RAFAEL
ADVANCED DEFENSE SYSTEMS LTD.



ESG Report 2025

Advanced Defense systems Ltd.

The Future Is Here

Contents

4

Introduction

Chairman's Message..... 6
CEO's Message 8
Key Milestones in 2025 10
Corporate Responsibility Highlights 11
Our Impact 12

14

Committed to Israel's Security

About Rafael.....16
Innovation in Rafael..... 24

28

Committed to Technological Leadership, Excellence and Responsibility

Corporate Responsibility at Rafael..... 30
Proper Corporate Governance 43
Ethics and Compliance..... 46
Quality Management..... 52
Committed to Environmental Protection.. 60

78

Committed to Socio-economic Impact

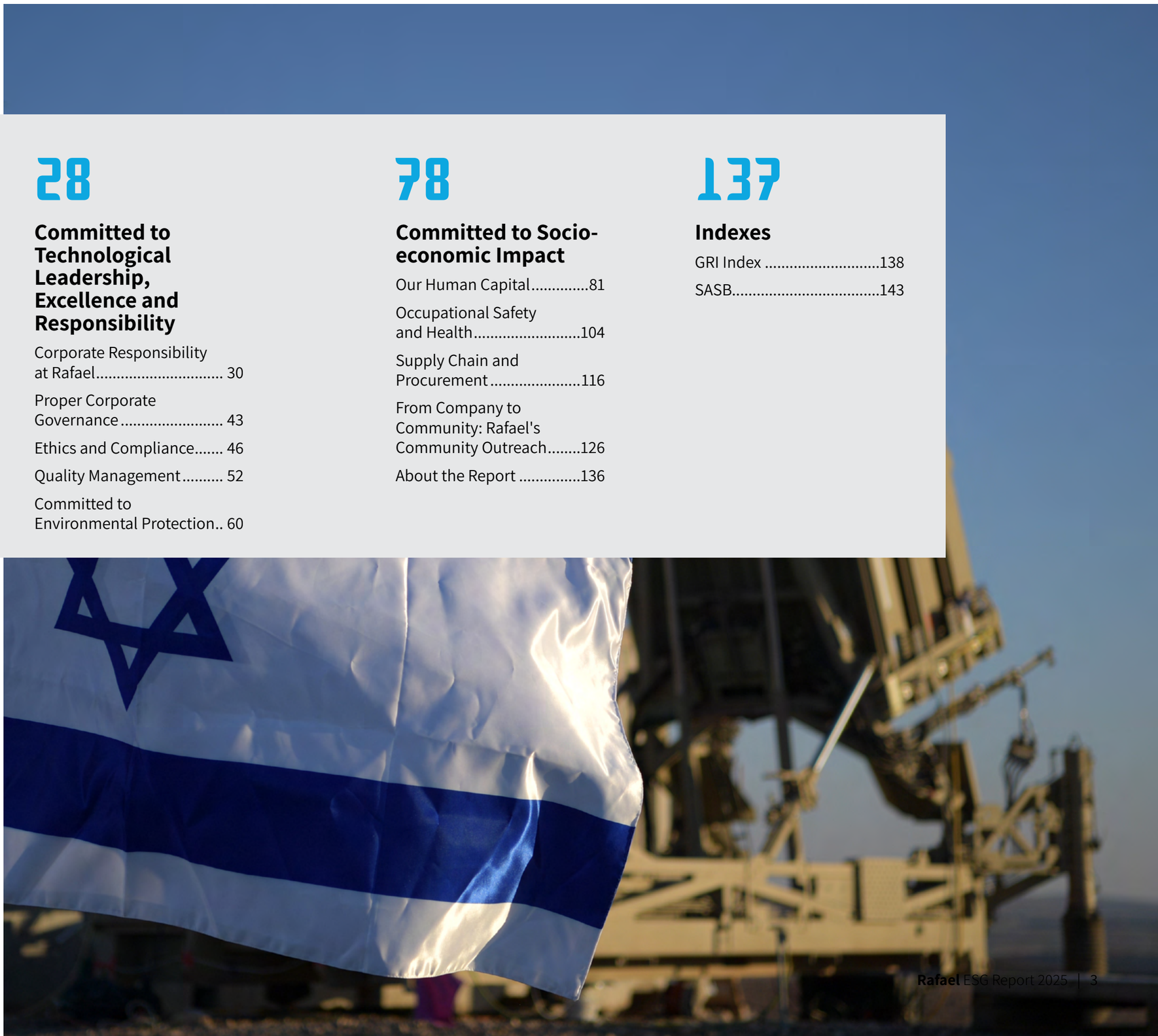
Our Human Capital.....81
Occupational Safety and Health.....104
Supply Chain and Procurement 116
From Company to Community: Rafael's Community Outreach.....126
About the Report 136

137

Indexes

GRI Index 138
SASB.....143





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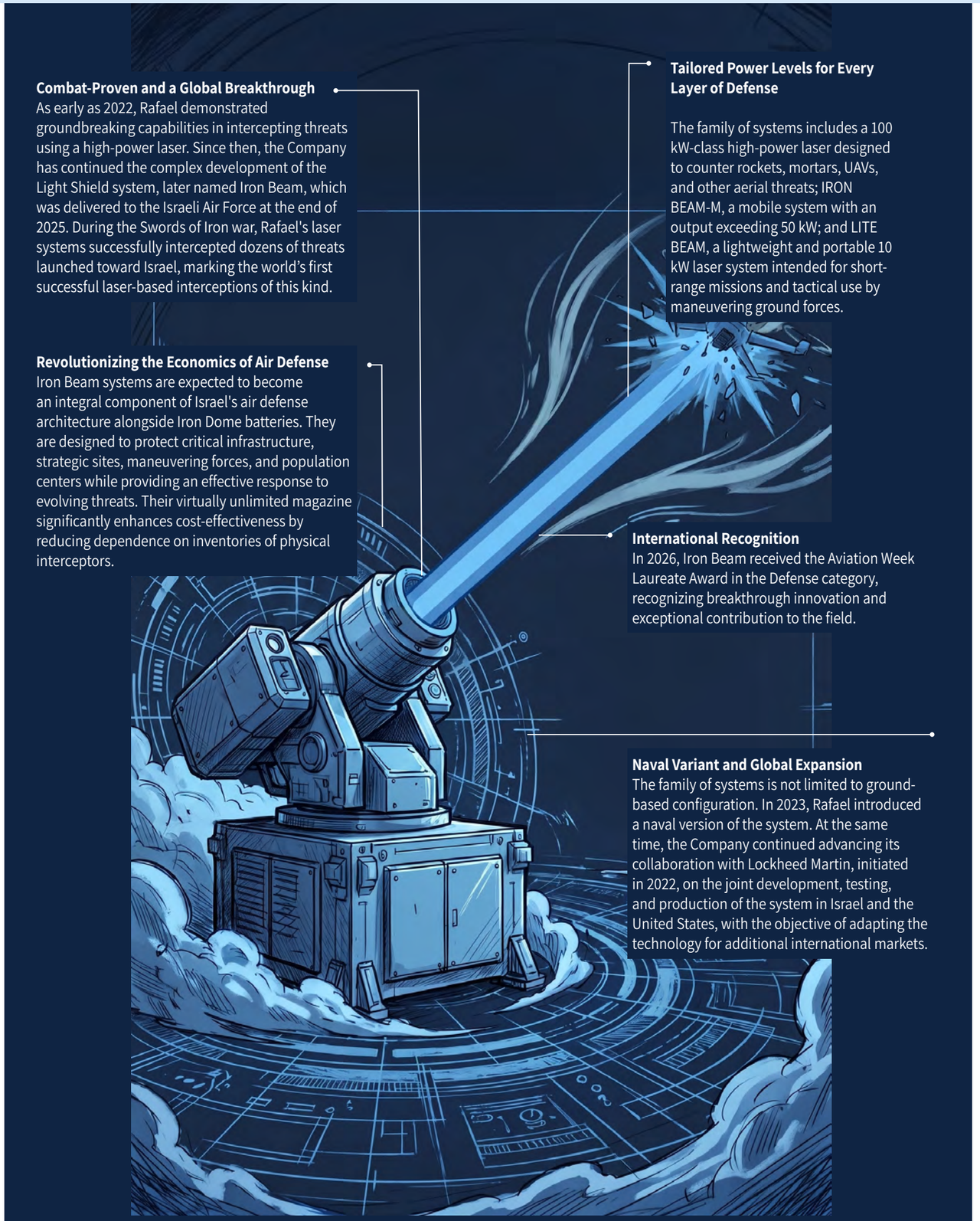
Introduction

Approx. **11,000**
employees

Approx. **45**
affiliated companies in Israel and worldwide

NIS 11 billion
Total procurement volume in 2025

More than
NIS 3 billion
in dividends transferred by Rafael to the State of Israel since the company's transition to a business corporation



Combat-Proven and a Global Breakthrough
As early as 2022, Rafael demonstrated groundbreaking capabilities in intercepting threats using a high-power laser. Since then, the Company has continued the complex development of the Light Shield system, later named Iron Beam, which was delivered to the Israeli Air Force at the end of 2025. During the Swords of Iron war, Rafael's laser systems successfully intercepted dozens of threats launched toward Israel, marking the world's first successful laser-based interceptions of this kind.

Revolutionizing the Economics of Air Defense
Iron Beam systems are expected to become an integral component of Israel's air defense architecture alongside Iron Dome batteries. They are designed to protect critical infrastructure, strategic sites, maneuvering forces, and population centers while providing an effective response to evolving threats. Their virtually unlimited magazine significantly enhances cost-effectiveness by reducing dependence on inventories of physical interceptors.

Tailored Power Levels for Every Layer of Defense

The family of systems includes a 100 kW-class high-power laser designed to counter rockets, mortars, UAVs, and other aerial threats; IRON BEAM-M, a mobile system with an output exceeding 50 kW; and LITE BEAM, a lightweight and portable 10 kW laser system intended for short-range missions and tactical use by maneuvering ground forces.

International Recognition
In 2026, Iron Beam received the Aviation Week Laureate Award in the Defense category, recognizing breakthrough innovation and exceptional contribution to the field.

Naval Variant and Global Expansion
The family of systems is not limited to ground-based configuration. In 2023, Rafael introduced a naval version of the system. At the same time, the Company continued advancing its collaboration with Lockheed Martin, initiated in 2022, on the joint development, testing, and production of the system in Israel and the United States, with the objective of adapting the technology for additional international markets.

Iron Beam

The world's first high-power ground-based laser weapon system. Iron Beam is based on adaptive optics technology, a unique innovation developed by four physicists at Rafael. The system has demonstrated the ability to intercept a wide range of aerial threats, including rockets, mortars, and unmanned aerial vehicles (UAVs), through the direct engagement of targets with a laser beam.



Chairman's Message

Prof. Yuval Steinitz, Chairman of the Board, Rafael Advanced Defense Systems

Dear readers, colleagues and partners,

The report before you sums up another record year in Rafael's history. A year in which, together with the IDF and the defense establishment, we pushed past the limits of the possible and achieved unprecedented results for Israel's security, and for the modern battlefield as a whole.

Over the twelve days of Operation Rising Lion, Israel operated deep inside Iran, a country 75 times its size and ten times its population. This was a direct, high-intensity campaign fought at ranges of thousands of kilometers, and it demonstrated the importance of scientific and technological superiority. In the opening strike alone Israel hit Iran's defense leadership and its nuclear scientists, and within a matter of hours the Israeli Air Force had achieved air superiority in Iranian skies. Rafael's part in that achievement, in strike and in defense, was dramatic, and it was repeated on an even greater scale eight months later in Operation Roaring Lion.

For Rafael, 2025 was a year of breakthroughs. Iron Beam, the high-power laser system developed at Rafael, proved its capabilities in an extensive series of trials against a range of threats and scenarios, and was delivered to the IDF in December. In parallel, Rafael's tactical laser systems were deployed during the fighting, successfully intercepting dozens of UAVs launched from Lebanon, marking the world's first operational use of such systems.

Rafael's other technologies also demonstrated strong operational performance. The Iron Dome system achieved high success rates in intercepting missiles and rockets, while David's Sling demonstrated enhanced operational capabilities against complex threats.

The Trophy system remains at the technological forefront of active protection for land maneuver forces, as reflected in its selection to equip Germany's Leopard 2 tanks, the American Abrams and the Korean K2, alongside additional platforms. As these words are written, Rafael teams are at work upgrading the existing systems and developing answers to further threats.

Technologically and scientifically, Rafael is without question a global leader. Of its roughly 11,000 employees in Israel, more than 600 hold doctoral degrees or professorships in physics, mathematics and computer science, a figure with few parallels in the defense industry in Israel or anywhere else. Rafael also holds the record for Israel Defense Prizes, with 65* awards to date, and there is every reason to expect that figure to continue to grow.

2025 was a record year in commercial terms as well. I am proud to note that company sales increased by 21.5 percent to some NIS 21.7 billion, that net profit rose to NIS 1.35 billion, and that new orders reached a record of more than NIS 33 billion.

Export achievements included Romania's selection of Rafael's SPYDER air defense system, a decision that in the following year would become one of the largest transactions in the history of Israel's defense industry, as well as an agreement to supply SPIKE missiles to the German army through the EuroSpike joint venture in which Rafael is a partner. Our global activity is not limited to sales and increasingly reflects the recognized need for partnership in local production. In Arkansas, together with Raytheon, we inaugurated the first facility outside Israel's borders for the production of interceptors, and in Indiana we laid the cornerstone for a rocket motors and advanced energetic materials plant. Our subsidiaries also achieved record profits, supported by continued efforts to deepen integration and foster strategic synergies with companies and industries around the world.

However, we cannot rest on our laurels. Rafael is well aware of the competition in this sector, and is investing enormous resources in human capital, research and development, expanding its national and global footprint, in strengthening supply chains, maintaining uncompromising standards of quality and safety, and in preparing for evolving regulatory requirements. Accordingly, and in order to achieve the managerial flexibility required, Rafael's Board of Directors decided to advance a partial privatization of the company. Following this decision, the company is now examining and preparing for a process led by the Government Companies Authority for an initial sale of part of its shares, subject to appropriate mechanisms to safeguard confidentiality and mitigate associated risks.



> For Rafael, 2025 was a year of breakthroughs. Iron Beam, the high-power laser system developed at Rafael, proved its capabilities in an extensive series of trials against a range of threats and scenarios, and was delivered to the IDF in December.

Rafael operates in a world where, as Heraclitus put it, "you cannot step into the same river twice". Threats change, technology advances, and the battlefield itself changes shape quickly. In a world like this, the ability to renew, to learn and to stay ahead of change is not simply an advantage. It is a condition for security.

The report before you presents Rafael's activities throughout 2025, and, in particular, the steps it took as part of its corporate responsibility toward all of its stakeholders: employees, customers and partners, the community and the environment, and the state of Israel and its security. As you read, I would ask you to bear in mind that these efforts were not undertaken under ordinary circumstances, but amid an intense, multi-front war, during which Rafael's facilities in northern Israel were a primary target for enemy fire and a significant proportion of its employees were called to active reserve duty.

The ability to achieve so much under conditions so far from normal is nothing short of remarkable. On my own behalf and on behalf of Rafael's Board of Directors, I would like to thank each and every member of the Rafael family. Thank you for your commitment and contribution, your dedication and initiative, your sharpness of thought and precision in execution, without which none of these achievements would have been possible.

Prof. Yuval Steinitz
Chairman of the Board,
Rafael Advanced Defense Systems

* Including two awards received during 2026.

CEO's Message

Yoav Tourgeman, CEO, Rafael Advanced Defense Systems



> To sustain its leadership in a competitive and shifting market, Rafael is working on several fronts that reflect a global outlook and a long-term view.

Dear readers,

2025 was one of the most challenging years in our history: war on seven fronts, a direct confrontation with Iran, attacks on the Israeli home front, and a strategic reality that changed at extraordinary speed.

The year brought Rafael's priorities into sharper focus: meeting immediate operational needs while continuing to develop and innovate for the long term. Alongside our operational activity at the front line of Israel's defense, we sustained business and operational continuity, expanded our partnerships around the world, developed new systems, and launched programs that will bring the next advances to the battlefield.

Operation Rising Lion demonstrated the extraordinary intensity and technological complexity of modern warfare and showed how a small country can achieve what far larger powers have struggled to accomplish. I am proud of our ability to deliver to the defense establishment the most advanced technologies available, the technologies that made an operation of this magnitude possible, and one that will be studied in the history of modern warfare.

