tools for their recruitment and integration. In the framework of this course, a panel was held with employees belonging to the diversity populations - two Druze employees, an Ethiopian employee, an ultra-Orthodox employee and a visually impaired employee. Following this diversity training, teams were created of volunteers who feel strongly about this issue, which started preparing projects and initiatives. For this purpose, with the assistance of the cross-organizational steering team, roundtables were convened, data was analyzed and a focus subject was selected for each team (five in total), together with building a portal to concentrate all products.

In a World Diversity Day activity, the Company initiated a meeting between pairs of employees belonging to diverse populations who did not know each other, challenging them to find common ground. These meetings were documented in a video that was shared on the internal network.

In diversity and inclusion aspects, Rafael takes part in knowledge sharing processes, through the Companies Authority and other companies in the industry. The Company also initiated and led an employers panel in collaboration with the Rehabilitation Department, and with the participation of many companies. A special-purpose dashboard on the matter of occupational diversity, created in the Company and providing real-time data, also assists in imparting knowledge and methodologies, internally and externally. All this was performed out of the approach that the standard should be raised sweepingly throughout industry and not just inside the Company - despite the challenges posed by the war.



# Women in Rafael

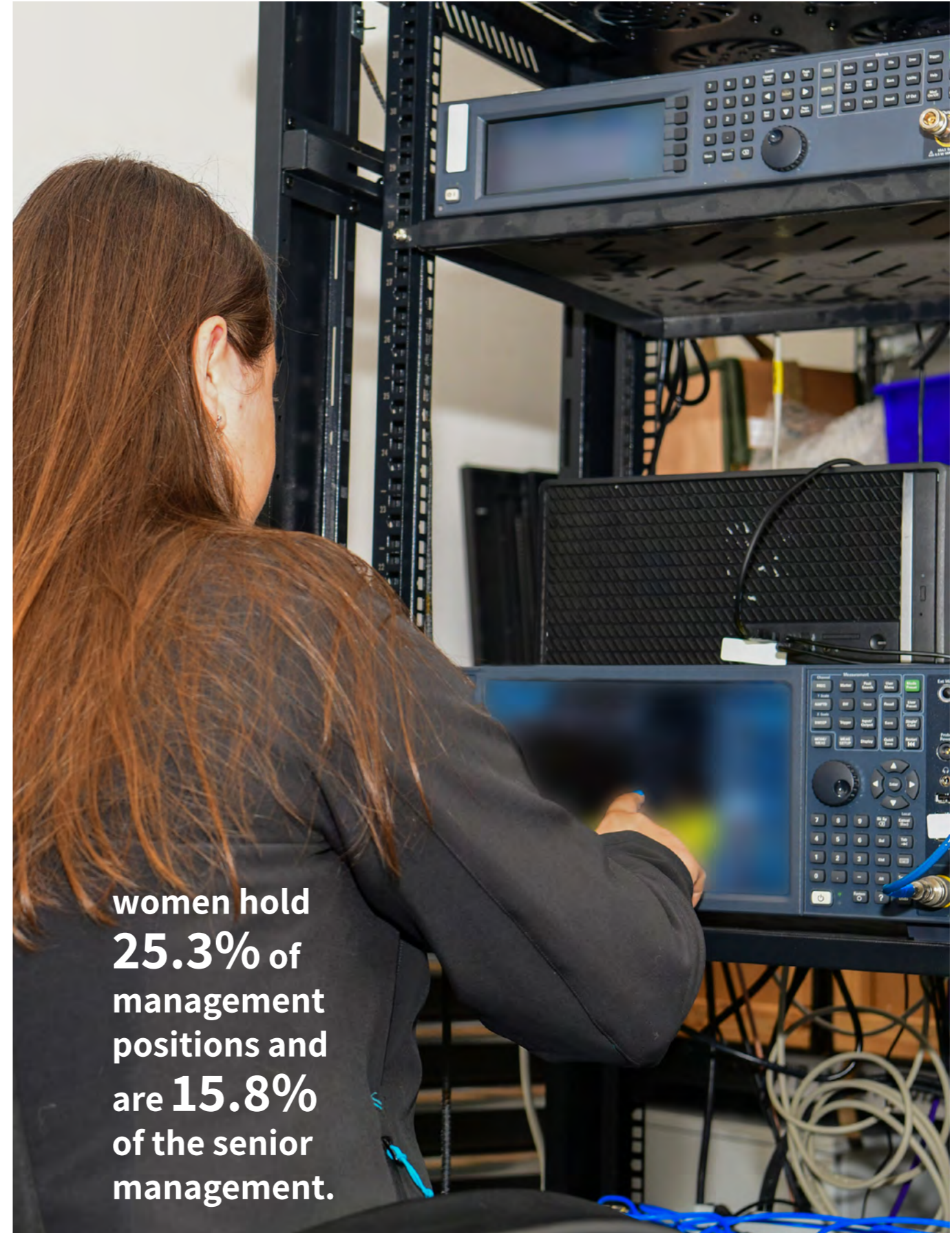
Rafael consistently acts to increase the rate of female engineers and managers, including ultra-Orthodox women. **As of the end of 2024, women hold 25.3% of management positions and are 15.8% of the senior management.**

## Woman rate in management positions

Rate of women	2021	2022	2023	2024
Senior management	20.0%	15.8%	15.79%	15.8%
Middle management *	23.8%	24.4%	24.59%	25.4%
Non-management ranks	25.0%	25.7%	26.35%	25.7%

\* Middle management includes managers on the Department Head, Field Head and Area Head levels.

The gaps in salary levels between women and men in the Company are minor, result from the effect of various agreements (overtime, reserve service), and are not reflected in the gross salary. Rafael also invests significant resources in promoting tomorrow's female engineers, by exposing high-school girls to the relevant fields.



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**יום האישה 2024**  
הכי אישי, הכי עוצמתי והכי משלנו!

המחנה לרוח המקובה

בתוך התקופה המטלטלת והמאתגרת שעוברת עלינו מתגלות נשים גדולות מהחיים שמכיחות שאפשר לשבור מוסכמות ולהגבר רגישות ופגיעות לאומץ בלתי רגיל.

מוזמנות ומזמנים לשמוע את הסיפורים הכי אנושיים ומעוררי השראה על במה אחת וגם הפעם - הן לגמרי משלנו.

10/03 | 9:30-10:30 | מכון דוד, אודיטוריום מוסה.  
11/03 | 9:30-10:30 | מכון לשם, אודיטוריום 200.

פרטים נוספים בקרוב



**אלימות נגד נשים**  
זה עניין של כולנו

אנחנו מחויבים אחרים להצטרף להצגה של **שידה איסקוב**, ששוררין נוסף חזון של בעלה שירד תופע אליה לספר את סיפורה חיה. על הסטופים מאריך ששבורה ועדין עוברת זמאת בדי כושה ובדי דלפתין. נבדי היא חודבי עד הספנים והמחנים שנווד, עד הרחוטתו זכאור בדיים ועל החובי בין אולבת אלימות וסוד השתקיה.

ההצגה התקיימה כיום החמישי, 05.12.24 בשעה 11:00 באודיטוריום מוסה.

להרשמה להצגה הפרונטלית

הוצגה וחווד בדיים בחיפה | מוסכמת הצגה הפרונטלית מוסכת בדיים | מוס חמישים בדיים להפנים יקיר סודי

# Absorbing Employees from the Druze Community

In 2024, as part of the work plan, emphasis was placed on absorbing Druze employees, as they form an integral part of the IDF combat population. By the end of the year, the number of Druze employees in the Company was tripled, when the objective was to double it.

The main challenge related to making employment accessible to this population was transportation. The problem was solved by creating appropriate shuttles to and from the northern villages, even if they were under the threshold required for issuing a separate shuttle.

Additional actions that were decided on in roundtables with the leaders on this issue included preparing an onboarding kit for the recruiting manager, mapping potential barriers to recruitment, integrating an employee-mentor from the community and close personal follow-ups on progress in candidacy and onboarding processes.

Over the year, a Druze community was established in Rafael, which initiates activities, creates connections between the community and the Company, and in fact serves as Rafael's embassy in the various villages, also for



the benefit of future recruitment. The community of Druze employees became part of Rafael's life - with a shared festival for the holidays of Shavuot and Eid Al-Adha, an event for the Druze community celebrating Eid Al-Adha, a Druze cuisine workshop held in 2025, and more.

# Integrating the Ultra-Orthodox Population into Core Positions

In a groundbreaking initiative by Rafael to encourage the employment of ultra-Orthodox men in the defense technology sector, in 2023, a group of employees from Nof Hagalil was accepted into the Company. These employees underwent CNC machining training, fully funded by Rafael, and were assimilated into the manufacturing processes. This initiative was carried out with the collaboration of the Nof Hagalil municipality, the city's technological college and the Tzurim and Melachtam associations.

# Employees with Disabilities

Employing people with disabilities requires adjustments and close guidance, but it is one of the most important tasks in creating equal opportunities and a chance to fully integrate into the community, while maintaining independence as possible. Rafael considers this a win-win, for the employees and for the Company.

To realize this approach in practice, Rafael operates according to the equal and fair opportunity policy in recruitment and in employment and actively promotes this policy. As part of this policy, the Company defined recruitment objectives for the integration of diverse populations, appointed a designated officer for employment of people with disabilities, and built a comprehensive program for promoting their integration in the Company and increasing their numbers. Every candidate is entitled to a recruitment process adjusted to them, and as an employee is entitled to professional

guidance throughout the period of their employment and to an accessible work environment adjusted to their needs. Rafael acts to remove barriers, to adjust processes and to create real opportunities for the personal and professional growth of each employee.

In 2024, the Information Technologies and Processes Administration (MATKAM) onboard a group of employees on the autistic spectrum, as system testers. Later, following vocational training, the group was placed under the responsibility of the Manor Division.

In the employment center of the Atidot Dormitories in Akko, which houses residents with disabilities, a Rafael production line operates for projects relating to core systems. The residents are employed in the system in activities such as untangling wires, sorting screws, assembling subassemblies and preparing infrastructures for assemblies. Thus, they gain an opportunity to realize a



variety of skills while performing a significant function at the core of operational work. The revenues from the activity are transferred to the dormitory residents for their personal needs. The dormitory is defined as a Rafael subcontractor, and the activity in it has won the Minister of Welfare and Social Services prize.