Rafael systems in defense, precision and intelligent strike, and across the intelligence and cyber envelope enabled the Israeli Air Force to achieve remarkable air superiority. Iron Dome and David's Sling, both Rafael technologies, operated alongside Arrow in the defense of Israel's civilians, at levels of performance never seen before. We suffered losses, but our air defense systems prevented far greater damage in the face of hundreds of threats fired at the civilian population. All of this was achieved while reserve service placed significant demands on our workforce. At the peak of the war, close to 20 percent of our people were called up, yet Rafael continued to accelerate deliveries to the IDF and deepened its assistance and support to the defense establishment. That figure says a great deal about the unique DNA of Rafael's employees and the depth of their dedication. Many of them served hundreds of days in the reserves, and even during rest breaks from active duty, they chose to return to the office and continue contributing to the war effort from here as well.

Command Sergeant Major Barak Kalfon of blessed memory stood as an example of exactly that. At 48, alongside his key responsibilities at Rafael in service of Israel's security, he continued to volunteer for reserve duty as a combat soldier in the Paratroopers. From the outbreak of the war, he served on two fronts: in the laboratory and in the field. In April 2026, he fell in Lebanon. We will continue to honor his work and his memory, and to keep his wife Shimrit, his daughters Noga and Maya, and his whole family close.

Rafael represents a rare combination of scientific research capabilities at the highest level alongside advanced, globally leading industry. Most of Israel's national centers of knowledge are concentrated within Rafael, providing an unparalleled advantage. The systems and solutions Rafael develops incorporate the most advanced technologies in fields such as AI, autonomy, quantum technologies and big data. In many cases we are not only applying those technologies on the battlefield but also developing them ourselves.

The results speak for themselves, and nowhere is it more evident than in our breakthrough in harnessing laser energy. Iron Beam is the first high-power laser system of its kind to reach maturity, move beyond the laboratory and production line into the field, and be delivered to the IDF. This represents a historic milestone, not only for Rafael but for the defense sector as a whole. The ability to use energy, and lasers in particular, as an effective defensive tool will bring a genuine revolution in the economics of air defense. With an effectively unlimited magazine and advanced adaptive optics, the system changes the rules of the game and places Rafael at the forefront of global innovation.

In 2025, growth in sales and orders continued to accelerate, requiring a significant expansion of our production capabilities. That year we produced advanced systems at 2.5 times the volume of 2023, and we expect to at least double that volume again over the next two years. The effect on our human capital has been dramatic. In 2025 we added approximately 2,000 new employees, surpassing the ten thousand employee mark for the first time. We opened a site in Hadera and a development center in Jerusalem and signed a significant agreement to establish a new development center in Tel Aviv to replace the longstanding Giv'a campus.

Rafael recognizes that its people stand at the core of its success: dedicated employees who workday and night, in times of routine and war alike, and who are the reasons this company continues to grow at the rate it does. We therefore invest heavily in identifying, recruiting and retaining them, in part by strengthening the sense of belonging, mission and meaning in what we do, alongside the professional challenge. In an era of intensifying competition for the most brilliant engineers and researchers, this is one of the most important tasks facing us as an organization.

Rafael has roughly 250 types of positions, on complex programs that bring multiple disciplines together. To meet the recruitment challenge in the market, we broadened our outreach to a wider range of communities: young engineers, scientists and practical engineers from across the country, and wounded IDF veterans, who bring a fighting spirit, commitment and values with them. Young employees today are looking for purpose. At Rafael they do not only develop technological advantages for the next campaign, but they also make certain the systems perform when needed, break new technological ground, and help defend our home.

To sustain its leadership in a competitive and shifting market, Rafael is working on several fronts that reflect a global outlook and a long-term view. That approach is reflected in mergers and acquisitions, in deeper synergy with our subsidiaries, in productive partnership with academia and with civilian organizations, and in the integration of local production in target markets. We believe cooperation, with academic and industrial openness, enables more effective market entry.

Alongside these considerable achievements, we never lose sight of our responsibility: to Rafael's people, our customers, suppliers and partners; to the communities surrounding our facilities, particularly in northern Israel; and to the environment itself. This report reflects the breadth of our activity in these areas, including promoting diverse and inclusive employment; supporting professional and personal development; fostering a professional culture of uncompromising quality, continuous learning and the application of lessons learned, and safety above all; community support, with an emphasis on assistance to wounded and disabled IDF veterans, technological education, and the rebuilding of education in Israel's northern border communities. These efforts are also reflected in Rafael's continued recognition holding the prestigious Diamond Mark of the Standards Institution of Israel, along with the highest rating, Platinum Plus, in the Maala Corporate Responsibility Index.

I want to take this opportunity to thank the women and men of Rafael for their professionalism, their courage, and their willingness and readiness to devote all of their time and energy to the security of the state of Israel and the success of this organization. I thank all of our partners in a journey so vital to our lives and our existence on this piece of land. And finally, my sincere thanks to the members of the Board and to the Chairman of the Board, for their confidence and support.

I hope you find this meaningful and worthwhile reading.

Yoav Tourgeman
CEO, Rafael Advanced Defense Systems

Key Milestones in 2025

Operation "Rising Lion"
Rafael's systems played a central role in both defense and operational activities during the 12 days of intensive fighting against Iran, helping save civilian lives, ensure the continuity of the economy and critical infrastructure, and support the defense establishment.

Record-Breaking Business Year
Rafael concluded the year with sales of approximately NIS 21.7 billion, a record order backlog of approximately NIS 74.4 billion, and a 42% increase in net income, reaching NIS 1.35 billion.

Delivery of the "Iron Beam" System to the IDF
The high-power laser system developed by Rafael, the first of its kind in the world for air defense against a variety of threats, including rockets, mortars, and unmanned aerial vehicles (UAVs), completed capability demonstrations and was delivered to the IDF, marking a significant milestone in the field of laser-based defense.

Passing the 10,000 Employee Milestone
For the first time in Rafael's history, the workforce exceeded 10,000 employees, following the recruitment of approximately 2,000 new employees during the year.

Operational Success of Rafael's Laser Systems
Rafael's tactical laser systems carried out dozens of operational interceptions during the fighting.

Expansion of the Nationwide Footprint
The Rafael Hadera branch and a development center in Jerusalem were inaugurated, and an agreement was signed to relocate to a new tower in Tel Aviv as part of the IDF base relocation program.

Israel Defense Prizes
As of the publication date of this report, Rafael has been awarded 65* Israel Defense Prizes for its contribution to the security of the State of Israel and for promoting defense innovation.

Accelerating Innovation and R&D
Rafael expanded its investments in research and development, while strengthening capabilities in innovative areas such as AI, autonomous systems, quantum technologies, and laser technologies.

* Including two awards received during 2026.

Corporate Responsibility Highlights

Highest Social Responsibility Rating
Awarded the highest Maala CSR rating, "Platinum Plus," the leading voluntary CSR rating in Israel, while maintaining leadership in the electronics and defense sector.

Automation and Ethical Use of AI
Acceleration of the implementation of AI and automation in R&D, manufacturing, and organizational processes; establishment of an organizational steering committee for the AI domain; development of an AI procedure; and formulation of additional policies and procedures to ensure responsible and controlled use under human oversight.

Broad Social Impact
Led and supported 53 community initiatives; approximately 2,500 employee volunteers; extensive support for wounded and disabled IDF veterans and expanding their integration into the organization; and assistance in restoring educational systems in communities along Israel's northern border.

Israeli Standard 10000 for CSR Management System
Certification to the standard that anchors the Company's commitment to responsible stakeholder management, reflecting the integration of CSR principles into a comprehensive management system and compliance with recognized benchmarks in the field.

Reduction in Emissions and Water Intensity
A 13% reduction in water intensity compared to the previous year; a 30% reduction over two years in Scope 1 and Scope 2 greenhouse gas emissions intensity; and the launch of a strategic initiative for Scope 3 calculation.

"Diamond Standard Mark" from the Standards Institution of Israel
Maintained the prestigious "Diamond Standard Mark" certification, awarded by the Standards Institution of Israel to organizations that demonstrate excellence in quality management and compliance with rigorous standards.

Energy Efficiency Assessment and Improvement
Completion of a comprehensive energy efficiency assessment across the Company's sites, which mapped consumption patterns and identified efficiency opportunities; the findings were converted into actionable implementation plans integrated into ongoing operations.

Award-Winning Internal Career Development Program
Rafael's career counseling model won first place in the excellence competition of the Israel Human Resources Association, and 10 recruitment managers were trained as career advisors for company employees.

Impact Highlights 2025

Environment

13%
reduction in water intensity compared with the previous year

46%
of vehicles are green-powered

Approximately
50%
of hazardous waste at Rafael sites was recycled or reused

15%
reduction in hazardous waste intensity

Over **NIS 8 million**
invested in energy-saving initiatives across the organization

1,394 metric tons of CO_2e
reduced through energy efficiency projects

Social

10,359
employees, approximately 26% of whom are women

26%
of management positions are held by women

32.5
average training hours per employee

53
social and community projects across **16** municipalities

2,500
employees volunteering in the community

19%
increase in the number of employees from diverse population groups

Governance

100%
participation in training on the Code of Ethics and the prevention of bribery and corruption

36
internal audit reports completed in 2025

0
cases of corruption known to the Company during the reporting period

0
fines for ethical violations

NIS 1.46 billion
invested in internal R&D

NIS 1.35 billion
net profit

100%
of Board members are independent



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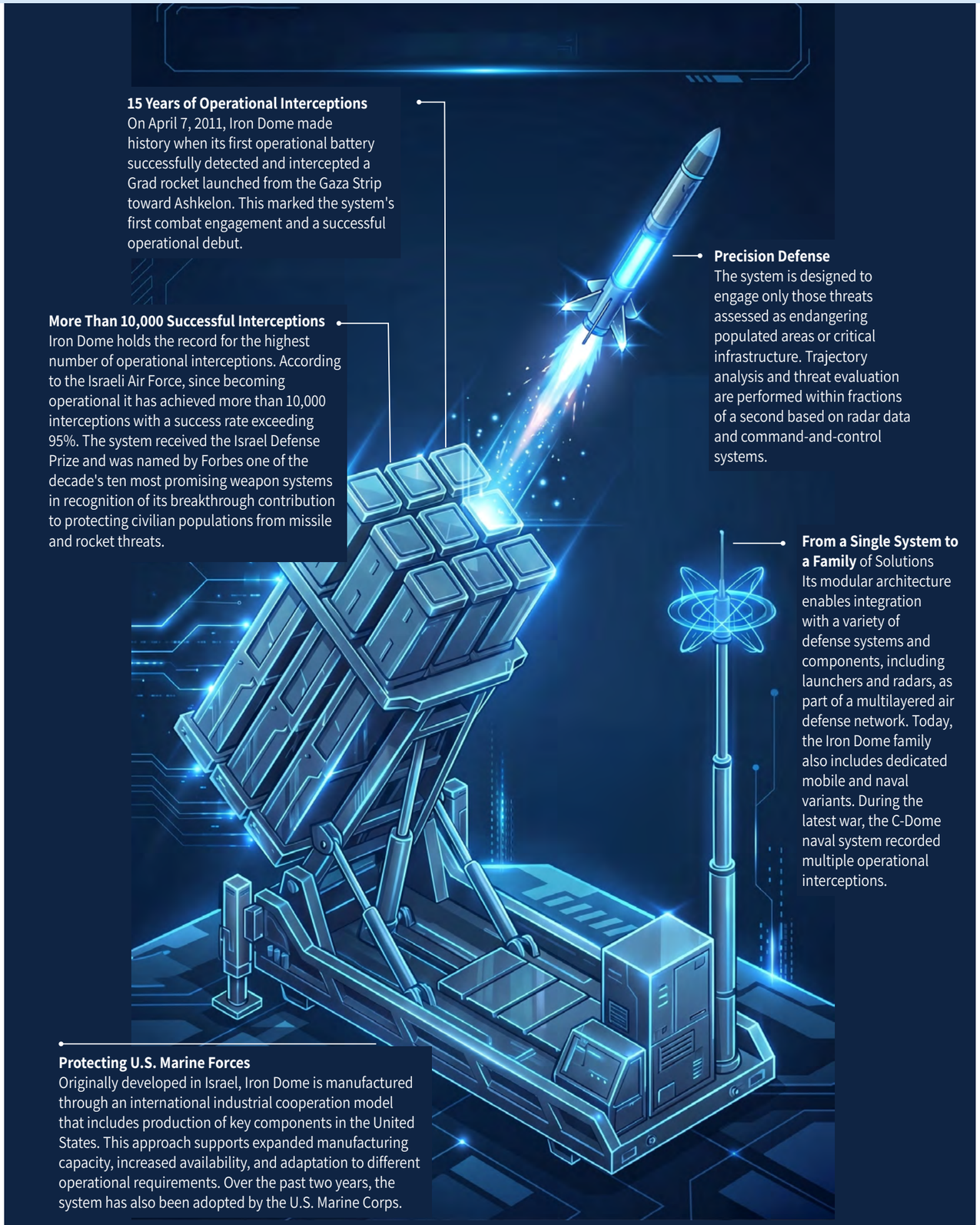
Committed to Israel's Security

26
National knowledge and infrastructure hubs

65
Israel Defense Prizes*

NIS 1.46 Billion
Investment in self-funded Research & Development (R&D)

* Including two awards received during 2026.



Iron Dome

Iron Dome is an air defense system designed to intercept short- and medium-range threats, including rockets, missiles, UAVs, drones, and other aerial threats. Developed in a remarkably short period of approximately two and a half years, the system consists of a radar, a battle management and control center, and launcher units, each carrying 20 Tamir interceptor missiles.



About Rafael

Since its establishment in 1948, the same year the State of Israel was founded, Rafael has played a significant role in safeguarding the country's security and maintaining its technological advantage, while addressing evolving security threats. This contribution has been achieved through a wide range of defense and combat systems, based on a legacy of breakthrough technology, creativity, boldness, and innovation.



Rafael, formally known as Rafael Advanced Defense Systems Ltd., develops and manufactures systems and platforms designed for the sea, air, land, and cyber domains. These capabilities provide operational solutions to the needs of military and security organizations worldwide, foremost among them Israel's defense establishment.

Rafael's innovative developments have played a central role in strengthening the capabilities of the Israel Defense Forces (IDF), maintaining its operational and technological advantage, and contributing to its achievements in Israel's military campaigns, including the prolonged war that began on October 7, 2023, and the intensive rounds of conflict with Iran. During these events, which subjected the Israeli home front to unprecedented attacks from multiple threats, Rafael's capabilities were demonstrated in full force, both in defense and offense.

research and development (R&D) and innovation serve as strategic drivers

65
Israel Defense Prizes

Rafael's systems and platforms help protect the lives of civilians and security forces, as well as Israel's critical infrastructure, on a daily basis, both in routine operations and during times of war. Recognition of these achievements is reflected in the **65 Israel Defense Prizes** awarded to the Company to date, including two during the 2025 reporting year and two additional prizes in 2026.

As part of its scientific and technological leadership and expertise in cutting-edge technologies, **research and development (R&D) and innovation serve as strategic drivers** for Rafael and are deeply embedded in its culture and identity. In recent years, Rafael has further strengthened its innovation and execution capabilities across the organization, expanding its expertise in areas such as artificial intelligence (AI), automation, and algorithmics. These, too, directly contribute to Israel's security.

During the reporting period, in response to growing order volumes and the needs of Israel's defense establishment and Rafael's other customers, the Company surpassed, for the first time, the threshold of 10,000 employees in its Israeli operations, and it remains one of the largest employers in northern Israel.

Since the beginning of the millennium, Rafael has operated as a government-owned commercial company, fully owned and controlled by the State of Israel, and serves as a powerful engine of economic growth. Every year, Rafael transfers 50% of its net profits to the State Treasury. Since becoming a commercial company, it has distributed more than NIS 3 billion in dividends to the State.

As of the publication date of this report, the possibility of offering a portion of Rafael's shares to the public is being examined, while maintaining State control. If implemented, the move is not expected to alter the Company's core areas of business, but rather to support its continued growth and enhance its ability to compete in the global market. Potential benefits include greater managerial flexibility, more streamlined decision-making processes, an enhanced ability to recruit and retain high-quality human capital, and increased opportunities for investments, partnerships, and business development initiatives in international markets.

Our numbers for 2025

Approximately
11,000
employees

NIS 1.35B
in net income

NIS 1.46B
in self-funded R&D

NIS 21,679M
in sales

Approximately
45
affiliated companies in Israel and worldwide

65
Israel Defense Prizes*

26
national knowledge centers and infrastructures

2,500
employees volunteering in the community

* Including two awards received during 2026.

Vision, Values and Goals

Rafael's declared vision is to serve as a pivotal element in the security of the State of Israel, as an innovative, growing, and profitable global enterprise, dedicated to the development, manufacturing, and support of advanced defense systems at the forefront of operational needs and technological advancement.

In addition to its stated vision and mission, Rafael has established three primary goals:

1. 

To lead the development of advanced and groundbreaking defense systems in Israel and worldwide.

2. 

To serve as a national center for defense R&D and as a central pillar in building the deterrence, defense, and decisive capabilities of the State of Israel.

3. 

To serve as a leading and inspiring magnet for outstanding talent across all areas of the Company's activities.



These are the **core values** by which the Company operates in accordance with its goals:

Commitment to Israel's security

Rafael is Committed to the security of the State of Israel and therefore regards the IDF as a strategic customer. The Company strives to maintain Israel's distinct military and security advantage in the region and to foster the IDF's deterrence and decisive operational capabilities.

Commitment to Israel's social and economic resilience

Rafael is Committed to contributing to Israel's economy, both as a profitable company that transfers a portion of its profits to the State Treasury and through its extensive engagement with Israeli suppliers, many of which are small and medium-sized businesses. The Company operates sites in Shlomi, Be'er Sheva, Teradion (Misgav Industrial Park), Tel Aviv, the Shdema test site (near Ramon Crater), Jerusalem (a dedicated branch employing members of the ultra-Orthodox community), and Hadera. Former Rafael employees have also contributed significantly to the development of Israel's thriving high-tech industry. Rafael further contributes to social resilience through dozens of community programs involving approximately 2,500 employee volunteers. These activities focus on scientific and technological education, the advancement of disadvantaged populations, support for people with special needs, and the preservation of Holocaust remembrance. Rafael will continue to strive to concentrate its activities in northern Israel and to remain the region's largest employer. The Company also remains Committed to prioritizing procurement from local suppliers, strengthening subcontractors, maintaining business and community activities in frontline communities, and encouraging employee involvement in the communities in which they work and live.

People at the center

From the day it was established, Rafael's employees have been its most important asset, the source of its strength, and the primary driver of its success. Rafael is Committed to creating a meaningful and challenging work environment for its employees, one that nurtures their capabilities over time, embraces and encourages their diversity, strengthens their connection to the organization, and recognizes performance and achievements. The Company works to provide them with the knowledge, tools, conditions, and leadership required to realize their full potential. It is Committed to being a fair organization for its employees, respecting and developing each and every one of them, serving as a professional home and fostering a sense of pride and belonging.

The customer first

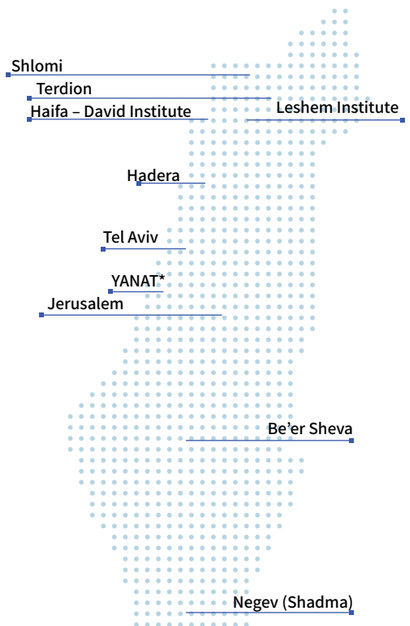
Rafael believes in its ability to create meaningful value for its customers in Israel and around the world. The Company is Committed to maintaining its leadership in the development, production, and maintenance of systems and to providing solutions that enable its customers to achieve technological and operational advantages and accomplish their objectives. To this end, Rafael maintains close and ongoing relationships with its customers, founded on fairness, integrity, and professionalism, while continuously seeking to understand their challenges, needs, and future requirements. This approach enables the Company to provide comprehensive service and support for Rafael systems in their possession and develop solutions designed to address the challenges of the future.

One Rafael

This guiding principle recognizes that synergy and collaboration in day-to-day activities, which is often matrix-based and crosses organizational structures, serves as a force multiplier. Accordingly, Rafael emphasizes organization-wide cooperation over organizational boundaries. The Company's divisions operate in partnership and through mutual enrichment. This approach is supported by management and leadership practices that promote shared objectives, reduce organizational barriers, enhance transparency, and prioritize projects that integrate capabilities and systems from different fields. The Rafael spirit reflects shared responsibility, uncompromising quality, professional ethics, and teamwork.

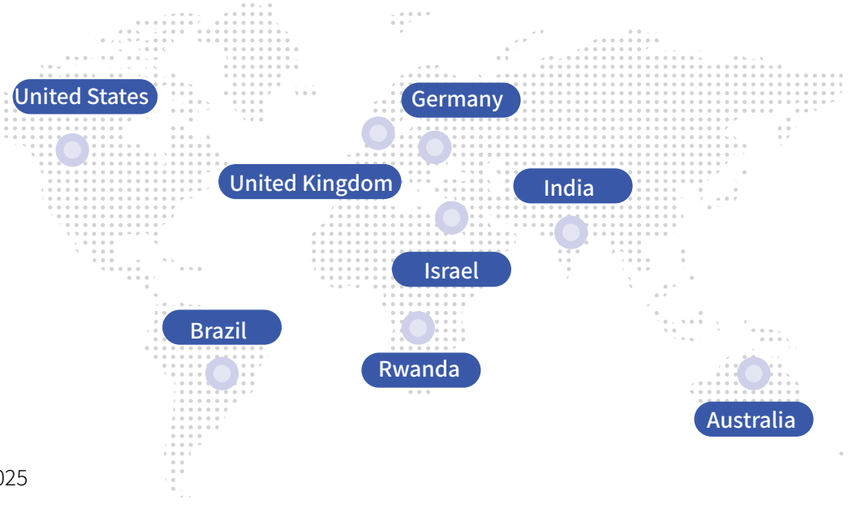
Headquarters, divisions, and national and global presence

Rafael's organizational structure includes **the Company's headquarters, four business divisions and their associated directorates, and four technological divisions.** Rafael also operates through subsidiaries, partnerships in Israel and internationally, as well as representative offices around the world.



Rafael's network of **campuses and branches throughout Israel** reflects its significant presence in the country's geographic periphery and contributes to the creation of high-quality employment opportunities in these areas. At the same time, the Company's **development centers** in Israel's major cities successfully compete with leading high-tech companies in Israel and globally to attract highly qualified professionals across a wide range of disciplines and technological fields.

Rafael's representative offices around the world focus on promoting and marketing the Company's systems, maintaining close and ongoing relationships with customers, gaining an in-depth understanding of local security and defense needs, and engaging with the relevant local ecosystems. The Company's global network of representative offices is dynamic and evolves in response to geopolitical developments, identified business opportunities, and long-term marketing considerations.



Rafael's **affiliated companies**, in Israel and abroad, operate across a range of military and civilian fields. Collaboration with these companies supports business development, knowledge retention and sharing, and the realization of R&D potential through the exchange of knowledge between the civilian and military sectors. It also enables the joint marketing of complementary capabilities, leveraging the synergies and relative strengths of each company. In recent years, the contribution of Rafael's subsidiaries to the Company's overall performance has grown, and their establishment and acquisition constitute an important component of the organization's strategy. As Rafael continues to expand globally, it is gradually developing a more integrated, group-wide approach, while strengthening mechanisms for collaboration, synergy, and joint innovation between the parent company and its subsidiaries.

Europe	Americas	Far East	Israel
RUAG Advanced Systems Ltd.	RSGS	SPEARDOME	Aeronautics
			CONTROP
PEARSON ENGINEERING	PVP ADVANCED EO SYSTEMS	SMART Systems Pte Ltd	SCD SemiConductor Devices
			mPrest
DND Dynamit Nobel Defence	CATS	ERAS	AccuBeat Accurate frequency & Time
			CIELO
Euro Spike	R2S Raytheon-Rafael Area Protection System	ARC Astra Rafael Comsys Pvt. Ltd.	KANFIT
			SHILAT OPTRONICS
EuroTrophy		VRA SYSTEMS	M Mikrotechnic Concepts
			OSIT SOLUTIONS
PAP Tecnos Innovation, S.A.U			RDC RAFAEL DEVELOPMENT CORPORATION
			Amarel ONE MORE COMPANY
			Gal-El
			Shafir Production Systems
			MAGAL SOLUTIONS Integrate to Innovate
			COMMTACT Resilient communication
			MICROCON
			ESC BAZ Surveillance Systems Solutions

Partnerships - As part of its global approach, Rafael creates **partnerships** with governments and with leading industrial companies around the world. These enable it to enhance and leverage its technological expertise in a competitive global environment. In addition, considerations such as preference for local production and various security restrictions mean that these partnerships, together with subsidiaries and mergers and acquisitions, serve as a force multiplier by facilitating access to tenders and reducing costs.

A prominent example is Rafael's significant presence in the **United Kingdom**. This is reflected, among other things, in Rafael's acquisition of Pearson Engineering, a British company specializing in the design, manufacture, and maintenance of combat engineering equipment, as well as in the integration of Rafael's air-control and battle-management systems into UK Ministry of Defence projects and air-defense systems across Europe and NATO. Collaborations of this kind constitute a central component of international activity and require strict compliance with various regulations and ESG standards as a basis for participation in complex international tenders.

In general, **international markets** continue to constitute a significant strategic focus for Rafael. The Company is working to expand partnerships, establish joint production capabilities, and incorporate local manufacturing in target countries, in accordance with customer needs and market requirements. These activities are based on advanced technological systems, cooperation with local industries, and a global supply chain. Accordingly, Rafael's global activities extend beyond marketing and sales to encompass long-term partnerships, transfer of knowledge, localization, manufacturing in target countries, and the integration of subsidiaries and local partners.

AMERICAS

Lockheed Martin · RTX · Northrop Grumman · Leonardo DRS · General Dynamics · Oshkosh · General Atomics · Boeing · BAE Systems · Kratos · leidos · Embraer

ISRAEL

IAI · Elbit Systems · RADA · IBM · SPEAR · VERINT · matrix

EUROPE

Airbus · Saab · Diehl · Rheinmetall · KNDS · General Dynamics · Volkswagen · Patria · Hensoldt · Reflex Aerospace · OHB · babcock · Thales · Patria · N-V-L · Fincantieri · Navantia · thyssenkrupp · Damen · Naval Group · TKMS · Safran · PGZ · Mesko · CSG · Retia · INSTA · JISR · Metlen · ECAS · SCYTALYS · INDRA · tecnobit · emso · BAE Systems · Leonardo DRS · Dassault Aviation · Atos

ASIA

Hyundai Rotem · ST Engineering · ADSB · HAL · Mazagon Dock Shipbuilders Limited · Centum · EDGE · Austal · Lockheed Martin · General Atomics · Boeing

Business continuity and emergency operations

As an essential supplier to the IDF and Israel's security agencies, Rafael's operational continuity, in both routine and emergency situations, is vital to the security of the State of Israel.

Indeed, throughout 2025, the Company continued to operate under emergency conditions and in a complex security environment, while maintaining operational continuity and expanding production and supply.

By mobilizing units across the organization, transitioning to shift-based work, demonstrating managerial flexibility, and providing extensive support to employees and their families, Rafael demonstrated resilience and adaptability, while continuing to meet the needs of Israel's defense establishment, and fulfill its commitments to customers around the world. T**he year 2025 provided a significant practical test** of the Company's ability to maintain operational continuity while preparing for continued growth and Rafael is proud to have passed this test successfully.

In managing emergencies and transitioning from routine operations to emergency mode, Rafael operates in accordance with applicable regulatory requirements, with particular emphasis on the requirements of the Ministry of Defense and the IDF, as well as Israeli Standard 24001, Organizational Resilience Management System (ORMS), for which Rafael is the only large company in Israel to be certified. The Company operates according to the **Business Continuity Planning (BCP)** concept, which requires the development and validation of a dedicated continuity plan. This plan was implemented in all its dimensions immediately following the outbreak of the war on October 7, 2023, and remained in effect throughout the reporting period.

The Company's policy in this area is designed to address a broad range of potential threats, including security incidents, natural disasters (earthquakes, tsunamis, and climate-related disasters), and significant damage to infrastructure and energy systems. The policy addresses preparedness, prevention and protection, response, operational continuity, and recovery.

The **Emergency Management function** is responsible for safeguarding the safety and wellbeing of Rafael's employees, adapting infrastructure to a range of emergency scenarios and situations, establishing required levels of operational readiness and maintenance, and defining goals and objectives for improvement.

The emergency policy and procedures for the rapid transition from routine operations to emergency mode are periodically reviewed, updated, and adapted to changing circumstances. The policy is communicated and embedded across the organization among managers, employees, and all stakeholders through procedures, drills, training programs, internal communications, online resources, and other publications. Alongside this policy, there is an annual work plan that includes updating procedures, conducting audits and exercises, and investing in infrastructure improvements as part of the organization's emergency preparedness.

The **Emergency Committee**, whose members include senior representatives from across Rafael's organizational units, convenes several times a year. It focuses on advancing preparedness and response processes in the areas of civil defense, raw material inventories, identification of key personnel and essential suppliers, business continuity plans, appointment of designated emergency role holders within the divisions, and the continuity of product supply and maintenance.

Rafael's **Control Center** provides a current situational picture regarding the Company's facilities and employees during both routine and emergency situations. It activates the relevant response teams, consolidates the operational picture, and facilitates the flow of information from the field to management and to external defense and security authorities.

Rafael's **Rescue and Emergency Department** operates a broad range of advanced professional resources designed to prevent and mitigate harm to people, property, and the environment. These include medical evacuation vehicles with capabilities equivalent to those of an intensive care ambulance, an advanced medical simulator for the independent training of medical teams, equipment for responding to hazardous materials incidents, rescue and communication equipment, advanced personal protective equipment, and the "Leviathan" fire truck, the largest of its kind in Israel, which frequently assists firefighting efforts in the region.

To strengthen coordination and cooperation with relevant external organizations, Rafael conducts joint working sessions and emergency exercises. These activities incorporate the Company's advanced technological capabilities, including robotic systems for handling explosive components and unexploded ordnance, conducting building inspections, and operating cameras remotely, thereby reducing the need to expose personnel to hazardous conditions.

Innovation at Rafael

In a world where the battlefield is changing at an accelerated pace, and technological developments are reshaping the nature of threats and opportunities, innovation is not merely a growth engine, but rather a necessary condition for maintaining an operational and business advantage. Systems such as Iron Dome, David's Sling, Trophy, and Iron Beam, which demonstrate technological breakthroughs in active defense and interception, including through the use of lasers, are an expression of Rafael's innovation at the forefront of the global arena.

The combination of high-quality human capital, multidisciplinary expertise, R&D capabilities, and the continuous adoption of cutting-edge technologies is what enables Rafael to anticipate future trends, transform ideas into solutions, and develop systems that address the most complex security challenges.

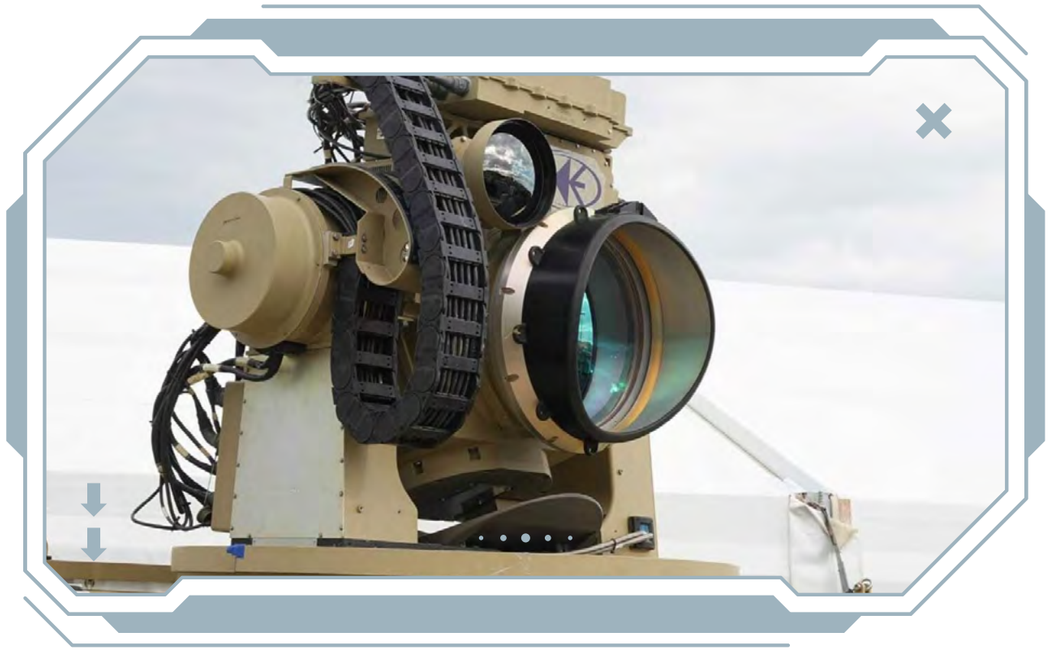
Innovation is therefore the force that drives the ability to cope with the security challenges of the present and prepare for the threats of the future. This approach places innovation at the core of Rafael's activities, as the foundation for creating sustainable value for Israel's defense establishment and customers around the world.