# Human Capital Management During the War

The most difficult and prolonged war in Israel's history, which spread across seven fronts, significantly shaped Rafael's operations throughout the reporting year.

The Human Resources function was likewise required to implement changes and adjustments – from large-scale recruitment and onboarding of new employees, through frequent changes in workforce composition, to sensitive support for employees who, or whose family members, were evacuated from their homes or directly affected by the war – while maintaining ongoing communication, message consistency, and personal and organizational resilience.

Rafael played a central role in high-intensity operations across seven fronts during 2024. This required onboarding of approximately 2,000 new employees within a single year



# Accelerated and Intensive Recruitment

The wartime reality, together with an unprecedented order backlog, required the recruitment of approximately 2,000 additional employees within a single year. At the same time, urgent needs increased many individuals' desire to join Rafael, as reflected in the high volume of applicants and the sense of mission they expressed. This was also evident among former employees who chose to rejoin the Company - 50 in 2024, and 36 in 2023. These circumstances required a different recruitment approach to adapt processes to the challenge.

One of the significant steps taken in 2024 was the operation of internal assessment centers, enabling the screening and comparison of multiple candidates simultaneously, while saving time and costs, improving decision accuracy, and providing immediate feedback. In addition, the sequence of the screening process was revised: managers reviewed CVs following initial screening, and only thereafter did the sourcing team approach candidates.

The extensive recruitment effort also required expansion of the recruitment team, and the support of two external firms in sourcing processes.

Alongside active recruitment, digital recruitment channels were upgraded – including the Company's career page and social networks (LinkedIn, Facebook, and WhatsApp groups) – as well as job fairs and a “bring-a-friend” referral program.

The war posed onboarding challenges for employees and candidates serving in reserve duty, requiring heightened sensitivity in onboarding and communication processes. The Human Resources unit ensured continuity of rights for reservists and exercised particular care in communications, adapting guidance to the challenging reality. For example, online onboarding and commencement of employment were enabled for employees serving in reserves at their agreed start date, care was taken to ensure appropriate timing of calls, and managers were instructed to demonstrate availability and sensitivity.

Through these measures, the recruitment function significantly streamlined hiring timelines and maintained operational continuity despite wartime challenges. We take pride in this commendable achievement.

# Operational Continuity

The organization's Business Continuity Plan (BCP) was implemented in all aspects, from the outbreak of the war. To meet operational and supply demands, critical units transitioned to shift-based work and weekend operations, while remote work conditions were expanded and made more flexible. In addition, emergency-specific operating procedures were implemented.

The urgent needs and frequent workforce changes required continuous collection and management of data to create an updated organizational picture – including

attendance, employees in reserve service, information on casualties, evacuated populations, and more. Dashboards originally developed during the COVID-19 period were rapidly repurposed for emergency use and updated by HR managers, enabling management at all levels to access real-time updates. To coordinate activities and pending tasks, the HR team convened in person as needed, and at least once every two weeks. Ongoing updates were also provided through digital channels to all employees.

# Individual Support

From a holistic perspective of the employee and their circles of influence, the need to continuously address employees' and their families' needs and to strengthen resilience became more pronounced. Due to the geographic location of facilities in northern Israel, many employees were among evacuees or directly affected. This required structured mapping of relevant groups (evacuees, reservists, parents or spouses of combat soldiers) and appointing coordinators to manage support, including holiday gift vouchers and special tokens throughout the year.

To assist with cleaning and maintenance of evacuated employees' homes, employees formed a volunteering task force under the initiative "We Are All Returning."

Adjustments were made to employees' children's summer camp due to security tensions, and a movie screening with refreshments was held for 250 evacuees and their families.

In cases of loss or injury within the immediate circle, social workers and HR managers provided emotional and logistical support, including assistance in exercising rights within and outside the organization. Over time, structured written procedures were developed for various scenarios, and priorities were adjusted to focus on war-affected employees. In 2024, a new memorial website was launched in honor of Rafael employees and family members who fell in Israel's wars and acts of terror.

To strengthen personal resilience, dialogue circles and dedicated meetings were held, both in person and online, and a telephone information and support center was established, including psychological assistance. Workshops were conducted for employees whose children or partners participated in combat, with the support of external consultants and the NATAL trauma support association. The social work unit received specialized training, and a dedicated team was established to facilitate the reintegration of reservists into the organization.

The payroll unit also operated in emergency mode,



ensuring accurate payments to reservists and assistance in exercising rights with the Ministry of Defense Rehabilitation Department in cases of injury. In coordination with MATKAM (Rafael's Technologies, Information and Processes Administration), the payroll unit ensured full compliance with numerous regulatory changes resulting from emergency directives and Company policy.

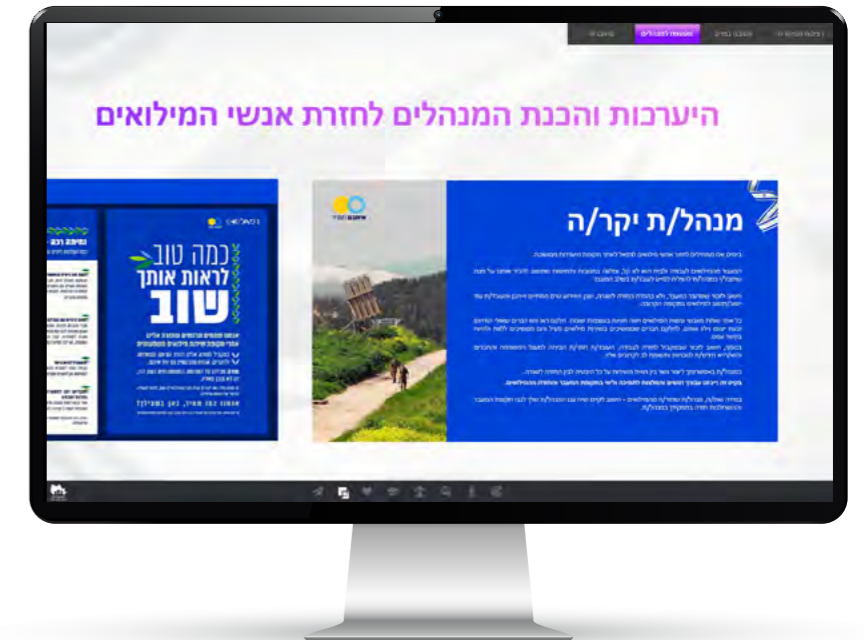
Rapidly implemented adjustments included attendance analysis updates, shortened workdays for spouses of reservists, compensatory rest for Saturday work, wage compensation for employees absent during the war, continued annual leave accrual, and travel allowance calculations for evacuees. Contractor employees serving in reserves were also included in support measures.

Adjustments were made to employees' children's summer camp due to security tensions, and a movie screening with refreshments was held for 250 evacuees and their families

# Managerial Support

At the outbreak of the war, managers were equipped with tools for operating in an emergency environment – written guidelines, resilience messages, a team meeting kit ("Coping Together"), and emphasis on planning under uncertainty.

Focus areas included listening, empathy, engagement and cohesion, motivation and burnout reduction, hybrid work, flexibility, crisis management, and employee development. Managers and the Human Resources Division maintained regular meetings, updates, personal contact, and individual support, backed by the social services system and internal assistance funds. Specialized training addressed bereavement and loss, including practical support tools.



# Engagement and Internal

Special emphasis was placed on maintaining regular and clear internal communications, ensuring message clarity and transparency, consistent language and sources, expanding recipients (employees, suppliers, family members), management accessibility, and maintaining dedicated portals.

Throughout the fighting period, the Human Resources unit ensured continuous and transparent communication

with all employees through daily digital updates, including mobile notifications, and direct communication channels for reservists without access to the internal system. Effective internal communication contributed significantly to strengthening certainty, cohesion, and organizational pride as part of the effort to defend the home front.

# Safety and Health

As a company that develops combat systems, the core activity at Rafael naturally involves safety and environmental risks. For this very reason, the company attributes the utmost importance to maintaining the safety of its employees, customers, guests and the population that resides in the vicinity of its installations.



Rafael is responsible for supplying safe systems for operational use. Considerable resources are invested in creating a safe work environment, surpassing the legal requirements, while implementing high level safety standards and ensuring an acceptable risk level in all fields of occupation and the life of the systems – R&D, production and trials, demos and training, transportation and storage, use and scrapping.

From the initiation stage, a project safety committee which includes a safety engineer is established for each project. The committee is responsible for system and component safety, aerial safety at and around the development and testing sites, and the development of safety-related hardware and firmware. When new technologies are involved for which international safety standards have yet to be set, such as a very powerful laser or various autonomous systems, then safety guidelines are created at Rafael, in collaboration with the Safety Division and the specific customer.

Rafael's safety conception is comprised of the need to predict what will happen in the future, while creating possible methods of action; the risks must be analyzed in a professional and comprehensive manner, based on knowledge and learning processes, as well as mandatory requirements, and the activity should be made possible based on an analysis of the risks, through applicable solutions and a comprehensive task-related outlook.

A central tool used to ensure safety is transparency, as leverage for improving and reaching conclusions; and this is emphasized when training managers on all levels.

Safety emphases are implemented in every aspect of activity. The product's safety engineering is a main focus, as is the safety of work processes and trials. This subject is addressed as part of the core activity, while encouraging an organizational safety culture as a way of life on all management levels. Each level conducts ongoing controls among its subordinate levels.

Alongside the internal stakeholders involved in the issue of safety, regular control and regulation processes are conducted together with the Ministries of Defense, Labor, Transportation and Environmental Protection; the Standards Institution of Israel; the insurance companies, etc. Rafael meets the following standards: ISO 45001 for Occupational Health and Safety, ISO 14001 for Environmental Management Systems and SI 9301 Traffic Safety and Quality Management. The requirements of the standards are sent to all stakeholders, and at least once a year, the Standards Institution of Israel conducts evaluations on meeting these standards at Rafael headquarters and in the divisions.

## Our numbers for 2024:

**2.28**  
ratio between 'near miss' events to industrial accidents

**98%**  
documentation of safety investigations

**100%**  
implementation of the safety culture index

Rafael meets the following standards: ISO 45001 for Occupational Health and Safety, ISO 14001 for Environmental Management Systems and SI 9301 Traffic Safety and Quality Management.

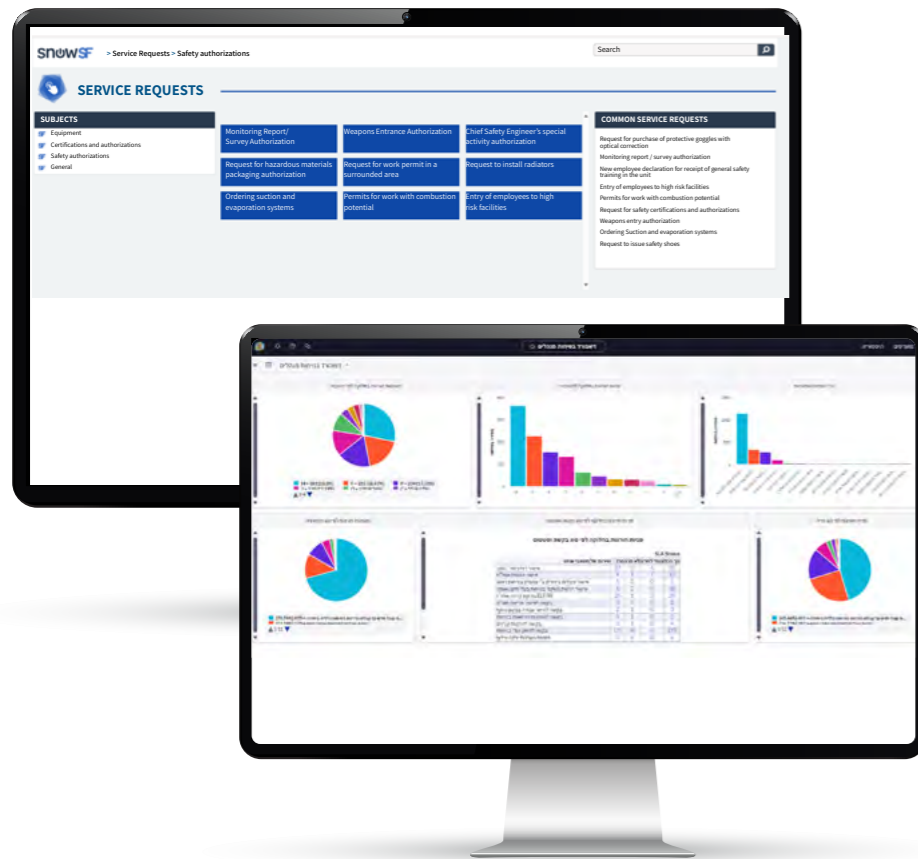


# Safety Management

The Occupational Health and Safety system is responsible for promoting the safety culture at Rafael and for ensuring a minuscule risk level. The system is spearheaded by the Company's Chief Safety Engineer, a management member who directly reports to the CEO. Included in this system are the company's safety management division, the divisions' safety engineers, professional safety engineers and other parties. On specific subjects, the company is assisted by external consultants. In accordance with the regulation guidelines, the company regularly measures the number of work accidents and the number of days the employee is absent as a result thereof. The severity of the injury is measured for internal organizational indices (injury to persons, property and the environment); and at the same time, we also measure the "near miss" incidents, as will

be described later. The data is presented and analyzed by internal committees of experts. The safety policies and plans that are backed by objectives are announced in the units and presented from time to time to various levels of management, the board of directors and furthermore according to regulators' instructions .

In 2024, a number of important safety procedures were updated, many of which while implementing automation and advanced digitalization. In 2024, a process of transferring processes of safety authorizations to advanced digital systems continued, while streamlining and shortening the duration of the processes, without reducing the safety level.



As part of Rafael's safety management, the Safety Division is committed to conducting a comprehensive cataloging of hundreds of personal protective gear items authorized for use, which enables each employee to select the gear they need depending on the type of work. Cataloging new equipment undergoes a process of examination and authorization, which serves as an additional level of control to ensure the optimal level of safety in all work stages. In 2024, a systematic process was created to check the standards and suit the equipment to the type of work. A decision was also made to involve the employees in the purchase of equipment by enlisting their opinions.

## Managing Safety Risks

This component is critical to Rafael. Its procedure defines the work method and specifies for which subjects and activities there should be risk management conducted in a methodical and continuous manner. The procedure also allocates the responsibility for the required management and control and presents the risk management methods and formats for typical activity reports.

Initiatives in the fields of capabilities can come from any employee. However, managers, from area manager and higher, are responsible for this, with the assistance of the units' safety engineers. They must identify all the facilities, processes and activities in their area of responsibility, which have the potential for a safety incident, and also the factors defined as harmful. Maintaining direct responsibility for this in the framework of the unit, rather

than an external party, contributes to the professional knowledge and helps implement the safety culture at the organization.

As part of the methodological process, based on the U.S. military standard MIL-STD-882, prior to authorizing the activity, risk factors are identified, as are the level of their severity and the probability they will materialize considering the safety measures, and the required steps are described if they do materialize. The process also defines the steps to take at a particular risk level – eliminating the risk factor, replacing it with something with a lower risk level and use of engineering measures (like working remotely), management measures (procedures, posters, training) and personal protective gear.



# System Testing Safety During Wartime

The safety division is closely involved in all trials and tests conducted at Rafael, and specific discussions are held by the safety committee prior to each trial. Since the outbreak of the Iron Swords War, with an increase in the scope of the trials and tests and their intensity, the system was required to significantly expand its efforts in this area. Personnel provided a comprehensive solution for trials, while protecting the safety margins.

A special challenge arose regarding noise restrictions – while allocating a ‘noise trapping area’ and reducing noise in the shooting tunnel. In addition, an emphasis was placed on handling high energy test, especially involving a powerful laser and armed aircraft, while updating the instructions following regulation changes made by the Ministry of Defense. Concurrently, implementation of the air safety was continued in the engineering of the system from the first day of the project.

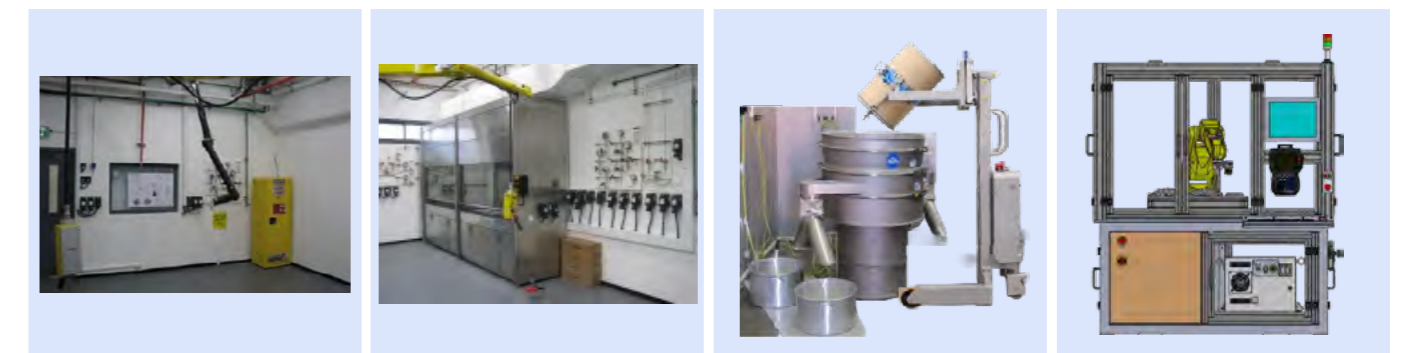
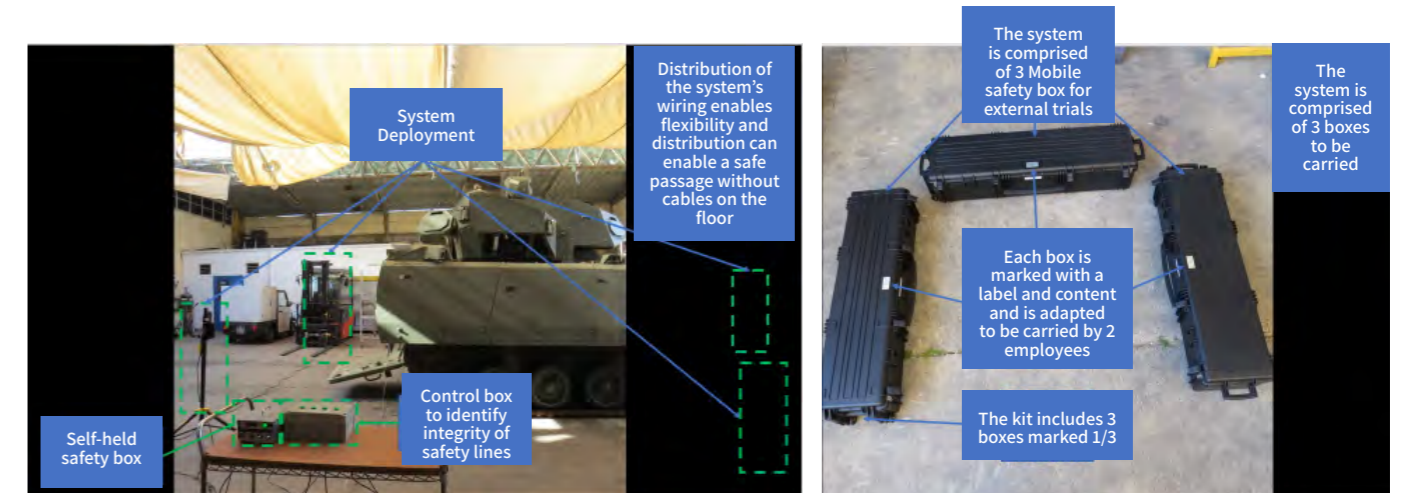


# Distancing the employee from the risk and design safety

Automation enables the distancing of people from a risk area, which serves as a safety power multiplier. During the reporting period, implementation of these types of methods continued, such as advanced robotics for assembling explosive components and an automatic charging system in the trial firing range. Abilities for operation and remote control were added in laboratories that make use of hazardous materials.

technologies. As such, a professional design safety team was established to support the project committees, and the product and system design procedures were updated. In 2024, based on insights from 2023, learning objectives were established regarding design safety in the business divisions, to improve processes, prepare for trials, implement design safety, and check safety software and firmware.