Innovation is measured by the ability to provide superior performance relative to alternatives and competitors. To ensure this advantage over time, Rafael invests significant resources in R&D, the purpose of which is not only to develop technologies, but also to create a competitive advantage that becomes a business growth engine. One example is the increasing automation in production lines, which enables Rafael to expand production volumes at a significantly faster rate than workforce growth, thereby enhancing productivity and supporting the Company's ability to meet growing demand. At the same time, growth in sales and incoming orders enables increased investment in R&D, creating a reinforcing cycle that contributes to the Company's continued success.

R&D is a central factor that enables Rafael to maintain its position as a global leader in its fields of activity. It is based on deep and extensive technological knowledge, including theoretical aspects, practical know-how, and groundbreaking engineering and technological applications. Among the Company's personnel are world-renowned researchers, enabling it to develop capabilities that are second to none. Decisions within the R&D framework are made through continuous analysis of global trends, technological and operational developments, identification of future needs, and an ongoing balance between business and national considerations.

Rafael oversees dozens of technological knowledge centers, each of which has a multi-year development plan that is updated on an ongoing basis in accordance with technological developments to ensure it remains at the forefront of knowledge. Alongside defense-related technologies, these knowledge centers address subjects such as artificial intelligence and analytics, computer vision, quantum technologies, autonomous systems and robotics, electro-optics, lasers, miniaturization, and advanced materials. Twenty-six of these centers operate as national knowledge centers and infrastructure facilities for the State of Israel and the Ministry of Defense, and are designated by the latter according to standards of technological leadership.

Rafael's R&D Division is responsible for advancing technological leadership across its various fields of expertise, with an emphasis on long-term research, particularly in areas characterized by a high degree of technological risk. The Division's professionals oversee the various knowledge centers, promoting coordination, knowledge sharing and collaboration among them. This multidisciplinary approach is essential to the development of advanced, modern systems.



Innovation as an Organizational Culture

Innovation at Rafael permeates all levels of the organization and is not driven solely by top-down direction, engineering excellence or individual employee ideas. Rather, it is supported by dedicated processes, mechanisms, and organizational tools specifically designed to foster innovation. One example is a dedicated mechanism that enables employees to submit innovative ideas directly to management. Selected ideas receive resources from an internal entrepreneurship fund for Proof of Concept (POC) activities, and some of these progress into broader development tracks and are even integrated into existing and future products.

In parallel, drawing on a startup-like approach, the Company has established small, agile frameworks designed to accelerate innovative ideas from their earliest stages. These frameworks reduce bureaucratic barriers and enable the rapid development of new concepts in response to identified business opportunities, while maintaining the Company's quality and safety requirements.

These frameworks are overseen by the Chief Innovation Officer, a new role within the organization that is responsible, among other things, for promoting cross-functional collaboration and removing barriers to innovation.

Another initiative aimed at strengthening Rafael's culture of innovation focuses on fostering collaboration across the Group and with its subsidiaries. A dedicated fund has been established to promote and encourage these synergies. Alongside project-based thinking, Rafael promotes a product-oriented approach through support and financing provided by the Building Blocks fund. The fund supports the strengthening and development of platforms, technologies, and product families that can be integrated into multiple systems, thereby creating technological building blocks that can be leveraged across the organization.

Overall, Rafael fosters a culture of continuous learning and exploration, open dialogue across organizational and hierarchical boundaries, learning from failures, and systematic debriefing. Together, these practices serve as a foundation for excellence and a driver of continuous development.

AI Across the Organization

Artificial intelligence (AI) is being integrated within the organization in three key dimensions: R&D and engineering processes, through expanding access to AI-based tools for all employees; organizational and operational processes, including the integration of advanced language models into the work environment; and examination of opportunities to incorporate AI into the products themselves. To accelerate AI adoption and capability development in the field, an organizational steering committee was established for AI, along with the implementation of dedicated policies and procedures. Special emphasis is placed on the responsible and controlled use of the technology under human supervision, particularly in areas relating to safety and system reliability.



Open Innovation

Recognizing that significant knowledge and technological capabilities exist beyond organizational boundaries, Rafael views knowledge sharing and collaboration as important drivers of innovation. Based on this approach, the organization maintains systematic connections with academia, startups, research institutes, and innovation centers.

These relationships encompass academic research in fields of strategic importance to Rafael, supported through joint research funds; Proof of Concept (POC) tracks for evaluating innovative technologies; Minimum Viable Product (MVP) tracks for more advanced integration of technologies into the Company's operations; the development of new investment models, including strategic partnerships and acquisitions; and the ongoing identification of technologies with the potential for integration into future products. The emphasis is on investments intended to advance technologies and create long-term strategic value, rather than solely generating financial returns.

Innovation that Creates Social Impact

Rafael applies the innovative approach that drives its business activities to its environmental and social initiatives and its engagement with local communities. This includes leveraging the Company's technological expertise to support wounded IDF veterans through the development of solutions tailored to rehabilitation needs and everyday challenges, in collaboration with organizations such as Restart and Brothers for Life.

More recently, this initiative has expanded to include the industrialization of selected solutions, enabling them to serve broader populations. One example is an accessory designed to facilitate the use of crutches, which evolved from an individual solution into a product undergoing full-scale development. A complementary initiative involves adapting the work environment for wounded IDF veterans and people with disabilities, alongside the development of technological solutions aimed at facilitating their integration into the workforce. For further information, s**ee the chapter "From Company to Community: Rafael's Community Outreach."**



3.

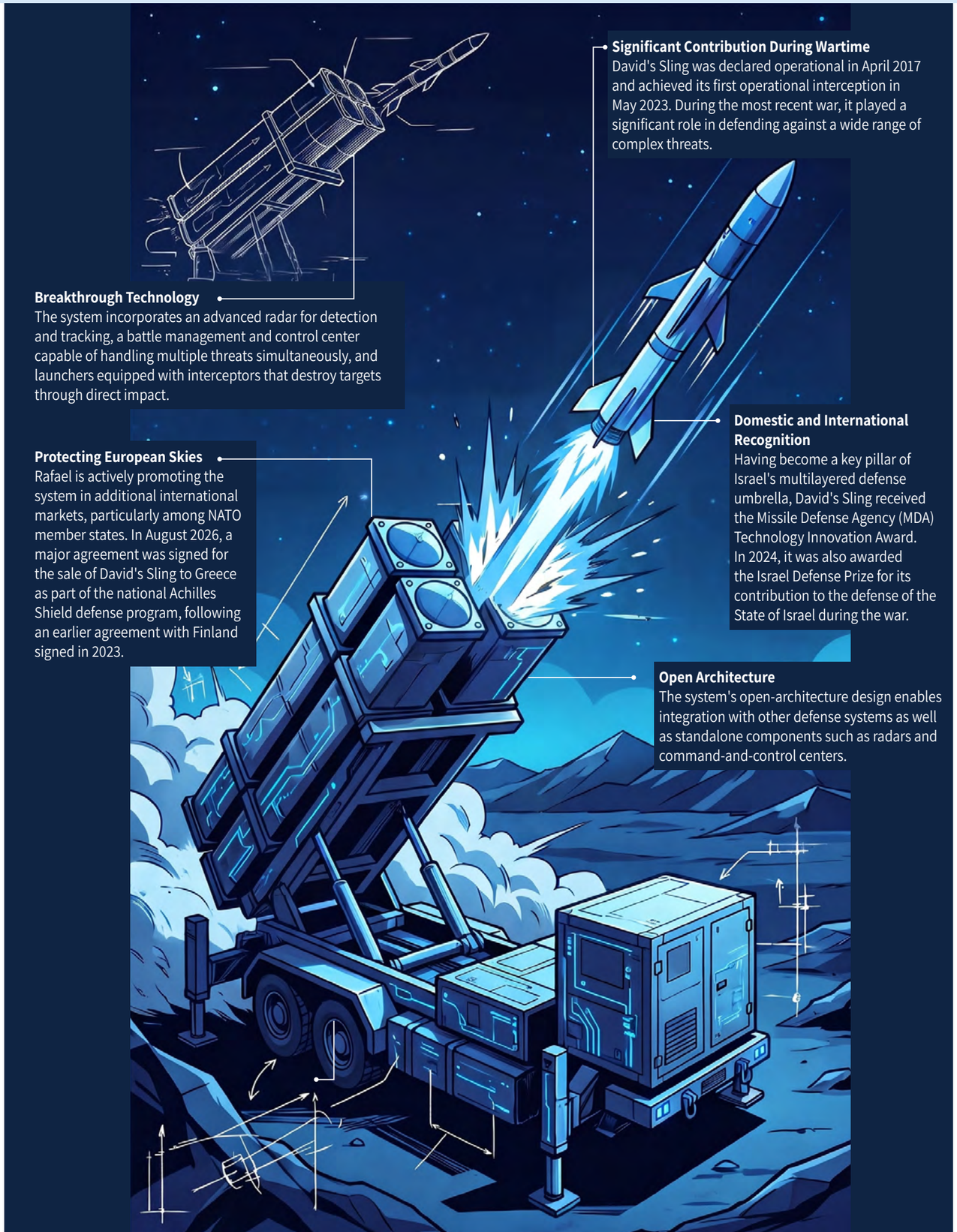
Committed to Technological Leadership, Excellence, and Responsibility

Platinum Plus
Ranked in the Maala ESG Index for the 19th consecutive year

NIS 44 Million
Invested in environmental management during the last four years

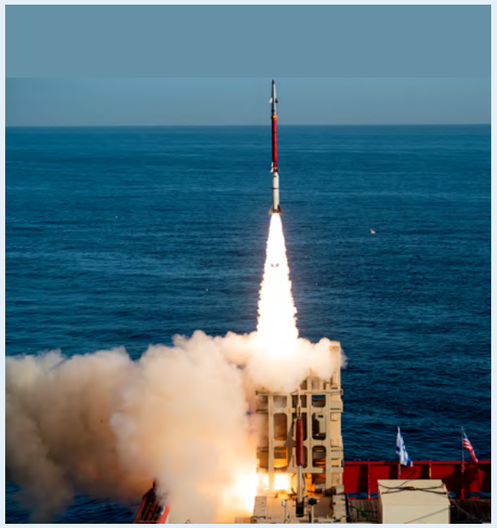
14
Management systems certified to recognized quality standards

100%
Participation in training on the Code of Ethics and the prevention of bribery and corruption



David's Sling

David's Sling is an advanced air defense system designed to counter a broad spectrum of medium- and long-range threats, including rockets, missiles, aircraft, and UAVs. Serving as the middle layer of Israel's multilayered air defense architecture, David's Sling is a nationwide defense system that incorporates technologies considered groundbreaking on a global scale. The system was developed by Rafael in partnership with Raytheon.



Corporate Responsibility at Rafael

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.

Rafael serves as a key pillar in the security of Israel, and accordingly, it has developed a sustainable strategy designed to strengthen its defense, social, economic and environmental resilience. The Company is Committed to creating a connection and dialogue with all stakeholders with the aim of creating significant value. This is achieved through professionalism, the advancement of technological innovation, and adherence to some of the highest norms and standards in the world.

Corporate responsibility is reflected throughout the organization, both horizontally across the organization, and vertically across all levels of management. It serves as a common thread connecting employees, management levels, new recruits, and student employees, and is deeply embedded in the organizational culture. It encompasses aspects of ethics and compliance, proper corporate governance, environmental protection, investments in society and the community, responsible supply chain management, a strong commitment to safety, and the creation of a respectful, comfortable, enabling, and inclusive work environment.

Through its performance in these areas, Rafael is recognized as a leading company in the Israeli economy, and serves as a center of knowledge and expertise in the implementation of a range of responsible business processes. These include responsible and transparent procurement management, the establishment and maintenance of mechanisms for safeguarding contractors' rights, ongoing dialogue with stakeholders, environmental policy, and the social and economic strengthening of surrounding communities.



Rafael was the first government-owned company to join the prestigious Maala corporate responsibility ranking and, in 2025, received for the nineteenth consecutive year the highest possible rating, Platinum Plus.

Corporate responsibility management

Rafael's ESG (Environmental, Social and Governance) management framework is grounded in applicable standards of the Standards Institution of Israel and in the Company's internal procedures, and is implemented through a range of structured initiatives and processes.

The Senior VP of Regulation, Administration and Communications is in charge of every aspect of the Company's corporate responsibility, reflecting Rafael management's commitment to integrating responsible business practices across the organization..

The corporate responsibility function oversees the operating model, coordinates initiatives, conducts mutual learning activities, and facilitates transparent and accessible reporting on performance across the relevant areas.

The function is supported by a steering committee which provides managers with the knowledge, tools, resources, and authority required to implement relevant corporate responsibility practices within their respective areas of responsibility, while goals and targets are defined for them within their work plans.

Once a year, the Company's ESG performance is presented to management and the Board of Directors, and from time to time the framework undergoes a comprehensive internal audit process.

Membership in organizations

Rafael takes an active role in promoting the principles of corporate responsibility through its membership in leading organizations and institutions in Israel and around the world, including:

The Maala Organization that promotes corporate responsibility in Israel

The Israel Standards Institution

The Israel Manufacturers' Association

The Israel Society of Quality

INCOSE IL, the Israeli Chapter of the International Council on Systems Engineering

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

Transparency International

Association of Corporate Counsel (ACC), the global organization of in-house legal counsel; within it, the Defense Forum and the Tenders Forum of ACC Israel, both chaired by representatives of Rafael's Legal Office

International Aerospace Quality Group (IAQG)

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



Communication and dialogue with stakeholders

Rafael publishes its ESG (Environmental, Social, and Governance) activities and performance in a comprehensive and transparent manner, through its corporate responsibility reports, in line with internationally recognized reporting practices.

Ongoing stakeholder engagement is managed by the Company's managers in the relevant fields, as well as by the Corporate Communications Division, which supports comprehensive and appropriate responses to stakeholder inquiries.

Stakeholder engagement is conducted responsibly, with strict safeguards in place for protecting the privacy and confidentiality of information. To support this commitment, Rafael has established relevant policies and procedures for addressing violations and conducts annual employee training.

The principal stakeholders and the methods of engagement with them are as follows:

- **Employees** – Rafael maintains continuous dialogue with its employees throughout their entire employment lifecycle, from recruitment to the end of employment, guided by an "employee-centered" approach. Surveys distributed regularly among employees receive high response rates and provide valuable feedback to management to support the development and implementation of organizational programs.
- **Customers** – Rafael places great importance on maintaining strong relationships and commitment to its customers. The Company strives to provide optimal value through its solutions, products, and services and works to build long-term relationships based on trust, integrity, and mutual respect. Customer engagement takes place before, during, and after the delivery of systems and includes structured responses to customer needs and requests, including questionnaires and ESG-related information requests.
- **Community** – Rafael is proud to be part of Israeli society and, in particular, the communities of northern Israel, and is Committed to acting responsibly toward both the community and the environment. The Company promotes social engagement and investment in the community, both at the organizational level and through employee-led initiatives, and implements a wide range of social and community projects. These are planned and carried out in consultation and close partnership with local community organizations.
- **Regulators** – Rafael is subject to extensive regulation in areas including quality, safety, employee rights, and environmental matters and is primarily regulated by the Government Companies Authority. The Company works diligently and consistently to comply with all applicable regulations and voluntarily adopts measures that go beyond compliance.
- **Suppliers** – Rafael regards its suppliers as partners in its success, and maintains ongoing communication with them, including through a dedicated supplier portal. As part of supplier quality surveys, the Company conducts various training programs for supplier development and joint improvement processes. Supplier development is at the core of Rafael's procurement strategy. The Company views strengthening suppliers in areas such as growth, quality, safety, and employment as an opportunity to retain high-quality suppliers over the long term, particularly as Rafael often serves as a significant and critical customer for them. Approximately 76% of Rafael's project procurement is conducted with local suppliers, reflecting the Company's commitment to supporting Israeli industry and developing a sustainable supply chain.
- **Partnerships** – as part of its commitment to Israel's security, Rafael maintains close relationships and ongoing cooperation with the Ministries of Defense and Foreign Affairs, security organizations, the Israel Land Authority (ILA), and other relevant bodies. These partnerships span security, operational, environmental, and community-related matters.



Corporate Communications Division

The Corporate Communications Division is responsible for strengthening engagement with a wide range of stakeholders in Israel and around the world. Due to the nature of Rafael's operations and the stringent confidentiality and security requirements to which it is subject, the Division plays an important role in balancing the protection of sensitive information with the responsible communication of information approved for publication, with the goal of providing the highest possible level of relevant transparency to stakeholders.