From a design aspect, the system's involvement in various projects was expanded through the project safety committees, including providing solutions for AI-based



# Reporting Incidents, training and Investigations

In safety management processes, great emphasis is placed on investigating work accidents and occupational illnesses. The investigation is conducted according to an organized procedure that details the manner for it to be executed: how to compile—the findings, conclusions and recommendations for improvement, and follow up their implementation. Each investigation is circulated and brought to the attention of the stakeholders, and if necessary, safety instructions, risk management procedures and relevant training are updated.

Digitization helps a great deal with safety management, with systems and computerized platforms used to gather and analyze data, reach insights and share information.

Consequently, a convenient interface presents the relevant indices for risk to each division, and the system creates alerts accordingly.

The digitization even improves the abilities for reporting safety incidents anywhere and anytime. This is conducted through a designated application that relies on an external server, which synchronizes all the information within and into the internal network. In 2024, the application was made available to all Rafael employees on their smart phones, and they can use it to quickly and simply report a safety incident.

Every incident reported in the system requires attention according to the management chain. Subsequently, corrective steps that were taken are reported and lessons are learned. Employees who report the safety incident, including external workers / subcontractors, receive an update on the process of handling the incident and the steps subsequently taken.

To increase the level of awareness and safety at work, the Safety Division strives to continue to improve the reporting process and even to set new records in the number of reports. As part of the effort to create indices for the divisions and annual objectives, the employees are asked to report not only accidents but also 'near miss incidents (to be discussed later).

All employees working at Rafael facilities whose roles involve handling equipment or devices with safety risks

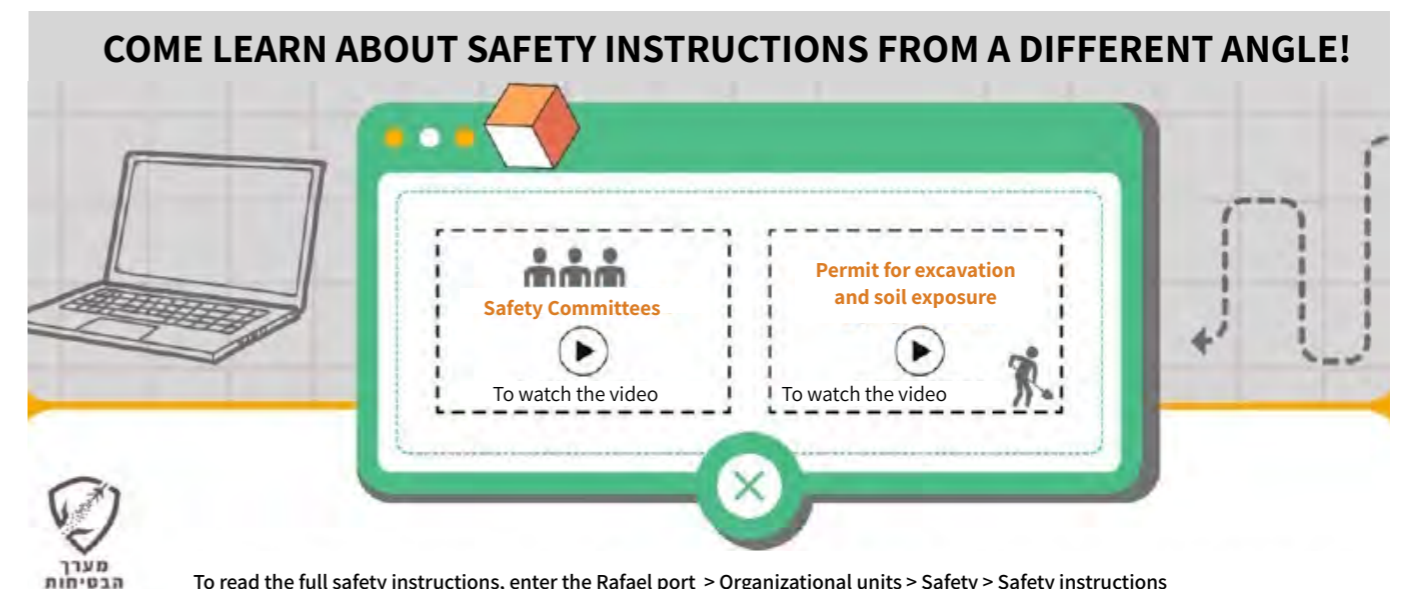
are required to undergo safety training in accordance with company requirements. These employees receive dedicated training and comprehensive e-learning programs, in line with relevant procedures and standards.

A special effort was invested in customizing the training seminars and making them accessible, by creating training videos on the internal learning portal. Among the subjects in the videos: a procedure to coordinate entrance into 'hot buildings' (where explosive materials are stored), excavation permits, fire extinguishing instructions and safety engineering.

To encourage communication and knowledge sharing, several dedicated collaborative learning platforms are in place: Rafael's website, professional learning forums, annual safety conferences, and informal professional learning sessions.



To verify training, authorizations and certifications of each employee, the company makes use of a designated dashboard which sends alerts regarding safety certificates and certifications that are no longer valid.

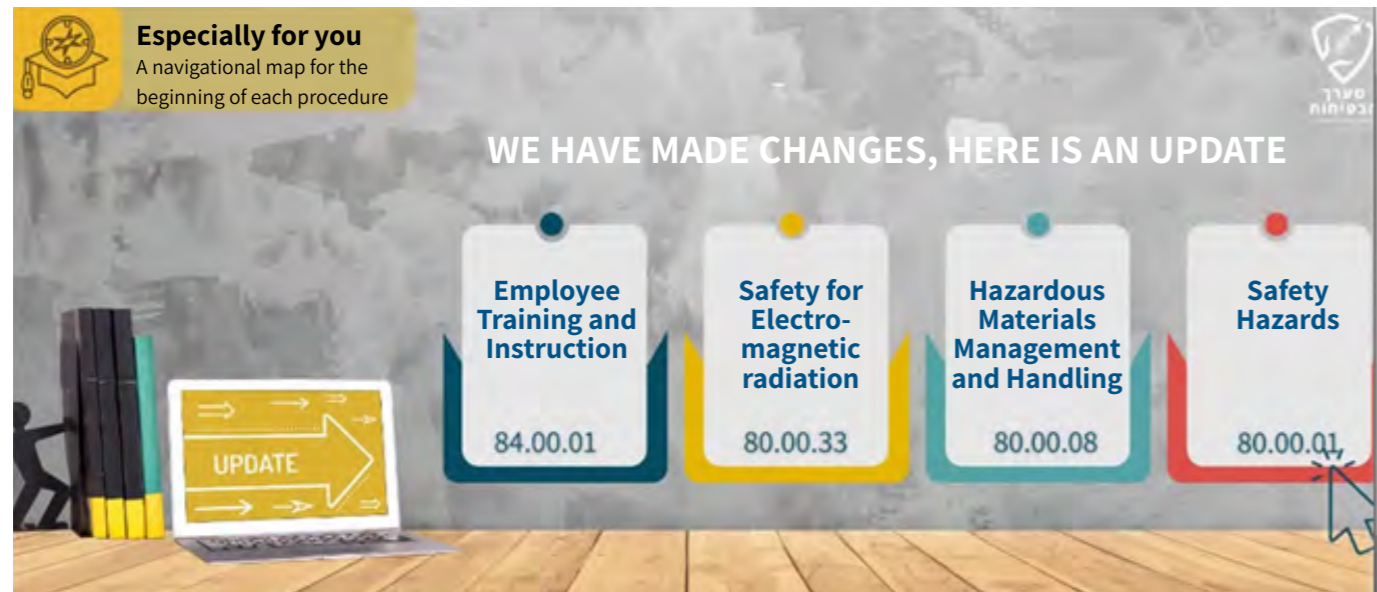


To read the full safety instructions, enter the Rafael port > Organizational units > Safety > Safety instructions

# Safety Culture

Safety is part of Rafael's DNA. It is instilled in the employees from their first day at the company, it is emphasized in every activity and emphasized in updates and reminder processes very frequently. Throughout the year, employees participate in seminars and lectures on this subject, receive theoretical and practical training and certification,

and engage in self-study using designated To promote learning and professional development, advanced learning methods are integrated, using digitization and technology-based tools, such as a hazard survey in VR, various training laboratories and refresher educational software



During 2024, following a gap identified in the documentation, a special training seminar was held for the safety engineers focusing on management of safety risks. The seminar, spearheaded by the Safety Division and with the participation of the organization's leading managers, dealt with methods to improve the data and the methods of their collection and to make them more accurate.

Once a year, at a special annual conference for the safety array, safety trustees are selected, and certificates of excellence are awarded by the CEO. The conferences feature innovative technological subjects. In September 2024, a safety conference titled "Drawing Outside the Lines: Thinking Out of the Box" was held, with the participation of more than 200 safety engineers and safety trustees, including both employees and managers.