The Division's activities are guided by the Company's vision and focus on four main areas:

- **Business activity** – promoting communication on the Company's business activities, including global marketing efforts, business transactions, and financial reporting, while supporting Rafael's positioning as a growing and successful business enterprise.
- **Technological leadership and development** – working closely with the Company's technological divisions to communicate key milestones and achievements and strengthen Rafael's positioning as a global leader in technology and innovation.
- **Social and economic leadership** – communicating the Company's social and community activities, including support for Israel's peripheral regions, the promotion of technological education, and initiatives for recruitment and training of individuals from underrepresented populations.
- **Employer branding** – Highlighting employee stories and experiences that reflect Rafael's organizational culture and strengthen engagement and organizational pride. These activities also support the Company's efforts to attract qualified talent and students seeking meaningful careers, while contributing to employee retention.

Marketing communications, sponsorships and advertising

As a government-owned defense company, Rafael's advertising activities and objectives are limited, targeted, and closely monitored. Most promotional efforts are focused on professional exhibitions and major international campaigns.

Marketing materials presented to customers undergo internal approvals by the Security Unit, Marketing Communications personnel, and the Senior Executive Vice President for Marketing and Business Development, as well as approval by the Defense Export Controls Agency (DECA) of the Ministry of Defense.

Publications and advertisements in professional defense media are coordinated with the relevant organizational units and divisions and are subject to security approval, and, when required, review by the appropriate licensing and regulatory bodies. Sponsorship requests are reviewed by a dedicated committee.

In strategic markets, Rafael's marketing representatives ensure that marketing materials comply with applicable local laws and requirements.

Externally accessible digital assets, including Rafael's global website and websites operated by selected subsidiaries, are subject to oversight by the organizational security framework and cyber-protection frameworks in accordance with internal stringent procedures.



ESG – material topics for reporting

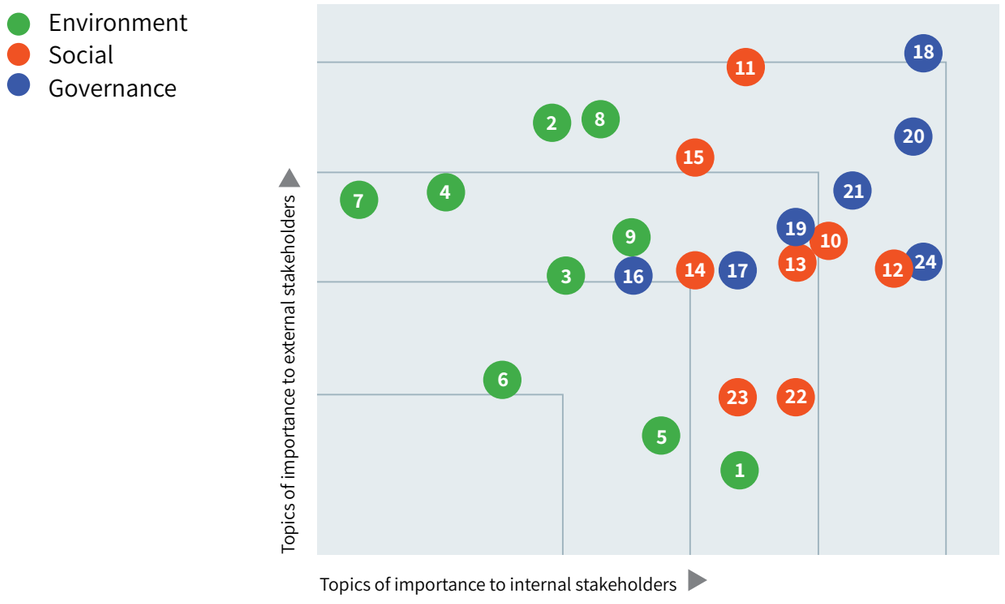
Rafael's material topics were reviewed as part of a comprehensive process to update and validate the Company's corporate responsibility strategy. The process was conducted in accordance with internationally recognized methodologies, based on GRI and SASB guidelines and took into account regulatory developments, customer requirements, and Rafael's commitment to maintaining its position as a leading company in this field as well.

The process included an analysis of global industry trends, in-depth benchmarking against companies operating in related sectors in Israel and globally, extensive research based on the perspectives and requirements of international rating agencies and investors, and stakeholder questionnaires designed to support the prioritization of material topics.

This report addresses the topics identified as most material to Rafael's corporate responsibility strategy and provides additional disclosures and metrics in accordance with the findings of the materiality assessment.



Materiality Map



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

Governance

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



Environment

Sustainable operations
Investment in activities aimed at reducing environmental impact and focusing on resource efficiency, including water and wastewater management, improved energy efficiency, waste reduction, and the promotion of a circular economy.

Carbon reduction and emissions management – Monitoring and measuring greenhouse gas (GHG) emissions, including direct company emissions (Scope 1) and emissions associated with electricity consumption (Scope 2), with the aim of reducing emissions over time.



Social

Protection of human rights and fair working conditions
Safeguarding employee rights and fair and appropriate working conditions, while promoting these principles throughout the supply chain and incorporating them as a key consideration in supplier engagement.

Employee safety, health and wellbeing
These issues are among Rafael's key success and strength factors. The Company's requirements go beyond applicable legal and regulatory requirements and involve risk assessments, dedicated work plans, and supporting management systems.

Diversity and inclusion
Rafael places significant emphasis on integrating employees from underrepresented populations and advances this objective through structured programs that go beyond compliance with Government Companies Authority targets.

Community engagement and partnerships
Guided by the belief that its success is closely linked to the resilience and prosperity of the surrounding communities, Rafael invests significant resources in creating positive social impact, particularly in areas where it can make a unique contribution, such as technological education and support for vulnerable populations.

Employee engagement and human capital retention
Creating a challenging, fair, and empowering work environment that develops professional and personal capabilities over time and rewards performance and achievements. Rafael employees possess specialized expertise across a broad range of technologies, such as systems engineering, management of large-scale development and production projects. Accordingly, the Company places particular emphasis on retaining and developing its people, strengthening their capabilities, and attracting highly qualified talent from the labor market.



Governance

Proper Corporate Governance – Compliance, Prevention of Bribery and Corruption, Business Ethics, Data Privacy and Cybersecurity
Rafael is Committed to compliance with applicable laws and regulations and to maintaining high standards of ethical conduct across all areas of its activities, including relations between employees and managers, between Company employees and its customers, suppliers, and partners, as well as to the mutual responsibilities of Rafael and its employees. The Company's Code of Ethics addresses, among other matters, relationships with government entities and lobbying activities, interactions with suppliers and competitors, non-discrimination, and the promotion of transparency, integrity, and trust.

Responsible Supply Chain Management
Rafael's commitment to responsible business conduct extends throughout its supply chain. The Company seeks to ensure that its suppliers operate responsibly with regard to employee welfare, human rights, and environmental protection. Examples include requirements regarding conflict minerals, aimed at reducing risks associated with the financing of armed conflicts, forced labor, and human rights violations within the supply chain.

Quality Management, Product Safety, Responsibility and Customer Service
Rafael is Committed to the development, production, and maintenance of systems at high levels of quality, reliability, and safety. To this end, the Company maintains an independent function that oversees quality management among development, production, and operational entities and supports continuous improvement throughout the product life cycle. The Company regards its customers as important partners and works to provide comprehensive solutions tailored to their needs and requirements.

Technological Innovation and Digitalization
Innovation is an integral component of Rafael's activities, a technology-intensive sector that is constantly evolving. Innovation, including the digitalization and continuous improvement of organizational processes, is embedded in the Company's approach to technological and operational development. Accordingly, Rafael invests substantial resources in research and development and promotes a culture that encourages innovation and the development of new ideas among employees.

Business Continuity
Rafael's continuous operation, during both routine periods and emergency situations, is essential to Israel's security. Accordingly, business continuity, implemented through the Company's Business Continuity Plan (BCP), is a material issue for the Company from both a business and values-based perspective, with risk management forming a significant part of this approach.







SDGs at Rafael

Among the 17 UN Sustainable Development Goals (SDGs), four are particularly relevant to the Company's day-to-day activities:

Gender Equality

Rafael actively recruits women, who currently account for 25.8% of its workforce. The Company also invests in professional and managerial development opportunities for women and promotes technological education for girls.

Industry, innovation and infrastructure

Technological breakthroughs and innovation are at the heart of Rafael's operations. The Company's R&D activities, which continually generate solutions to existing and future threats, are among the most advanced in the world, as reflected by 65 Israeli Defense Prizes and numerous awards received over several decades.

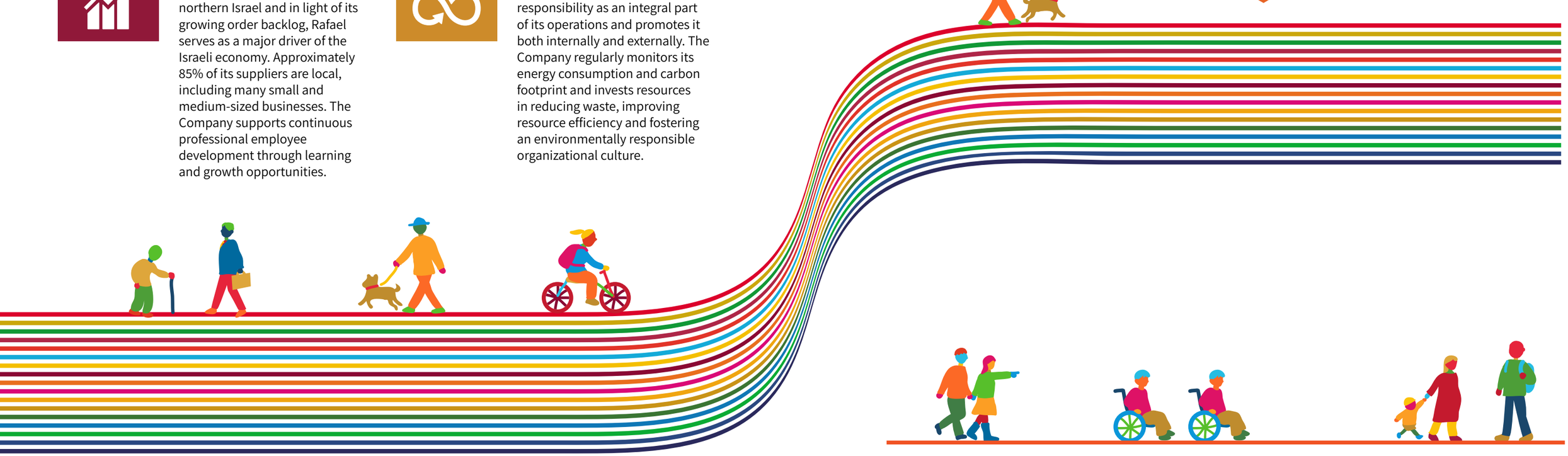
Decent work and economic growth

As the largest employer in northern Israel and in light of its growing order backlog, Rafael serves as a major driver of the Israeli economy. Approximately 85% of its suppliers are local, including many small and medium-sized businesses. The Company supports continuous professional employee development through learning and growth opportunities.

Responsible consumption and production

Rafael regards environmental responsibility as an integral part of its operations and promotes it both internally and externally. The Company regularly monitors its energy consumption and carbon footprint and invests resources in reducing waste, improving resource efficiency and fostering an environmentally responsible organizational culture.





Proper Corporate Governance

Rafael is a government-owned company that operates as a business enterprise in a competitive international environment, conducting its activities on an independent economic basis and without reliance on ongoing state budgetary support. In both respects, the Company seeks to maintain the highest standards of sound corporate governance.

The Company strives to advance a Beyond Compliance approach, reflected in the review and adoption of leading practices and recommendations issued by relevant authorities and bodies in Israel and around the world (Best Practices), beyond mandatory regulatory requirements where appropriate. This approach reflects the Company's commitment to promoting integrity, ethical conduct, transparency, responsibility, and commitment to the organization and its stakeholders. It is aligned with the Company's values and vision and constitutes an additional pillar in its pursuit of excellence across all areas.

Rafael's corporate governance procedure is based on the Companies Law, the Government Companies Law, directives of the Government Companies Authority, and the Company's founding documents and regulations. The procedure defines and regulates the relationships between the Board of Directors, Management, and shareholders, as well as the composition and authorities of the Board committees. It serves as a benchmark and enables the Company to establish mechanisms for defining its objectives, determining the means for achieving them, and overseeing their implementation.

Our numbers for 2025

NIS 1.46B
in self-funded R&D

25
Board of Directors meetings

100%
of employees trained on the Code of Ethics

100%
of employees trained on anti-bribery and anti-corruption

36
internal audit reports

0
incidents of corruption brought to the Company's attention during the reporting period

0
fines for ethical violations

Rafael Board of Directors

The Board of Directors outlines the Company's vision and policy, oversees their implementation, and reviews and supervises the activities of the CEO and Management. The Board bears ultimate responsibility for the Company's operations, financial resilience, and long-term sustainability. Its responsibilities include, among other matters: guiding the Company's strategy and outlining principles for its implementation; promoting effective control and oversight processes; establishing standards for advancing excellence; receiving updates regarding the implementation or non-implementation of various directives, some in real time; approving staffing standards and compensation and remuneration policies; approving work plans, control and audit programs; approving the Code of Ethics, compliance programs, and the environmental protection and sustainability strategy; approving investments, mergers and acquisitions, and financial statements. Board approval is also required for the appointment of directors in affiliated corporations and for the appointment of heads of overseas representative offices.

In all its actions, the Board operates with full consideration of the law, a commitment to the security of the State of Israel, and an obligation to act according to sound business considerations and profit maximization, while taking into account the interests of employees, customers, suppliers, and the public (pursuant to Section 11 of the Companies Law, OECD principles, and circulars issued by the Government Companies Authority).

With respect to ESG matters, the full Board convenes once annually to discuss the Company's strategy in this field, related risks and opportunities, actions taken and their effectiveness, as well as planned activities, including training and knowledge development initiatives. The Board may delegate authorities relating to economic, social, and environmental matters to managers and employees, except for authorities specified in Section 32 of the Government Companies Law and those determined by the Government or its members to be non-delegable.

Responsibility for the appointment of directors, Board diversity, and maintaining the appropriate expertise and knowledge among Board members rests with the Government Companies Authority and the responsible ministers.

Board Meetings and Committees

The Board plenary convenes as needed and at least once every two months. The minimum attendance at meetings and the effectiveness of the Board's work as a whole are measured through the guidelines defined by the Company. **During the reporting year, 25 plenary meetings were held.**

The Board committees serving as of the end of 2025 were: Finance and Investments Committee (10 meetings during the reporting year); Strategy and Business Development Committee (2); Compliance Committee (4); Audit Committee (9); Committee for Supervision and Oversight of Subsidiaries (2 meetings).

Director Training

Directors join Rafael following an identification and screening process conducted by the Government Companies Authority. Upon joining, they receive a structured onboarding package outlining the relevant learning and orientation processes. Throughout the year, all directors participate in professional learning and training days. Rafael's Corporate Secretary is responsible for developing a knowledge enhancement program for Board members, monitoring its implementation, and providing directors with tools that will assist them in fulfilling their role, including tours, introductory meetings with senior officers, and the transfer of data, documents, and periodic reports regarding activities and regulation. Directors appointed by Rafael to its affiliated corporations undergo an annual training day. A dedicated external website, established by the Legal Department in 2024, consolidates relevant information for directors representing Rafael in its affiliated corporations.

Compensation of Directors and Key Management Personnel

Members of Rafael's Board are compensated in accordance with the rules and directives applicable to government-owned companies, as established by the Government Companies Authority. Board members have no variable compensation component and are not eligible for bonuses linked to the Company's performance or achievement of specific targets.

Compensation for managers and senior employees, including bonus distribution, is granted according to an established formula based on the Company's quarterly and annual performance. Compensation is differentiated and is influenced, among other factors, by the achievement of ESG-related objectives, such as the employment diversity targets established by the Government Companies Authority.

Prevention of Conflicts of Interest

A structured separation of roles and responsibilities is maintained between the Board of Directors and the Company's Management. In accordance with the recommendations of the Goshen Committee (Appendix B, Section 1.3), which were voluntarily adopted by the Company, the Chairperson of the Board may not serve as CEO or hold any other position at Rafael; may not be a relative of the CEO (as the term "relative" is defined in the Companies Law); and may not engage in the day-to-day management of the Company and its controlled entities or perform any other role in them. However, the Chairperson may serve on the boards of subsidiaries and companies affiliated with Rafael.

Board members are not subordinate to the Company's CEO and owe duties of care and loyalty to the Company. In their professional and personal lives, directors are required to avoid any position or action that constitutes a conflict of interest in relation to their service as directors at Rafael unless regulated through a conflict-of-interest arrangement. They must also refrain from competition with the Company's business or exploitation of a corporate opportunity belonging to the Company. Upon appointment, directors sign a declaration and commit to these obligations.

Rafael employees or service providers engaged by the Company, whether directly or through a third party, may encounter situations involving potential conflicts of interest in their work. A dedicated procedure on the subject requires reporting and defines a process for examining the appropriate solution for resolving such concerns through a Conflict of Interest Committee composed of the Senior Vice President of Human Resources, an additional Senior Vice President, the Company's General Counsel, and another management member appointed on an ad hoc basis pursuant to an appointment letter from the CEO. The Conflict of Interest Committee convenes as required, based on the cases referred to it. During 2025, 30 cases were reviewed by the Committee, and appropriate instructions were issued in each case.



Internal Audit

Rafael's Internal Audit Unit is a professional and innovative, objective and independent function that assists Management and the Board in achieving the Company's objectives. It does so through the continuous examination of work processes and practical recommendations for improvement. The unit is headed by Rafael's Internal Auditor, who is appointed by the Government Companies Authority for a fixed term of seven years.

The focus is on matters at the core of operations, business activities, and risk management. To this end, a methodology was established for conducting audits of engineering and technological projects, technological tools for data analysis were incorporated, and agile solutions were implemented to meet audit objectives despite wartime challenges. In addition, a methodology for compliance audits was institutionalized, and efforts were focused on improving and refining responses to the State Comptroller.

During the reporting period, 36 internal audit reports were issued at Rafael.

Risk Management

The significant growth in business activity, and consequently in employee recruitment, did not lead to a change in the Company's risk appetite. Rafael's compliance, control, and risk management infrastructures were designed from the outset to support expansion while maintaining the quality of review and oversight.

Rafael's approach recognizes that **the objective is to manage and mitigate risks, rather than eliminate them entirely**. Accordingly, risk ranking and prioritization are of great importance. The strength of controls is tailored to the assessed level of risk, and when a risk approaches the limit of the Company's risk appetite, the Company adds resources, controls, and oversight mechanisms.

A comprehensive risk survey is conducted once every four years and is updated in accordance with the procedures of the Government Companies Authority (the most recent one was completed in 2022, and the next is planned for 2026). As of the reporting period, ongoing monitoring is conducted regarding the following risk areas: **Local and international regulation; War; Natural disasters; Operations and business continuity; Supply chain; Safety; Human resources and knowledge management; Financial risks; Quality; Subsidiaries; Information technology and cyber risks; Environmental risks.**

Risk management at Rafael is conducted according to the COSO model, local and global benchmarking, and consultation with experts. It is a systematic and continuous process carried out as part of the Company's routine management, using structured risk surveys and organized methodologies for assessing severity and probability. Its purpose is to provide a reasonable degree of assurance for preventing the realization of risks through identifying risks, evaluating their likelihood and severity, managing them, and formulating mitigation plans.

For every identified risk, a Risk Owner is appointed, with responsibility for addressing and mitigating that risk. Overall responsibility rests with the Organizational Risk Management Committee, which convenes twice a year to review existing risks and assess the need to update the framework. The Committee is chaired by the Senior Vice President for Engineering, R&D and Infrastructure, who serves as the Corporate Risk Manager and as the member of Management responsible for activities in this field. The Corporate Risk Manager maintains quarterly engagement with risk owners, who also serve on the Committee, alongside several business and operational vice presidents.

At least once a year, the status of the Company's risk management activities is presented for discussion to the Board Audit Committee. The Committee is requested to approve or revise the Company's risk appetite in accordance with corporate objectives.



Ethics and Compliance

Rafael's reputation as a company Committed to integrity and high standards of business and professional ethics, together with the trust placed in it by customers, employees, and partners, represents an essential component of its strength, alongside its technological capabilities and business achievements.

Ethics and compliance are integral to the organizational culture, supporting both excellence in performance and a clear value-based identity. The approach to these matters requires all managers and employees to meet high standards of integrity and reliability, based on the understanding that doing so contributes to the proactive management and mitigation of undesirable risks in advance.

Rafael believes that an inspiring organizational culture, encouraging managers and employees to engage in professional and value-based conduct, is a fundamental and essential component of success. Accordingly, beyond mandatory laws and regulations, Rafael strives to implement and comply with stringent local and international standards, such as ISO 37001, the Anti-Bribery Management System standard, and to take an active role in compliance and ethics organizations such as IFBEC (The International Forum on Business Ethical Conduct).

The compliance function is not perceived merely as a control or enforcement mechanism, but as a partner involved in the early stages of decision-making. This is intended to enable responsible, efficient, and regulation-compliant business activity while ensuring effective risk management. Accordingly, compliance is embedded in the organizational culture and work processes, and the function works closely with procurement, marketing, security, finance, and other units. It participates in key organizational forums and constitutes an integral part of the corporate governance approach and risk management framework.

The guiding principle is not "what not to do," but rather "how to do it correctly" — identifying the proper and lawful business path to achieve objectives, while ensuring compliance with regulatory requirements in advance, avoiding "cutting corners", and adhering to the highest standards of ethics, integrity, and legal compliance.

At the same time, Rafael continues to improve its control and compliance mechanisms, including through the examination of advanced technological solutions, automation of processes, and the use of AI tools to strengthen controls and detect anomalies. The transition toward digital and automated processes also continues, contributing to the reduction of human error and strengthening transparency and efficiency in interactions with suppliers through information systems.

During the reporting period, to the best of the Company's knowledge and based on the information brought to its attention, no criminal or administrative proceedings were conducted against Rafael or its officers regarding bribery and corruption matters, and no fines were imposed on the Company for ethical violations.

The Code of Ethics

Rafael's Code of Ethics is based on the Company's vision and values and serves as a compass for ethical and professional conduct for all employees and managers.

The Code anchors principles of integrity, reliability, responsibility, fairness, professionalism, and respect for individuals, and reflects the Company's commitment to acting in accordance with its values and the accepted standards of the business environment in which it operates. The Code addresses, among other things, ethical and proper conduct, prevention of conflicts of interest, safeguarding Company information and assets, fair relations with customers, suppliers, and stakeholders, and the promotion of a respectful, safe, and equitable work environment. Alongside the Code of Ethics, Rafael implements a variety of policies, procedures, and compliance programs that detail requirements and guidelines on specific topics.

Formulation and Implementation of the Code of Ethics

The Vice President of Compliance and Ethics reports periodically to the Board of Directors on ethics-related matters. In addition, the Company operates an Organizational Ethics Committee which, within the scope of its authority, is responsible for interpreting and periodically updating the Code of Ethics, establishing relevant policies and objectives, overseeing implementation programs, and assessing the effectiveness of the response to reported violations. The main principles of the Code of Ethics can be viewed on the Company's website.

To implement the Code and assist in addressing everyday ethical dilemmas, an annual implementation program has been developed with defined objectives that are updated each year. An updated e-learning course was also distributed and is mandatory for all employees, including for the first time a dedicated learning component specifically for managers. The Compliance and Ethics Division updates the format of in-person training sessions on the subject. Refresher activities are conducted from time to time, addressing ethical dilemmas and specific incidents through periodic training sessions, lectures, communications, and CEO letters to employees. Ethical aspects are also incorporated into employee evaluations and feedback processes and prior to every appointment process.

During the reporting year, 100% of Rafael employees across all organizational levels participated in ethics training.

Beyond its internal organizational impact, Rafael requires its suppliers, business partners, and other third parties to familiarize themselves with the Code of Ethics and comply with the values and rules it reflects. This requirement is included in the compliance declaration signed by every supplier as part of the engagement process. In addition, elements of the Code of Ethics are included in the general terms and conditions of engagement agreements and in every purchase order issued by the Company.

Management of Ethics Activities in the Company

The Compliance and Ethics Division is responsible for overseeing the implementation and integration of the Code of Ethics across Rafael. Its responsibilities include: prevention of bribery and corruption; implementation of relevant regulations (including aspects relating to international sanctions, discussed later); oversight of procurement; integration of ethical considerations throughout the organization.

The Division is headed by the Vice President of Compliance and Ethics, who is responsible for implementing the ethics program, annual reporting to Management and the Board of Directors, awareness and training activities for employees and managers, integration of ethics content into management training, publication and dissemination of the Code of Ethics, and more.

The Organizational Ethics Committee consists of the Vice President of Compliance, the General Counsel, the Vice President of Human Resources, and the Internal Auditor. The Committee convenes at least once a year, and the Vice President of Compliance submits an annual report to the Board of Directors. Its responsibilities include: interpretation of the Code of Ethics and its periodic updates; establishment of ethics policies; setting objectives for the ethics program; discussion of implementation programs and various annual and dedicated programs; and monitoring the effectiveness of these programs and the handling of violation incidents in accordance with company procedures, including matters relating to privacy protection.

Another initiative, reflecting the perception of ethics as a material and cross-organizational issue, was the establishment of the Ethics Community, which convenes periodically to discuss broad issues or matters arising from the field. Its participants include: ethics representatives from the various divisions, serving as local professional authorities for consultation and reporting; the Integrity Officer within the Security Unit; ESG professionals; internal audit personnel; legal advisors and additional relevant stakeholders.

In addition to all of the above, the Board's Compliance Committee discusses matters relating to corruption and bribery issues, with the participation of the Company's CEO.

Learning, Implementation, and Ethics Reporting Channels

As part of the annual implementation program, all employees are required to complete an ethics e-learning course.

In accordance with the objective presented in the previous report, during the reporting period Rafael continued to encourage its subsidiaries to operate in the spirit of its Code of Ethics, adapting its principles to their specific needs, and to develop internal ethics mechanisms aligned with those principles.

Compliance officers were appointed in all subsidiaries, and a dedicated forum reports annually to the board of directors of each subsidiary.

Rafael employees seeking advice regarding an issue with ethical implications may contact: their direct manager; ethics representatives; the unit Human Resources Manager; the Vice President of Compliance and Ethics directly. Reports may also be submitted anonymously. During the reporting year, this option was enhanced through the introduction of an online mechanism allowing employees to choose between reporting to the Compliance and Ethics Division or contacting the Internal Auditor. Complaints and reports are handled confidentially, and employees who raise concerns or submit reports are protected against retaliation as a result of doing so.

When activity suspected of being unlawful or in violation of the Code of Ethics is identified, an investigation is conducted by the relevant authority. The complaint-handling process is documented, subject to applicable law and Ministry of Defense directives. Where necessary, corrective and preventive actions are taken, including disciplinary measures.

During the reporting year, three reports were received through Rafael's anonymous reporting hotline.



Compliance and Anti-Bribery and Anti-Corruption Programs

Rafael's compliance program is based on a public policy document, periodic risk assessments conducted according to a structured methodology, voluntary internal directives, and analysis of applicable regulatory requirements. The analysis is performed in accordance with the guidelines and emphasis of the U.S. Securities and Exchange Commission (SEC) and the U.S. Department of Justice (DOJ) for the formulation of a program under the Foreign Corrupt Practices Act (FCPA).

The compliance program is dynamic and is updated periodically with the assistance of international consultants, through an internal consultation process and consultation with a leading law firm specializing in the field. The program is approved by the CEO and the Board of Directors, and its implementation is subject to review by the Internal Auditor. Its requirements are reflected, among other matters, in key appendices to the procedures governing engagements with business partners.

With regard to the prevention of bribery and corruption, the compliance program is based, among other things, on the ISO 37001 standard, to which Rafael is certified, and is updated and refreshed from time to time. The program addresses, among other topics, the giving and receiving of gifts and benefits; hospitality, cultural and leisure events and expenses; engagement processes with suppliers and business partners; guidance of third parties in overseas activities; and more.

As of the reporting date, 100% of Rafael's employees have participated in training on the prevention of bribery and corruption.

Rafael operates in accordance with the principles of the OECD Convention and the national legislation implementing it, which address bribery and corruption in the State of Israel and in all countries in which the Company operates. The relevant procedures apply to all directors, executives, employees, consultants serving the Company, subsidiaries, and business partners, including suppliers, contractors, and service providers. During the reporting year, the Company communicated relevant information regarding its anti-corruption policies and procedures to these parties.

In terms of oversight, the principal processes include an annual report to the Board of Directors by the Company's Management Compliance Committee; approval of work plans by the compliance committees of management and the Board, where they are presented by the Executive Vice President of Compliance and Ethics; and audits conducted by the Internal Auditor, including reviews of compliance programs in subsidiaries. The compliance programs are also voluntarily presented to external parties such as banks.

Rafael maintains ongoing relations with regulators and professional organizations in Israel and around the world, including IFBEC, the International Forum on Business Ethical Conduct for defense companies. To meet the highest and most up-to-date standards, the Company ensures its involvement in international self-regulatory organizations such as IFBEC, ACC and TRACE. As a leader in the field, it participates in conferences in Israel and abroad aimed at promoting compliance and ethics processes.

During the reporting period, no corruption incidents involving Rafael were recorded, and no legal proceedings relating to violations of competition laws (antitrust and monopoly regulations) were conducted in which the organization was identified as an involved party. In addition, **no fines or convictions were recorded in matters related to compliance.**

During 2025, no legal proceedings were initiated against the Company concerning environmental protection. At the end of 2025, an administrative proceeding was initiated. The Company maintains structured processes to comply with environmental regulation requirements through the Company's Environmental Protection Officer and maintains ongoing contact with government ministries for the implementation of their ongoing requirements.

Lobbying and Political Contributions

As a government-owned company, Rafael is prohibited from making political contributions of any kind, whether in cash or in kind, including through the provision of assets or rights for use by others. In dealings with governments and governmental entities Rafael operates pursuant to clearly defined agreements and within the framework of its compliance programs, with relevant arrangements subject to appropriate review and approval.

Human Rights

Human rights represent an evolving area of focus for Rafael, encompassing matters such as privacy rights in the context of artificial intelligence, human trafficking, and other related issues. These matters are incorporated

into the Company's risk management program and are discussed by the Risk Management Committee. During 2025, a statement on the subject was published and signed by the Executive Vice President of Compliance and Ethics.

With regard to human trafficking and modern slavery (Anti-Slavery and Human Trafficking, including areas covered by the European Union's Conflict Minerals regulations), a general policy and an annual statement were published, signed by the Chairman of the Board, the CEO, and the Executive Vice President of Compliance and Ethics.

The policy was developed and updated by the Legal Department in cooperation with the Compliance Division, through a process that included benchmarking against leading global companies. This was done in accordance with the tender requirements of major customers, as well as international regulations and standards, with particular emphasis on the United States, the United Kingdom, Australia, and Canada, which require commercial companies to adopt policies against human trafficking. For transparency and broad implementation, the statement is published on the Company's website.

As part of its effort and commitment to the subject, Rafael categorically prohibits child labor, forced labor, and discrimination, and complies with the conventions of the International Labour Organization (ILO Conventions) regarding these matters.

Another aspect of human rights addressed by Rafael is privacy protection. In August 2025, a broad amendment to Israel's Protection of Privacy Law came into effect. Rafael continues to comply with legal requirements, allocates substantial resources to this area, and implements security measures as required by law to protect personal information within the organization.



The Privacy Policy is available on the Company's website.

In addition, the Company operates internal mechanisms for identifying, documenting, handling, and reporting information security incidents.

in 2025, no material information security incidents occurred, including data leakage or breaches of customer privacy, that required reporting to the Israeli Privacy Protection Authority.

Ethics and AI

The regulatory and ethical framework governing the use of artificial intelligence continues to evolve. Rafael monitors developments in the United States and Europe, as well as international standards such as ISO/IEC 42001:2023 – AI Management Systems. In Israel, the Ministry of Justice and the Ministry of Innovation, Science and Technology have published a policy document in this field, outlining a set of general principles and non-binding guidelines. However, adopting a proactive approach, and given that the development of key systems takes several years, Rafael has expanded its treatment of this issue.

Rafael is working to implement these requirements and integrate them into the organization's core processes, including system engineering, development and production processes, contractual frameworks, and the quality system. Through joint efforts involving the Compliance Division, R&D and Quality functions, the Legal Department, and other relevant units, work guidelines have been formulated for every project incorporating AI, including design reviews, development activities, and related processes, in accordance with international standards of reliability and safety.

To support the responsible management and implementation of artificial intelligence technologies, Rafael operates a dedicated Artificial Intelligence Steering Committee. The Committee includes representatives from various divisions and corporate staff departments and assists in implementing the organization's AI program, advancing and realizing the Company's artificial intelligence strategy, and supporting the thoughtful integration of AI capabilities into business operations and work processes.

At the same time, Rafael promotes training and educational activities for specific role holders, such as system engineers and quality managers.

AI applications, together with the ethical considerations embedded within them, are expected to play an increasingly significant role in routine operations in the coming years. Rafael therefore continues to closely monitor developments in the field and strives to stay ahead of mandatory requirements. At the same time, the Company continues to promote the responsible adoption of artificial intelligence and automation technologies, while maintaining human oversight, information security, and ethical considerations.