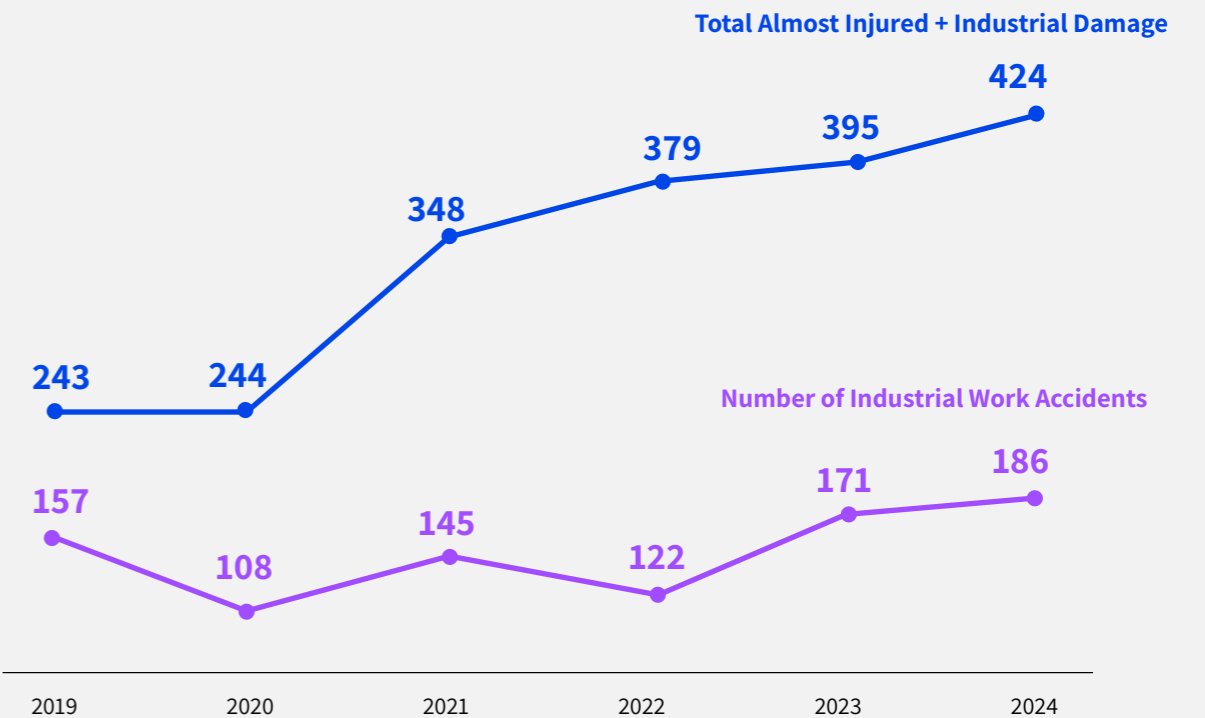
During the conference, seven awards for excellence were presented to safety trustees, safety engineers, and employees who demonstrated outstanding contributions to strengthening the organization's safety culture

A video that summarized the activity during the past year was screened, and three professional lectures were given, including one by the Chief Safety Engineer. The high rate of participation and very positive feedback (4.6 out of 5) reflect the importance attributed by the company and its people to this subject, and their commitment to implementing an advanced safety culture.

As part of promoting organizational awareness for safety, Rafael encourages its employees to report "near miss"

incidents, as an important and effective tool in reducing the number of industrial accidents that take place at workstations or during work. Since 2020, there has been an increase of 74% in the "near miss" reports, and a long-term goal was set: improving at least 10% in the ratio between the number of "near miss" incidents and the actual number of accidents each year. **In 2024, there was a great improvement in this ratio in comparison to 2019, when the ratio was 1.55.**

Industrial Almost Injured\* vs. Industrial Accidents among all employees



\*"Near miss" incidents include minor industrial damage incidents with the potential of causing injury to a person.

During 2024, the safety culture pilot was expanded, including a unique index that examines the scope of training in the safety unit, risk management, safety incidents, safety tests, occupational health, emergency drills, level of awareness among the management levels and rewarding officials. The pilot began in 2023, with four areas and in 2024, it was expanded to eight.



# Knowledge Sharing

A central part of promoting the safety culture is the sharing of knowledge with parties inside and outside the organization, to foster mutual growth and to learn from others' experience.

At Rafael, there are knowledge communities that promote the sharing of knowledge and consultation regarding various subjects, such as working with hazardous materials. Periodically, the safety engineers forum and other professional forums such as for electrical risks, lasers, high pressure systems, convene.

Moreover, Rafael is in frequent contact with relevant authorities and institutions, such as the Israeli Occupational Health and Safety Administration, the Institute for Safety and Health, the Israel Standards Institution, the Home Front Command and government ministries, and also participates in professional safety conferences in Israel and around the world.

In the field of Space Safety, in which Rafael is considered a world leader with unique knowledge, the company's

engineers participate in international conferences alongside leading agencies and companies such as NASA and SpaceX, where they present articles, and lead lectures and professional panels on a variety of topics. In October of 2024, Rafael was one of the leading organizers of the International Space Safety Conference in Prague. At the conference, Rafael led a panel on the topic of autonomous monitors, including an opening lecture and presentation of the Israeli experience that positions it as a world expert in this field.

Additionally, Rafael's safety committee chairman serves as chairman of the international committee for space launch safety of the International Association for the Advancement of Space Studies (IAASS) (). The committee meeting that was held at the end of the conference, dealt with the coordination of international regulation on subjects such as launch and reentry and including dozens of safety experts from international institutions such as NASA, FAA, CNES, JAXA, ESA, Ariane Group, SpaceX, etc.



## Performance vs. Safety Targets and Indices

Subject	Index	Target for 2024	Execution 2024
Risk management	Percentage of risk management reports in active processes that are no longer valid	0	0.15%
Safety incidents	Rate of "near miss" in relation to the number of industrial accidents (the entire organization)	3.0*	2.28
Documenting safety investigations	Rate of conducting investigations for incidents for which investigation was required (division's target)	100%	98%
Safety culture	The safety culture in the unit (level of field and above) in relation to the set of indices established in 2022	Increasing the measurement and expanding the pilot to 8 fields	Executed

\*In 2024, the established target was updated.



# Safeguarding Employees' Health

Alongside the safety aspects, safeguarding employees' health is also assigned high priority at Rafael. For this purpose, frequent surveys regarding health subjects are conducted, and 3,000 occupational monitoring examinations are conducted based on the annual planning that meets legal provisions, the company's policy and the risk assessments.

These steps, which are helpful to the computerized system and in tests at a certified laboratory, examine the degree of exposure to hazardous materials, noise and dust, while creating an occupational protocol for each employee and identifying abnormalities. Based on the findings, alternatives are examined, such as a change in work methods, technological streamlining and use of new substances.

Noise control and mitigation at workstations are conducted according to a biennial noise monitoring program at locations where noise exposure occurs. Based on measurement results, recommendations are provided to minimize noise levels and improve working conditions. In recent years, a specialized project was implemented to provide anatomically fitted ear protection to employees exposed to noise across all Rafael sites, ensuring optimal protection of their hearing health.

Construction work and the installation of equipment and systems are carried out by expert and skilled professionals, in compliance with building and planning protocols and laws, as well as Israeli and international standards. For high-risk activities, remote monitoring methods and advanced protection mechanisms are applied to ensure worker safety.

All workstations across the organization are designed according to strict national and international ergonomic and safety standards to safeguard employee health, while also providing solutions for specific, localized needs. The Medical Department at Rafael is responsible for the health of employees, and includes a professional staff of paramedics, medics, a nurse, a medical secretary and a physician who specializes in occupational medicine.

Each year, approximately 1,500 urgent medical appointments are recorded. The team provides rapid, high-quality care at an advanced life support (ALS) level to all individuals who require medical attention on site.

The team is supported by modern evacuation vehicles, equipped to ambulance standards with advanced medical technology, including monitoring systems and laryngeal mask airway (LMA) devices.

To further enhance medical preparedness across Rafael's facilities, dozens of defibrillators and hundreds of first aid kits are available. Employees receive regular training, both through in-person sessions and via online learning platforms.

The authorized occupational clinic examines work candidates and employees engaged with specific substances and processes, employees who require adjustments at the stations or in their work hours due to medical problems, etc.

In addition, the medical function is responsible for the medical activity in the community, including organizing blood drives where some 1,700 units of blood are donated annually, coordinating flu shots for employees with the HMOs and training dozens of emergency care medics, some of whom volunteer at emergency organizations in their free time.

An important part of the employees' health relates to the promotion of awareness of a healthy lifestyle. Pamphlets and mailings are sent about health and nutrition, and special training days are held. Rafael offers its employees reduced entry to gyms and hosts yoga, Pilates and TRX classes at its facilities. There are also sport days and group training and the company supports the activity of Rafael sports teams in the leagues and in soccer, basketball and cycling tournaments.



# Responsible Procurement and Supply Chain

Each year, Rafael procures services and products totaling billions of dollars. This emphasizes the utmost importance of responsible conduct, not only within the ranks of the organization, but also throughout the supply chain. Rafael makes sure that the behavior of the suppliers, which are considered Rafael's partners, reflects the values it espouses, including employee rights, environmental protection, management ethics in business and meeting the Israel Standard 10000 (Social Responsibility Management Standard).



Rafael encourages its suppliers and contractors to manage an environmental management system, and they are committed to go beyond the legal requirements to take all necessary measures to prevent environmental harm and to use environmentally friendly packaging and auxiliary materials. There is also a Company procurement policy that is presented to suppliers, when there is a request for information during the process of engagement. Additional requests must be approved by the Ministry of Defense's export division, subject to tests it administers, and employment testing processes conducted by Rafael regarding salary terms, due diligence, and legal assessments, etc.

In the area of human rights, the company conducts a review process of its cyber-related sales, including an assessment of Freedom House ratings, monitors international regulation related to AI, and promotes guidelines for development teams in order to operate in line with evolving regulatory requirements in these areas. This is carried out alongside the implementation of corporate policies on Anti-Human Trafficking & Slavery and Conflict Minerals.

Rafael recognizes that its suppliers and contractors constitute an integral part of its activity; and consequently, it requires them to adhere to the safety standards that apply to its own employees. Rafael encourages its suppliers and subcontractors to implement EHS management systems, by incorporating safety appendices into contractual agreements, conducting supplier audits, and performing on-site inspections.

During the reporting period, the Company continued to strengthen safety mechanisms through a designated safety committee for contractors. The committee monitors accidents and 'near-miss' incidents, which the company's suppliers and its employees are required to report. As part of its activity, the committee analyzes and monitors all incidents and is authorized to impose sanctions based on the severity of the case, ranging from warnings to monetary penalties (which are allocated to reward exemplary contractor employees), and work stoppages if necessary. In case of a violation or safety incident, the contractor's representative is summoned to present the details of the incident before the committee, which is comprised of several professionals. After deliberations, the committee determines the required corrective measures.

## Our numbers for 2024:

**73%**  
local procurement out of the total procurement

**67%**  
growth in local procurement compared to 2022

**55%**  
procurement in the geographic periphery

**84%**  
local suppliers

More than **158,000**  
questions and inquiries were submitted through the suppliers' portal in 2024

During 2024, the Company continued to strengthen safety mechanisms through a designated safety committee for contractors

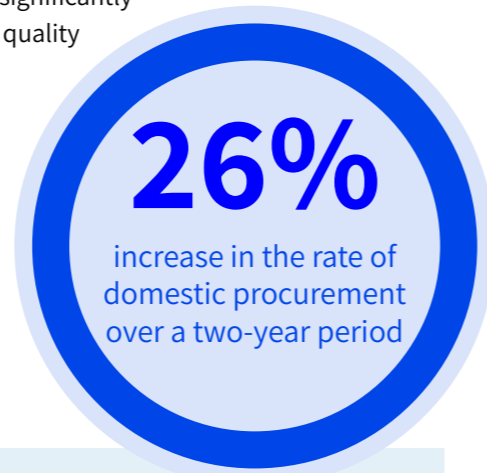
# Domestic Procurement as a Lever for Economic Resilience

As part of Rafael's extensive responsibility toward Israeli society, our clear priority is for local procurement, especially from the geographical periphery and from businesses that prioritize the employment of under-represented populations. Procurement from overseas is conducted as a commitment to offset agreements or utilizing U.S. FMF funds (aid agreements) and based on technological and operational needs.

In cases in which Rafael is forced to initiate competition between local suppliers and suppliers based outside of Israel, preference is given in the competition to the Israeli supplier, as required by law and in Rafael procedures.

In 2024, domestic procurement totaled NIS 9,300 million, accounting for 73% of Rafael's overall procurement. This figure represents a **26% increase in the rate of domestic procurement over a two-year period**. The rate of local suppliers among all suppliers was 84%, with 55% of these suppliers situated north of Hadera or south of Gedera.

The procurement division is in direct contact with the Manufacturers' Association and the Industrial Cooperation Authority, in order to strengthen the connection with local industry and to increase accessibility of the organization for suppliers. We conducted two industry sessions at the Manufacturers' Association in central Israel in 2024 and in northern Israel in 2025, which included a Q&A panel and open dialogue. By prioritizing domestic procurement, Rafael contributes significantly to job security and quality employment for thousands of Israelis, both directly and indirectly.



## Procurement in NIS millions

	2021	2022	2023	2024
(Project procurement (Israel	2,797	4,470	5,645	7,536
(Project procurement (foreign	2,706	2,204	1,563	3,496
<b>Total project procurement</b>	<b>5,503</b>	<b>6,674</b>	<b>7,208</b>	<b>11,032</b>
(Administrative procurement (Israel	1,007	1,112	1,947	1,802
(Administrative procurement (foreign	72	56	20	15
<b>Total administrative procurement</b>	<b>1,080</b>	<b>1,168</b>	<b>1,967</b>	<b>1,817</b>
<b>Rafael's total procurement</b>	<b>6,583</b>	<b>7,842</b>	<b>9,175</b>	<b>12,849</b>
<b>Procurement rate from local suppliers out of the total procurement</b>	<b>58%</b>	<b>71%</b>	<b>73%</b>	<b>84%</b>

# Procurement Management

The goal of Rafael's procurement division is to serve as a leading, professional and dynamic body, acting as a center of expertise for the planning, guidance, oversight, and execution of procurement activities. This is accomplished through the development of the supplier ecosystem and human capital, alongside continuous efforts to streamline and improve processes. This enables the fulfillment of project needs and ensure on-time deliveries at the required quality and target cost, thereby supporting the company's overall profitability.

The procurement activity at Rafael is divided between project procurement and administrative procurement, in order to create an organizational focus and to enable full collaboration with additional entities at Rafael, who take part in the procurement process (those placing orders, tender committees, controller representatives, the legal office, etc.). Both procurement fields work according to the provisions of all laws, including the Tender Obligation Law and Rafael's procurement procedures.

**Administrative procurement is managed by the Operations Division** and specializes in indirect procurement in the categories of **infrastructure, construction, services and equipment**, with an activity scope of NIS 1.7 billion per year. The procurement activity focuses on managing the ongoing procurement, agreements and contracts, through 500 complex framework agreements with a multi-annual scale of NIS 5.3 billion in the fields such as catering, maintenance and construction. The goal of administrative procurement is to serve as a center for professional and operational knowledge, responsible for creating proactive added value for indirect procurement, while examining the balance between cost, deadlines and quality.

Conversely, **project procurement is administered by the Ofek Administration**, which commenced operations in April 2023 and consolidates all supply chain entities under one roof for the first time. This concentration facilitates the gathering of unified experience and knowledge, enabling synchronization, pooling, and prioritization of resources, as well as long-term planning. This also reduces the time to market.

The goal of Rafael's procurement system is to serve as a leading, professional and dynamic body, a knowledge center for planning, instruction, control and implementation of the procurement activity. This is accomplished through development of the pool of suppliers and human capital and constantly striving to streamline and improve processes, while ensuring optimization and meeting the customer's requirements in terms of deadlines, quality and target prices.

The Ofek Administration was required to meet a supply budget target of 7.8 billion NIS set for 2023. This target was achieved, and the target established for 2025 is NIS 10.3 billion. The Ofek Administration consolidates three supply chains, each operating in alignment with a different business division- Air Defense, Air and Intelligence, and Naval & Land.

The **buyers** and **contract managers** at Rafael are trained by the procurement administration. Generally, within 3-6 months of their onboarding at the Company, they take a certification test, in which they are required to provide solutions to various scenarios. As part of the training process, it is tailored to the specific needs of each buyer in terms of the unit to which it is affiliated (e.g. mechanical procurement). Even after the certification, there is continuous learning, through an annual program that focuses on processes, systems and skills necessary to foster service awareness and partnership. The program is built in an innovative format of digital "learning capsules" based on the accrued organizational knowledge. Additionally, the procurement system, together with the training campus, is currently preparing a mentoring kit for buyers, which includes essential training materials for procurement and technology fields - using presentations, animated videos and recorded clips.



# Ethics with Suppliers

As part of Rafael's corporate responsibility, all procurement personnel are required to conduct their activities in an unwavering ethical manner – with honesty, fairness, good faith, and an absence of external considerations or bias, while exercising utmost care in safeguarding the suppliers' trade secrets. Procurement activity and related monetary/business undertakings require all those involved in the procurement process to strictly adhere to the procedures and proper administration, with an emphasis on the personal integrity of each of the parties involved in the procurement process. Furthermore, as a government entity, Rafael operates in accordance with the laws and regulations of the Tender Obligation Law (defense system contracts). Any deviation from these norms is permissible solely under the conditions and exemptions set down in the regulations. The company is committed to providing equal **opportunities for participation and success in tenders to all Israeli suppliers.**

Our intention is to collaborate with a "select team of suppliers" who comply with Rafael's quality and certification standards, possess the technological capabilities required for the production and development of the requested procurement items, demonstrate economic resilience that guarantees stability and continuity, and exhibit competitiveness regarding pricing, scheduling, and level of service, and who fully comply with the Israeli regulatory requirements, and as necessary, requirements of countries with which Rafael operates.

The procurement system – managed through a dedicated function within the Ofek Administration – certifies and ranks suppliers. To this end, it conducts audits and assesses their performance against various criteria. Additionally, the Company aims to implement contracts on a turnkey basis, which defines complete and comprehensive responsibility of the manufacturer for all aspects, including each of the components.

Rafael manages its relationship with its more than 3,500 suppliers in Israel and overseas through a **Suppliers' Portal**. It features effective modules for the fields of quality, tagging, convenient communication methods, and SLA measurement. In 2024, suppliers submitted

over 158,000 questions and inquiries. From time to time, Procurement Management Review (PMR) meetings with the supplier take place, where the focus is on aspects such as employee rights, environmental protection through compliance with SI 14000, aspects pertaining to SI 10000, management ethics, operational continuity during crises, and community social involvement.

At the end of each calendar year, recognition is granted to suppliers who are recognized as top performers, obtaining a score of 90 or above in the various categories. These suppliers are rewarded through the delay penalties collected from other suppliers.

Periodically, the company organizes wide-scale suppliers' conferences in an effort to strengthen collaborations in the supply chain. During this reporting period, there was a major conference, and in 2025, the activity was expanded and specific category-related conferences were held – for subsidiaries, mechanics suppliers and electronics suppliers. In order to improve service to suppliers, prevent unnecessary travel and transportation, reduce traffic jams at the entrance to Rafael facilities, and to save time and resources, Rafael has established a supply coordination system, in which the supplier schedules a specific time of arrival to Rafael sites and is provided quick internal support and the system for receiving hardware and warehouses are prepared for their arrival.



## Procurement and Suppliers During the Iron Swords War and Rising Lion Operation

The accelerated activity during the war, and the importance of Rafael's operational continuity to support the war effort, led to increased efforts starting in October 2023.

The suppliers were an integral part of the operation – supporting catering services, facility maintenance, construction activities, and the accelerated development of essential components for Rafael, required for wartime needs. They also contributed to increasing production rates, supporting IDF maintenance of the order of battle and ongoing operations, and ensuring continuous operational functionality – including on weekends, in accordance with permits issued to the company by the Ministry of Labor for this purpose.

The assistance was mutual, and Rafael made sure to maintain regular and close contact with its suppliers and to help them wherever possible, with an emphasis on businesses from the north of Israel and near the Gaza strip which were required to evacuate. During Operation Rising Lion, Rafael set up a designated procurement center to ensure the continuation of the functioning of the procurement system, support for the suppliers, coordination of the operational activity and continuity with them. At the same time, a supply coordination system was launched for Rafael's sites, which was improved following the lessons learned from the operation. It has now become a regular service for the supplies even in non-emergency times.