Sanctions Regimes

Rafael operates in compliance with applicable sanctions regimes and trade restrictions, including relevant requirements imposed by the United States, the European Union, and the United Nations. The Company operates screening and control processes regarding third parties, transactions, destinations, and end users, in accordance with applicable law, licensing conditions, and company policy.

To strengthen compliance, particularly given its exposure to a broad range of suppliers, the Company conducts a monthly review of its entire supply chain. Where screening identifies a potential match with a sanctions or other relevant restricted-party list, an Interpol alert, or another applicable restriction, the supplier is immediately blocked. Borderline cases that raise uncertainty and require further assessment are referred to a Sanctions Committee, which convenes as required or once every quarter, with the participation of the Vice Presidents of Finance, Compliance, and Operations, the General Counsel, procurement personnel, and representatives of the various divisions.

International Trade Regulations and Defense Export Controls

Rafael's export and international procurement activities are conducted within a complex regulatory environment and therefore require dedicated compliance and control mechanisms to manage international trade and export-control risks and support compliance with applicable requirements in Israel and abroad.

In Israel, the Company operates in accordance with the Defense Export Control Law, 2007, and all related regulations and directives published by the Defense Export Controls Agency (DECA) of the Ministry of Defense. Exports and re-exports by Rafael are carried out solely in accordance with applicable laws and licenses and only after obtaining all legally required approvals. Within the Marketing and Business Development Division, the Defense Export Control Supervisor is responsible for implementing applicable laws and regulations, obtaining the required licenses, and providing related training to Company personnel.

Rafael's defense export control arrangements take into account international regimes to which the State of Israel is Committed, including MTCR (Missile Technology Control Regime) and the Wassenaar Arrangement on Export Controls for Conventional Arms and Dual-Use Goods and Technologies.

With regard to export control and foreign regulatory requirements in Israel concerning components and items acquired from foreign sources (primarily from the United States) and incorporated into systems and products, Rafael is subject to and complies with the export control laws of those countries, including: EAR (Export Administration Regulations); ITAR (International Traffic in Arms Regulations); OFAC sanctions regulations (Office of Foreign Assets Control); and other applicable regulation of the EU and international trade control regimes.

Rafael operates an internal compliance program designed to ensure compliance with licensing requirements, re-export provisions, end-use restrictions, and end-user requirements. This program includes screening and review of all suppliers, subcontractors, and business partners against relevant sanctions lists and export control restrictions.

Particular sensitivity exists in the export of cyber-related projects. For this field, a committee was established by appointment of the Head of Rafael's Intelligence and Cyber Division. The committee supervises all relevant projects and ensures compliance with applicable laws and standards accepted by the U.S. Department of State and the United Nations.



Quality Management

The quality of Rafael's processes and systems is a critical pillar in creating value for customers and achieving the Company's vision, values, and business objectives. In cases involving system safety, safeguarding human life is also a critical consideration.

In light of the growth in the order backlog, and the resulting need to expand production capacity and improve work processes, quality management has become more challenging and serves as a key foundation supporting the Company's growth.

The Quality Assurance function is integrated into all of Rafael's divisions. It is implemented across the organization and spans the entire lifecycle of all activities. The function is involved in projects from the proposal stage, contract negotiations, and customer requirements; through the definition of milestones for design and development phases and the establishment of verification and validation processes; and through to product release, support, and disposal.

The process-based approach, which includes continuous activities for identifying and assessing risks, enables the early detection of factors that may lead to deviations from planned outcomes and the implementation of controls and preventive actions.

Furthermore, the organizational approach promotes integrated management systems, combining quality management with environmental protection, occupational safety, and health frameworks.



Objectives and guidelines

Rafael's quality philosophy is guided by several key principles:

- Creating a culture of quality.
- Preserving and advancing the Company's reputation as an organization striving for excellence and reliability.
- Achieving profitability and growth.
- Operating in accordance with the standards and norms accepted in the global commercial and defense markets.
- Implementing uniform, systematic, cross-organizational processes for product development, manufacturing, service, and support, while providing flexibility to address customers' specific requirements.

Quality Policy

Rafael's Quality Policy is available to all employees, communicated through internal communication channels, and embedded through the implementation of quality procedures and annual quality improvement programs. Its key principles include:

- Organizational and individual commitment to maintaining quality standards that create high and competitive value in products and services, ensuring customer satisfaction.
- Implementation of an effective and efficient integrated management system based on defined processes, prevention, measurement, control, and personal accountability for creating quality at the source.
- The management system encompasses quality, environmental protection, safety, occupational health, transportation, and social responsibility, while complying with laws, regulations, and standards for the benefit of employees and stakeholders.
- Striving for continuous process improvement through the use and implementation of advanced methodologies, employee involvement, quality leadership, and teamwork.
- Embedding a values system that supports human capital, including professionalism, excellence, innovation, and continuous organization-wide learning.
- Partnership in quality and mutual commitment with suppliers, subcontractors, business partners, and subsidiaries.

Among the goals and objectives defined for the Quality Division are:

- Streamlining work interfaces and improving coordination between divisions.
- Adapting work processes to the characteristics of each project and product.
- Enhancing customer satisfaction and preserving the Company's reputation.
- Strengthening customer relationships, including management and monitoring of customer satisfaction.
- Managing compliance with customer requirements throughout the product lifecycle.
- Improving the quality of products received from subcontractors.
- Expanding influence and involvement in projects and products.
- Enhancing learning processes.
- Improving transition processes from development to production.

These objectives are detailed from multiple perspectives, including stakeholders (both influencers and affected parties), the processes derived from each objective, and the required infrastructure. Emphasis is placed on improving organizational effectiveness and execution capabilities, enhancing outsourcing processes (particularly with subsidiaries), considering maintenance needs throughout the product lifecycle (even where no actual maintenance agreement exists), and integrating AI into quality processes while expanding the use of statistical tools.



In addition, Rafael, as a holder of unique expertise, influences industry regulation. The Company is actively involved in Aerospace & Defense standardization activities; is a member of the International Aerospace Quality Group (IAQG) alongside leading global aerospace companies; and its Head of Quality serves as President of the Israeli Chapter of the International Council on Systems Engineering (INCOSE_IL), a body dedicated to knowledge sharing and the development and implementation of systems engineering methodologies and processes.

Structure of the quality assurance function

The Quality Assurance function is an independent body that reports directly to the CEO. Reporting to the CEO, the Head of Quality oversees divisional quality deputies, the Director of Professional Excellence, Certification and Infrastructure, the Director of Certifications and Quality Infrastructure, and the Director of Quality Engineering Processes and Methods.

Quality managers are deployed throughout the organizational and operational hierarchy. Their responsibilities include adapting the quality management system to customer and regulatory requirements, managing product and process quality across all units, and implementing improvement processes.

The infrastructure function, which reports professionally to the Head of Quality, includes several professional bodies that operate as service providers to the organization:

Calibration Center – establishes calibration regulations and supervises their implementation;

Components and Materials Quality Engineering Center – formulates policy regarding electronic and

mechanical components and materials engineering, maintains the related professional infrastructure, and performs evaluations, incoming inspections, and standards compliance activities for procured components;

Reliability and Safety Center – responsible for establishing, developing, and maintaining a comprehensive professional framework addressing Reliability, Availability, Maintainability, Safety, and Testability (RAMST);

Environmental Engineering Center – operates the Company's environmental engineering laboratories and prepares the infrastructure supporting qualification and approval testing throughout various project stages;

Quality Departments in Manufacturing Facilities, Divisions, and the Supply Chain – responsible for quality infrastructure, quality engineering, inspection, and auditing activities.

Standards at Rafael

Rafael is a leading company in the field of standardization and holds the Israeli Standards Institution's "Diamond Mark" in recognition of its compliance with the quality requirements of 14 management systems.

These standards are certified by accreditation and certification bodies, as well as by relevant customers. Rafael relies on international and local standards, laws and contractual requirements, and quality aspects defined in the quality plan of each project.

Rafael's Quality Management System complies with the requirements of AS9100, the quality management standard for organizations operating in the aerospace, defense, and aviation industries, as well as ISO 14001, ISO 45001, AQAP 2210, AQAP 2110, AQAP 2310, ISO 9001, and other applicable standards.



Quality certification management

SI 10000
Social responsibility management system

ISO 27032
Cyber security

ISO 27001
Information security management

ISO 17025
Laboratory certification

ISO 37001
Management of systems for the prevention of bribery and corruption

ISO 45001
Occupational Health and Safety Management System

IPC
Electronic production certification

ISO/IEC 90003
Software engineering implementation

AQAP 2110
Quality assurance for defense design, development and production

ISO 27701
Privacy protection online, new in 2023

Approx. 65
Audit days of an external regulator

AQAP 2210
Quality Assurance for Software Development and Engineering

SI 9301
Safety and quality management systems Transport and traffic system

AS 9100D
Quality in aerospace, space and defense companies' management system

AQAP 2310
Quality Management System for Aviation and Defense Industries

ISO 50001
Energy management systems

ISO 9001
Quality Management System

ISO 27035
Guide for the management of information security incidents

ISO 14001
Environmental quality management system

Innovation in quality and mechanisms for promoting quality

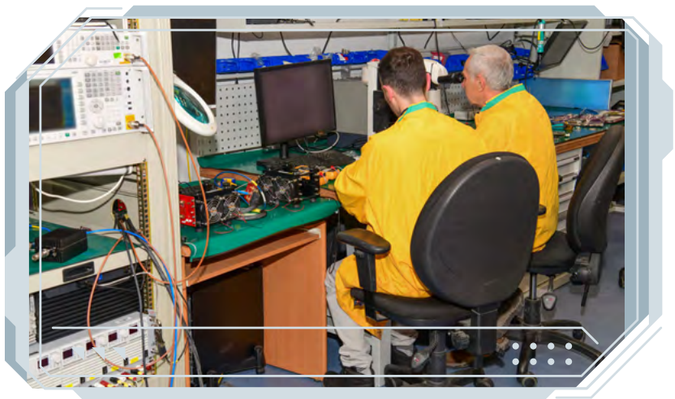
Rafael promotes a culture of continuous improvement based on annual quality programs that define objectives, targets, and metrics in key areas such as customer focus, project management, design processes, infrastructure, procurement and logistics, and human capital. These objectives are translated into divisional work plans that are monitored on an ongoing basis to ensure achievement of targets and the implementation of learning and improvement processes over time.

At the same time, Rafael's quality approach is founded on the principles of Total Quality Management (TQM), under which quality considerations are integrated into all organizational activities, from the initial proposal and planning stages through system delivery and lifecycle support, while maintaining continuous coordination with customers and regulators.

As part of its commitment to innovation and operational excellence, Rafael allocates dedicated resources and budgets to encourage initiatives for improving organizational and project-related processes. This activity is supported by integrated management systems covering quality, environmental protection, occupational health, and safety, which enable a comprehensive and integrated view of organizational processes and contribute to streamlining interfaces and strengthening professional capabilities. This approach is also reflected in the integrated engineering model implemented by the Company, which accompanies projects from their earliest stages and supports shorter development schedules, improved manufacturing processes, and cost reduction.

An additional channel for advancing innovation and quality is the development of professional knowledge and the strengthening of organizational learning mechanisms. The Company conducts dedicated training and certification programs for quality and reliability professionals, holds management reviews for lessons learned and improvement planning purposes, and encourages knowledge-sharing among subsidiaries through periodic professional forums. These learning processes are supported by a system of internal and external audits, which serve as a key tool for performance evaluation and the identification of improvement opportunities. In 2025, Rafael conducted more than 500 such audits.

All of these activities are supported by computerized and digital systems that facilitate information and knowledge management, monitoring of customer requirements, supplier management, and data-driven decision-making. In addition, the Company operates recognition and reward mechanisms for employees and units that excel in quality management, based on the belief that quality is first and foremost the result of the professionalism, commitment, and engagement of the organization's people.



System safety and prevention of counterfeit components

A dedicated procedure establishes a structured methodology for embedding safety as an inherent characteristic in all products, assemblies, and systems supplied under Rafael's responsibility, whether developed and delivered directly by the Company, delivered through subcontractors under its responsibility, or developed in cooperation with other defense industries.

The procedure is designed to support risk assessment and mitigation in accordance with pre-defined acceptable risk levels, including in the areas of logistics, storage, maintenance, training, transportation, operational use, and disposal. As a result, safety considerations accompany products throughout their entire lifecycle, from development through end-of-service.

Safety aspects are addressed in coordination with all project stakeholders, including contracting parties and customers, partners and subcontractors, potential users, other systems and projects interfacing with the project from a technical or managerial perspective, and any party influencing the project or affected by it.

Where interfaces with other systems exist, the project manager ensures continuous monitoring and review of the implementation of technical and managerial safety processes on both sides of the interface. This ensures that failure scenarios affecting product safety are comprehensively addressed, regardless of the party responsible for their management.

A material issue in the aerospace and defense sector concerns the use of counterfeit materials and components. In this regard, based on the requirements of the SAE AS5553 standard, Rafael enforces a procedure detailing methods for risk management and the prevention of non-original materials and components from entering the supply chain, including notifications to quality and engineering personnel and the dissemination of information to suppliers regarding the disqualification and destruction of counterfeit components.

Responsibility, transparency, and customer service

Post-sale services, including system maintenance, are the responsibility of the Customer Support and Retention Unit, which reports directly to the Company's CEO. The Company strives to secure long-term maintenance agreements, and during the reporting period, such long-term agreements were executed. Under the service charter, commitments also extend to obsolete items whose production has ceased. Maintenance plans are centralized within a customer-accessible system, subject to authorizations granted through the Customer Center. During 2025, a total of 5,213 service requests were opened for the repair of customer-owned items.

With respect to business partners, relationships are managed through the customer support and retention units within Rafael's business divisions. Communications with business partners may be conducted only by personnel holding the relevant authorizations and through secure and controlled channels, ensuring compliance with security-related regulations and privacy requirements.

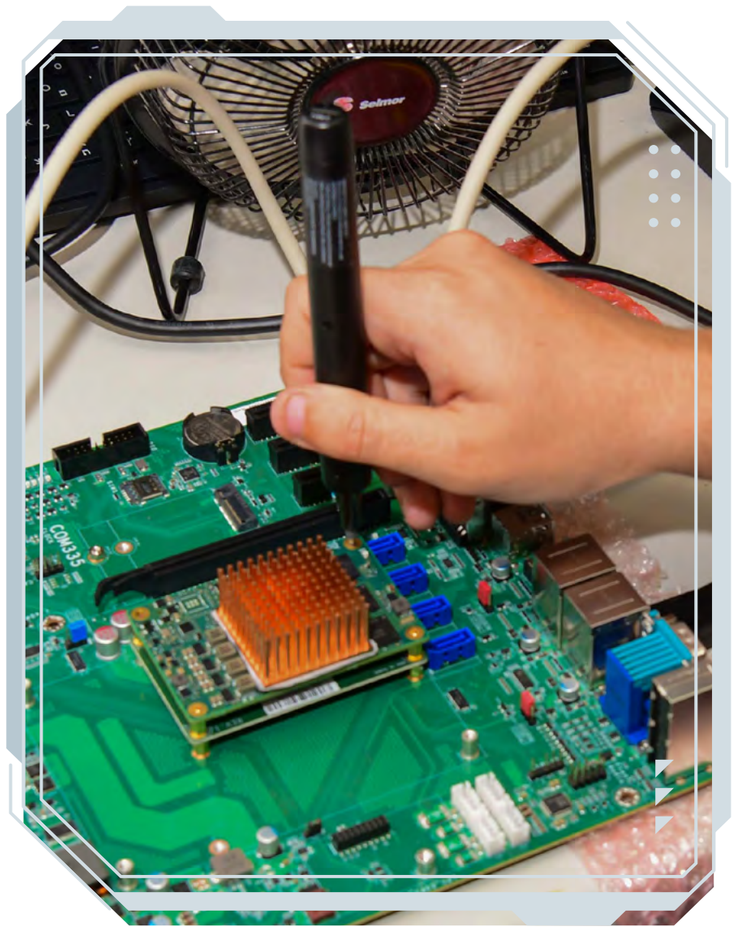
It should be noted that information transparency and privacy protection are guiding principles in the Company's operations, as reflected throughout the handling of the products and services it provides. These principles play a crucial role in maintaining customer confidentiality and enabling the delivery of tailored solutions.

As a further means of strengthening transparency and trust in work processes, Rafael periodically conducts surveys and customer meetings at both Rafael facilities and customer sites. Full compliance with customer requirements, including technical specifications and the preparation of operating and maintenance manuals for delivered systems, adds another layer of transparency.

These manuals document all tests performed on the system, including performance, quality, safety, calibration, and environmental testing.

Requests related to freedom of information that do not originate from customers, such as inquiries submitted through the Government Companies Authority, are examined on their merits and addressed substantively, without disclosing sensitive information relating to Company systems. Information that may be publicly disclosed regarding the Company's defense systems and products appears on the Company website, in its various publications, and through other media channels.