# Promoting society and the community

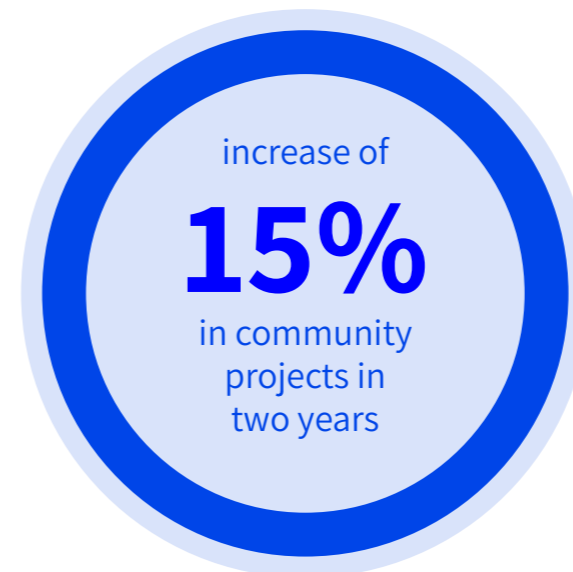
The Israel-Gaza war, which greatly impacted every level of Rafael's activity, required adjustments, changes and new emphases in the social – community field as well. However, it was important to us to adhere to the annual and multi-annual programs as much as possible, in keeping with the long-term goals we set for ourselves and in light of the problems we identified.



Fortunately, we were able to avoid 'losing two years' in the training of teenagers in the relevant subjects, in encouraging science studies at high schools, fostering excellence, connecting to communities and promoting equal opportunities in the periphery. On the contrary, in this complex situation that the community was forced to deal with, we felt that a certain degree of routine and the setting of goals – especially for the evacuated residents and the communities that took in evacuees were the order of the day.

Our community activity has been in effect for many years and is an integral part of Rafael's success story. Just like any other large project, here too we proceed with an open heart and mind, with meticulous planning, strict end-to-end management and regular evaluation of the KPIs, to achieve a long-term and reality-changing impact. This involves activity that is **deeply thought out and constantly evaluated, and not casual or sporadic.** What is true for the organizational level, trickles down to all employees: a volunteer spirit deeply embedded in the organizational culture, which is expressed in a wide variety of projects, and often originating in initiatives from the field – from the divisions themselves.

As of the end of 2024, in their spare time, Rafael employees have volunteered in 50 diverse projects that were earmarked by the company – an **increase of 15% in two years.** For this purpose, Rafael has allocated resources, professional guidance and a logistical system.



## Our numbers for 2024:

**2,500**  
volunteers in the community

**50**  
community projects

**33**  
initiatives to promote technological education

**33**  
initiatives to promote technological education

**18**  
initiatives to promote technological studies among teenage girls

**16**  
collaborations with local municipalities

**2,000**  
students and alumni of Rafael programs in the community each year

**NIS 187,000**  
in scholarships to outstanding students from northern localities each year

# Management and Leadership

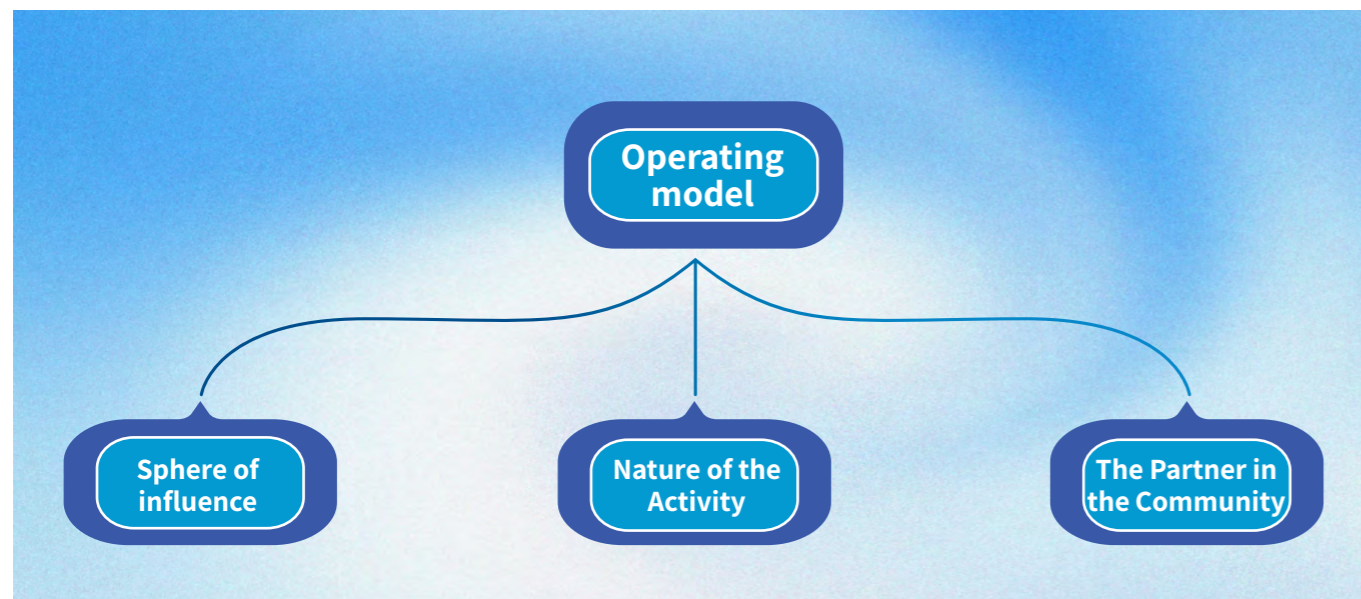
Rafael's community activity is led by the **corporate responsibility unit/ department**, together with the **community affairs steering committee** that was established for this purpose, in conjunction with division heads and the management's department managers.

The steering committee includes a community affairs task force comprised of managers from all the divisions. They initiate, plan and implement community activity on the division level. The **unit/ department** delineates and monitors the short- and long-term impact of its work, including through quantitative measurement of scientific technological projects with teenagers and pupils.

Our operating model, which strives to maximize the impact in a substantial and strategic manner, has three main principles:

- **Sphere of influence** – The activity aims to promote economic – social development in the areas adjacent to Rafael's installations and in major residential areas where Rafael employees live. There, we identify the potential for a continuous impact over time, and to instill a sense of pride among our employees in their families and communities.

- **Nature of the Activity** – Focusing on promoting technological education (33 projects – 56% of the total) for teenagers, as part of the concern for ensuring a diverse workforce in the future. In addition: promoting and strengthening at-risk populations, volunteering with of children and adults with disabilities and Holocaust commemoration.
- **The Partner in the Community** – Mayors and municipal council heads are an integral part of the planning and implementation of the activity. With their assistance, without mediators, we are able to identify the real needs in the field, in real time and to deeply connect with the community. We work with and not above the heads of the community, as is apparent in each of our programs.



# Technological Education: Preservation and Development, despite and due to the war



It is not by chance that this subject is given a special emphasis in our community activity: The accumulated experience indicates maximal impact that an organization can contribute which is directly connected to its core activity. As an innovative and leading technological company, we have identified a unique opportunity to make an impact, both immediately and in the long term.

The goal of our many years of activity is to strengthen pupils majoring in technological subjects or increase their affiliation, to introduce them to the world of engineering and foster enthusiasm and curiosity regarding the relevant topics. This provides very valuable tools and skills to the pupils, the industry, the community and the country that needs brilliant minds among its future engineers and scientists. This is also a way of promoting equal opportunities and closing gaps between boys and girls, the geographical periphery and central Israel, and between different kinds of populations.

In the year of this report, we dealt with, and even increased our activity in the field, while adapting to a changing reality in the local authorities. We developed emergency plans to ensure the continuity of the educational projects and made sure to meet the unique needs of the pupils and communities.

Moreover, as part of the organizational decision to **focus on the Druze sector** as part of our diversity plan, we expanded the community activity, created new

collaborations and opened specific programs that we hope will continue in the coming years. For the first time, we have established a **Hackathon with pupils from a school in Yarka**, a Druze village, and brought Rafael's 'luna park,' designed to open a window to techno-scientific subjects for middle school pupils, in Julis and Maalot Tarshiha. As part of this framework, pupils competed in operating robots and drones, composed a song using AI and were introduced to software development.

Connecting with the community and local educational institutions where employees reside and for potential candidates is regular practice at Rafael, and we welcome new collaborations with the Druze towns in the north.

We have also continued our tradition of granting scholarships to outstanding pupils in technological majors living in the north of Israel. Alongside a financial package offered over the years in different intervals, we also expose them to new fields of interest. **In 2024, we granted NIS 187,000 in scholarships.**

## Rafael, the next generation

The Rafael Next Generation Initiative (RNG) was established as a solution to the continued shortage of employees, and especially among female employees in engineering professions from municipalities in Israel geographical periphery. This is achieved by encouraging teenage girls to choose the relevant subjects, in the hope that this will increase the chances of them later enrolling in scientific faculties in the academia and thereby shortening the path to female management in industry in general and at Rafael in particular.

In the 9th grade, before selecting a high school major, the girls are introduced to female scientists from Rafael who serve as mentors for them. They hear their stories, learn about their journey and are introduced to the choices they made. In general, they also join tours of the technologies and scientific work environment at Rafael. Despite the war, we did not give up and brought the work environment to the community. We held two workshops in which the girls learned to create, program, conduct chemical experiments, etc., while being guided by female engineers and scientists. Each year, some 400 female pupils selected by the educational institutions participate in the program and they are mentored by 100 volunteer female engineers from Rafael. Currently, the program is run at 25 schools, an increase of 23% in two years, at 11 local authorities in the north.

## Summer Semester in Haifa

A unique program created with the Excellence Department at the Haifa Education Division, designed to promote pupils from the city's technological reserve. The pupils meet with Rafael engineers in the Passover and summer vacations (generally between 8th and 9th grade) for a week of significant and interactive technological exposure. They were introduced to complex engineering challenges from the fields of AI, mechanics, etc.



## Magshimim Cyber and Magshimim Plus

The Rashi Foundation's Magshimim Program aims to integrate outstanding youth from the social and geographic periphery in Intelligence and Cyber system elite units in the IDF, which serves as a gateway to a high-quality career in hi-tech and social leadership.

As part of this program, high school pupils receive tutoring, enrichment and training in software engineering and cyber, where they gain knowledge, work methodologies and even practical experience. Twenty Rafael employees take part in this program as mentors. Those who excel in this program join Rafael's development division and its cyber war room prior to their induction into the IDF.

As part of the extensive program, which we run together with partners from industry, Rafael also operates the Magshimim Plus Program – an intensive week of studies in a 'bootcamp' format for a group of outstanding 12th graders from the original initiative. The pupils gain knowledge and experience in the fields of data, encryption, mobile web development, etc., and even learn how to research complex issues independently.



## Assistance for IDF wounded soldiers and people with disabilities

Promoting technological education is a significant part of our social – community activity, but it is not the only part. Rafael realized that daily technological assistance to people with disabilities is an opportunity to leverage its expertise and advantages to make a unique impact, with a potential to change lives for individuals and groups. Rafael operates a workshop to plan and create assistive aids. Twenty of the organization's pensioners bring their know-how and experience gained through their work to this important goal.



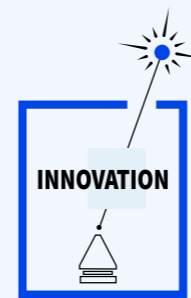
## Promoting and Strengthening Populations at Risk

Another key focus area is supporting teenagers and adults from marginalized communities through programs that provide them with life skills and a foundational technological background, while supporting their integration into a stable and independent life. This activity has been led by Rafael for many years and is primarily implemented through youth villages and social frameworks operated by local authorities.

## Makers for Heroes

In this exciting project, initiated by the Restart Organization, Rafael harnesses its technological innovation and know-how used in its development of its advanced defense systems, to develop aids to make the functioning and lives of the IDF's wounded and disabled soldiers easier. The inspiring program has enlisted a team of 'makers' – engineers, doctors, designers and programmers, with creative abilities, from the best companies in the industry – to create new technological solutions. Over the year, there are a number of main events and proposals submitted, of which complex solutions are selected to be implemented by the Rafael divisions.

Since the post October 7th war broke out, the organization has expanded its activity to hospitals and rehabilitation centers, and has set up 'makers' stations, equipped with 3-D printers and scanners. Thanks to these efforts and the companies that are involved, of which Rafael is one of the central players, quick solutions were provided to dozens of soldiers who were wounded in the war. These include slings adapted to wounded amputees, smart control systems for wheelchairs and sports accessories that allow the soldiers to once again climb, surf, run, ride and swim – and even participate in gaming in front of a screen with a special control.



# From the Holocaust to Rebirth



As part of its main essence and purpose – to serve as a central pillar in Israel's defense and creating its deterrence and protective force – Rafael considers the transition from the Holocaust to the rebirth of the State of Israel to be very meaningful as well as strengthening the message of 'never again.' The company's employees volunteer at daycare centers that host Holocaust survivors, helping them document their life stories, leading social group activities and helping them with simple daily technological activities.

The company has adopted the Lohamei HaGeta'ot Museum in the Western Galilee, and its employees assist the museum's staff with a variety of technological challenges such as archival documentation. Once a year, the company sends a delegation of employees to Poland, after having them go through a program preparing them for and processing the trip. The delegation is accompanied by a Holocaust survivor and upon its return, its members volunteer with Holocaust survivors.



# Developing the periphery and promoting resilience

## Diverse Employment

Hiring employees from under-represented populations is given high priority at Rafael, which recognizes its double contribution: (1) To the organization – by increasing the voices and views of more employees and candidates who can feel a part of the organization and that they truly belong; (2) To the surrounding community and the Israeli society. During the period of this report, diversity and inclusion goals were set for four main populations: ultra-orthodox Jews, Druze, Jews of Ethiopian decent and people with disabilities. For more information, see the subchapter on diversity and inclusion.

## Local Procurement

As part of the extensive responsibility vis-à-vis Israeli society, Rafael tries to purchase any service, product or process that is not part of its core activity from external suppliers. Our clear priority is for local procurement, especially from the geographical periphery and from businesses that prioritize employment of under-represented populations.

In 2024, our local procurement totaled NIS 9,300 million, which is 73% of Rafael's total procurement. The rate of local suppliers among all our suppliers is 84%, of which 55% are located north of Hadera and south of Gedera. By showing preference to local procurement, Rafael provides occupational security and quality employment of some 30,000 Israelis, both directly and indirectly. For more information, see the subchapter on responsible procurement and supply chain.



# Collaboration with Academia

Another of Rafael's quality and professional contributions to the technological – industrial ecosystem and to the Israeli society is conducted through academic research and collaborations with academic institutions. Dozens of the company's employees serve as visiting lecturers at dozens of courses at universities nationwide. In this way, they share their knowledge and experience in a variety of subjects with the next generation of engineers. Often, the lecturers are not paid by the academic institution, and Rafael takes on the cost of their work. The direct connection also enables students to get to know Rafael and its experts better as a way of possibly integrating them into the organization.

Each year, Rafael funds academic research studies totaling NIS 2 million in fields such as aeronautics, materials engineering, electro-optics components, AI, and cyber. The results of the research are included in the development processes of Rafael's operational systems in a mutually beneficial process. Additionally, Rafael employs consultants from academia and makes use of laboratories, thereby integrating the excellence and knowledge of the Israeli academia in its activity.

In order to encourage continual updating and integration of innovative abilities, a special group of dozens of Rafael researchers invests 20% of its work in projects outside the organization, primarily in academia.



# About the Report

This is the ninth report that reviews the performance of Rafael Advanced Defense Systems Ltd., in the fields of corporate responsibility (ESG – Environmental Social and Governance) and it covers the company's activity in 2024.

The report reviews Rafael's performance without subsidiaries and the data that appears in the report does not include Rafael's offices overseas (except when discussing employees). The company has set for itself the goal of publishing a periodic ESG Report that represents its achievements and the goals of its employees in the relevant topics, as well as trends, goals and multi-year developments.

The report was compiled based on the guidelines and standards of two international reporting frameworks, the GRI (Global Reporting Initiative) and SASB (Sustainability Accounting Standards Board) for the aerospace and defense sector. In some of the data tables, percentages may not equal 100% or precise sums, due to numbers that were rounded up or down. For comments on the report please contact Ms. Riki Maman, Rafael's Corporate Responsibility Manager at [rikim@rafael.co.il](mailto:rikim@rafael.co.il).





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306-2	<ol style="list-style-type: none"> <li>1. Actions taken to prevent the creation of waste and its effects as a result of the company's activities throughout the value chain</li> <li>2. If the waste generated as a result of the organization's activities is managed by a third-party company, a description of the actions taken to ensure that the third party follows the procedures.</li> <li>3. The processes used to collect and monitor waste figures</li> </ol>	ESG Report	90-97
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# SASB Sector Level: Aerospace & Defense

**Table 1. Sustainability Disclosure Topics & Accounting Metrics**

TOPIC	ACCOUNTING METRIC	CATEGORY	UNIT OF MEASURE	CODE	Response
<b>Energy Management</b>	(1) Total energy consumed, (2) percentage grid electricity, (3) percentage renewable	Quantitative	Gigajoules (GJ), Percentage (%)	RT-AE-130a.1	ESG report P.81-83
<b>Hazardous Waste Management</b>	Amount of hazardous waste generated, percentage recycled <sup>2</sup>	Quantitative	Metric tons (t), Percentage (%)	RT-AE-150a.1	ESG report P.93-95
	Number and aggregate quantity of reportable spills, quantity recovered	Quantitative	Number, Kilograms (kg)	RT-AE-150a.2	0
<b>Data Security</b>	(1) Number of data breaches, (2) percentage involving confidential information	Quantitative	Number, Percentage (%)	RT-AE-230a.1	0
	Description of approach to identifying and addressing data security risks in (1) company operations and (2) products	Discussion and Analysis	n/a	RT-AE-230a.2	ESG report p.44 P.49 p.69 P.72-73
<b>Product Safety</b>	Number of recalls issued, total units recalled	Quantitative	Number	RT-AE-250a.1	N/A
	Number of counterfeit parts detected, percentage avoided	Quantitative	Number, Percentage (%)	RT-AE-250a.2	N/A
	Number of Airworthiness Directives received, total units affected	Quantitative	Number	RT-AE-250a.3	N/A
	Total amount of monetary losses as a result of legal proceedings associated with product safety	Quantitative	Reporting currency	RT-AE-250a.4	0

**Table 1. Sustainability Disclosure Topics & Accounting Metrics(Cont.)**

TOPIC	ACCOUNTING METRIC	CATEGORY	UNIT OF MEASURE	CODE	Response
<b>Fuel Economy &amp; Emissions in Use-phase</b>	Revenue from alternative energy-related products	Quantitative	Reporting currency	RT-AE-410a.1	Data is unavailable at this time
	Description of approach and discussion of strategy to address fuel economy and greenhouse gas (GHG) emissions of products	Discussion and Analysis	n/a	RT-AE-410a.2	Data is unavailable at this time
<b>Materials Sourcing</b>	Description of the management of risks associated with the use of critical materials	Discussion and Analysis	n/a	RT-AE-440a.1	Data is unavailable at this time
<b>Business Ethics</b>	Total amount of monetary losses as a result of legal proceedings associated with incidents of corruption, bribery, and/or illicit international trade	Quantitative	Reporting currency	RT-AE-510a.1	0
	Revenue from countries ranked in the E or F Band of Transparency International's Government Defence Anti-Corruption Index	Quantitative	Reporting currency	RT-AE-510a.2	N/A
	Discussion of processes to manage business ethics risks throughout the value chain	Discussion and Analysis	n/a	RT-AE-510a.3	ESG report P.56-63 P.152-153

**Table 2. Activity Metrics**

<b>Activity Metrics</b>	Production by reportable segment	Quantitative	Number	RT-AE-000.A	Annual report 2024 Chapter 2, Financial statements, page 7-14
	Number of employees	Quantitative	Number	RT-AE-000.B	ESG report P.102



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