During the reporting period, no claims were filed against the Company concerning information transparency or the failure to provide required information regarding a product or service supplied by the Company.



Knowledge assets and intellectual property management

Rafael's intellectual property (IP) management methodology is directly derived from the Company's overall strategy and the strategies of its business divisions, with a particular focus on developments identified as critical to maintaining its long-term competitive and quality advantage.

To position Rafael as an innovation leader and preserve its technological advantage over competitors, the Company manages the registration of intellectual property and its knowledge repositories systematically and from a comprehensive strategic perspective.

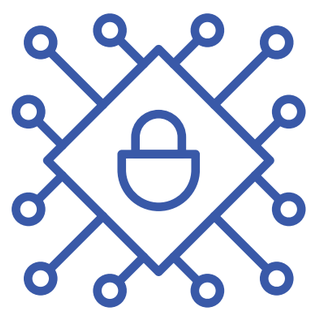
Protection of the Company's technological advantage focuses on two principal areas:

a. Building a defensive core of intellectual property assets in strategic fields through a broad and diversified patent portfolio. This effort forms part of development processes, innovation identification, alternative assessment, and extensive business development training for product leaders, alongside patent registrations in relevant jurisdictions.

b. Actively opposing patent applications filed by competitors that could impede Rafael's development activities or otherwise restrict its operations. This complex undertaking requires continuous monitoring and analysis of markets, competitors, prospective customers, and emerging technologies. In many cases, legal patent opposition proceedings ultimately result in licensing agreements between the parties involved.

In every partnership, whether academic or otherwise, Rafael makes every effort to protect its proprietary rights through appropriate legal agreements.

Additionally, Rafael maintains a robust framework for cyber risk management and the protection of confidentiality and privacy. The Company has a comprehensive and up-to-date privacy policy that complies with all internal procedures required for appropriate oversight. Rafael operates in accordance with applicable legislation, including Israeli privacy and information security laws and regulations, as well as GDPR guidelines.



Committed to Environmental Protection

Rafael is Committed to the responsible management of the environmental aspects associated with its operations. The Company continuously works to reduce its environmental impacts and conserve natural resources through the implementation of advanced processes, technologies, and solutions. This commitment is integrated across its operations and throughout the product lifecycle, from product design and test planning through development and production, and ultimately to storage and transportation to the customer.

Our numbers for 2025

NIS 44
million invested in environmental management over the past four years

30%
reduction in GHG emissions intensity in Scopes 1 and 2 over the past two years

6%
reduction in Scope 1 GHG emissions compared to the previous year

13%
reduction in water intensity compared to the previous year

25%
reduction in the rate of solid waste landfilling compared to the previous year

50%
of hazardous waste transferred for recycling/reuse

55%
of all solid waste at the David and Leshem institutes transferred for recycling/reuse

As a government-owned company Committed to the Israeli public, Rafael takes a proactive approach to environmental management and, where appropriate, implements measures that go beyond mandatory regulatory requirements. The Company is Committed to continuous improvement and establishes multi-year targets that are periodically reviewed and updated. For an industrial manufacturing company, achieving these objectives is often a significant challenge, and Rafael is proud to meet it successfully through the integration of state-of-the-art technologies.

The Company is Committed to complying with legal requirements and to the concept of corporate environmental responsibility, in accordance with the policy established by its management. This policy is regularly reviewed, updated periodically, and embedded in procedures, publications, and training programs.

At the Company's sites, compliance with environmental protection requirements is a prerequisite for obtaining a business license and a hazardous materials permit from the Department for Licensing Defense Industries within the Ministry of Interior, which operates in cooperation with representatives of the Home Front Command and the Ministries of Health, Economy, and Environmental Protection.

Rafael is certified to ISO 14001, and in 2025 the certification was renewed for all of its facilities following audits conducted by the Standards Institution of Israel. The recertification process included extensive preparatory work, development of dedicated procedures, preparation of applicable documentation, training activities, and system audits.

Over the past four years, Rafael has invested approximately
NIS 44 million in environmental management

Over the past four years, Rafael has invested approximately NIS 44 million in environmental management, focusing on energy efficiency, waste treatment and reduction, reduction of air emissions from manufacturing processes, and adapting infrastructure in accordance with advanced planning principles. Key initiatives include **a new logistics center for the storage of hazardous materials**; the design of new facilities for hazardous and metal waste and the establishment of interim storage facilities; the construction of air-emission treatment facilities at a cost of NIS 20 million; the design and construction of ten new operational platforms; and the planning of a dedicated system for the treatment and reuse of process water.



Environmental Protection Management

Rafael's Environmental Protection Division is responsible for the proactive and effective management of environmental matters, in full compliance with applicable legal requirements and with a commitment to continuously improving environmental performance. The division includes a professional headquarters function, safety and environmental protection engineers, a hazardous substances management network, and manufacturing facility managers. It operates under the guidance of the Senior Executive Vice President for Operations and the Vice President of Infrastructure, Logistics, and Environmental Protection.

The division has developed a dedicated strategy for environmental protection and sustainable development, which has been approved by the Company's Management and Board of Directors. The strategy addresses the environmental aspects associated with the Company's operations and focuses on material issues and actions that can be taken to reduce environmental impact.

Once a year, the environmental goals and objectives, together with progress in implementing the actions defined to achieve them, are presented to Management and Board of Directors. A similar process takes place within each division as part of annual and semi-annual management reviews, during which progress is assessed and corresponding work plans are formulated.

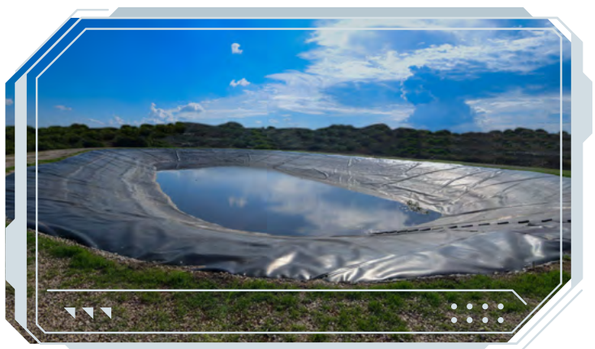
In support of the strategy, environmental targets, implementation timelines, and monitoring and measurement methods are established under the responsibility of the Environmental Protection Headquarters. During the reporting period, in preparation for defining new multi-year targets in 2026, a strategic assessment and planning process was initiated, including benchmarking against industry peers, materiality assessments, and engagement with relevant Rafael stakeholders for target-setting purposes.

On an ongoing basis, the Environmental Protection Headquarters develops procedures and guidelines, provides professional guidance on environmental risks, analyzes environmental performance, leads the implementation of green technologies, and manages relations with regulatory authorities. It is also responsible for providing environmental response during emergencies, and, in coordination with other headquarters functions, ensuring notification and reporting in the event of an environmental incident to parties that may be affected.

The Company's procedures define internal and external reporting channels for environmental hazards and deficiencies identified in day-to-day operations: These include reporting to Management and the Board of Directors through the Vice President for Environmental Protection, who serves as Head of Infrastructure and Logistics Administration, and through the Senior Executive Vice President and Head of the Operations Division and Operations Directorate; reporting to divisional management through divisional management reviews; ongoing reporting through the Company's internal network; and the submission of comments and suggestions through the relevant channels. Public communications through the media, regulatory authorities, and other relevant parties are coordinated with the Corporate Communications Division and governed by a separate procedure.

Work processes and related risk assessments are coordinated and approved by the safety and environmental protection engineers within the respective divisions.

Environmental responsibility is also embedded at the employee level. Upon joining the Company, all employees complete a dedicated e-learning training program. Depending on the direct environmental impact of their work, such as working with hazardous materials, employees receive dedicated training from their unit's safety and environmental protection engineer, as well as refresher courses and additional training as needed.



Source Reduction and Long-Term Planning

Environmental considerations are integrated at the earliest stages of planning, including during System Requirements Reviews (SRRs), and in the preparation of product specifications. The Environmental Protection team, safety engineers, and the quality manager participate in these processes to support the incorporation of relevant environmental considerations from the outset.

Under the Design for the Environment (DFE) approach, the Rafael Designer's Guide provides guidance on implementing the Company's environmental protection policy into product development and manufacturing processes. The guide includes restrictions and prohibitions relating to the use of certain materials and processes, as well as recommendations regarding technologies and materials with lower environmental impacts.

Environmental considerations are also integrated into stringent standards for the planning and construction of new buildings, land allocation, and assessments of the feasibility of green building practices and closed-loop systems designed to eliminate air emissions. Environmental aspects are further integrated into procurement processes and throughout the supply chain, including through specific contractual requirements and guidelines applicable to suppliers and contractors.

The growth in production volumes and business activity, and the resulting increase in raw material consumption and waste generation, also provides an opportunity to implement advanced environmental technologies and infrastructure in new facilities. To this end, the Environmental Protection Division is involved from the earliest planning stages of buildings, manufacturing facilities, infrastructure, and production processes and develops environmental guidelines for them.

As part of this approach, a planning body responsible for assessing needs and formulating long-term solutions was established during the reporting period. Within this framework, a five-year multi-year plan was formulated to support a structured, forward-looking approach to environmental management. In doing so, it promotes the integration of environmental considerations from the outset, rather than addressing and correcting issues retrospectively, an approach that also contributes to efficiency improvements and more efficient use of resources.

Environmental Risks

With regard to **safety and environmental protection**, Rafael maintains a structured process for environmental risk assessment and management across all relevant activities, including R&D, infrastructure development, manufacturing, testing, evaluation and operation, maintenance and service, demonstrations, training and use, upgrades, and end-of-life disposal. The process involves the adoption and implementation of best available technologies to minimize environmental impacts, as well as consultation with relevant experts and professional literature prior to the introduction of any new material.

With regard to **climate change**, during the reporting period Rafael began implementing the conclusions and recommendations arising from its climate risk assessment. As part of this effort, a process was launched to promote a master plan for surface runoff drainage, work guidelines were adjusted to address heat waves, and preparedness procedures were established for extreme weather events, including floods, thunderstorms, and extreme rainfall events. These measures are intended to strengthen the Company's operational resilience and mitigate potential risks to employees, infrastructure, and business continuity.

Rafael also uses external alerts and internal monitoring systems to support preparedness for meteorological events, with particular emphasis on lightning, heat waves, and severe weather conditions. Relevant alerts are communicated directly to the appropriate personnel to support timely preparedness and response.

The climate change risk assessment was conducted by an external consulting firm, based on models developed by the Israeli Meteorological Service and site inspections conducted at Company facilities. The assessment addressed both **transition risks**, including regulatory developments relating to climate change, energy, and environmental matters in Israel and certain export destination countries, and **physical risks**, including climate-related impacts already being experienced as well as those anticipated in the coming years.

Some risks were classified as chronic, such as gradual increases in temperature and changes in precipitation patterns, while others were classified as acute, including heat waves, floods and flash floods, high waves and sea-level rise, snow and extreme cold, dust, and haze. The identified risks were presented on a heat map according to their severity, and the associated exposures and potential impacts on business continuity were analyzed.

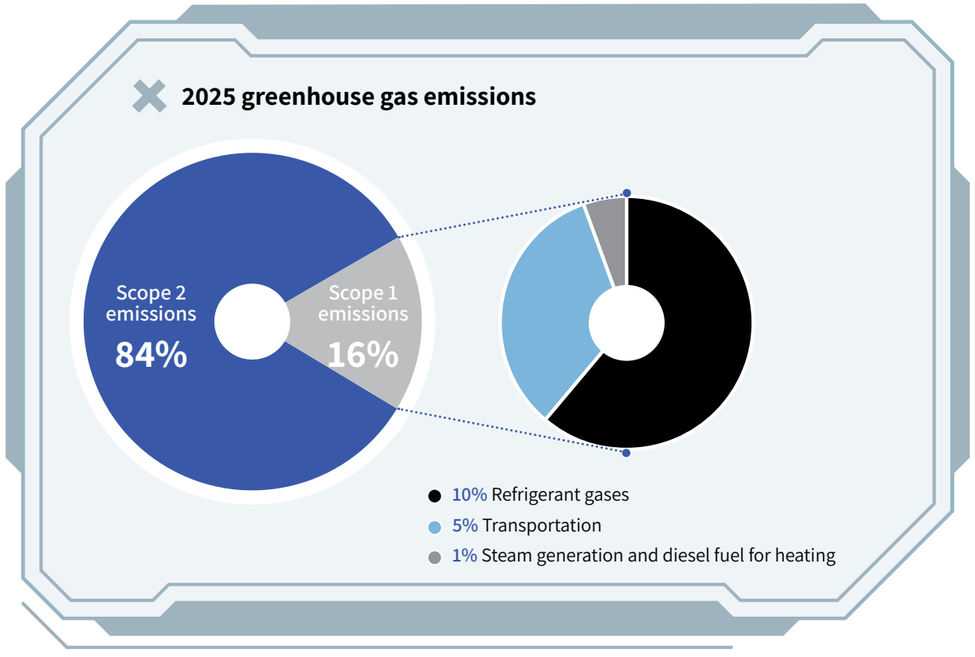
As part of this proactive and forward-looking approach to climate risk management, which also informed the risk assessment process, a dedicated seminar on climate change was held during the reporting period with the participation of representatives of the Ministry of Environmental Protection. The seminar included the presentation of professional guidance and addressed a range of climate-related topics relevant to Rafael and the broader industrial sector.

Metrics and Monitoring

To reduce its environmental impacts and support compliance with both its environmental targets and applicable legal and regulatory requirements, Rafael systematically monitors key aspects of its environmental performance. These include air emissions from its facilities; pollutant concentrations in wastewater and treated effluents; groundwater and soil conditions; energy and raw material consumption; waste generation, including hazardous waste; and noise associated with testing, development, and manufacturing activities.

Monitoring is based on measurements and quantitative, comparable data, enabling consistent tracking and evaluation of environmental performance. This includes ongoing monitoring of the effectiveness of manufacturing facilities, wastewater and emission treatment systems, as well as infrastructure with potential environmental impacts such as operational surfaces. Aspects relating to potential impacts on biodiversity are also examined.

Rafael ensures that relevant stakeholders are updated as needed, and at least annually, regarding all matters related to its environmental impacts.



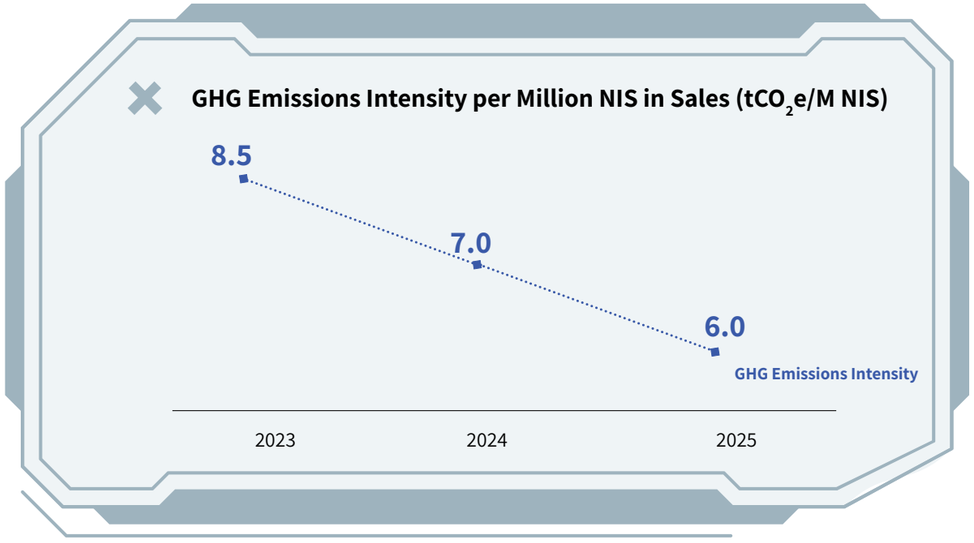
In the **emissions intensity** metric, calculated as tons of carbon dioxide equivalent per million NIS in sales (tCO_2e/M NIS), a **significant reduction of approximately 30% has been achieved since 2023**. This was accomplished despite the increase in production volumes, which, naturally, led to a 4% increase in energy consumption during the same period.

Greenhouse Gas Emissions

Rafael consistently monitors and measures GHG emissions associated with its operations and works to reduce its carbon footprint through the maintenance of existing systems and the implementation of innovative technologies. The Company voluntarily reports its GHG emissions data annually as part of the Maala ESG Rating.

As of 2025, 84% of the Company's carbon footprint was attributable to electricity consumption (Scope 2). The electricity consumed by the Company is generated from natural gas.

The remaining emissions were generated directly by the Company's operations (Scope 1), comprising refrigerant gases: 10%; transportation: 5%, and steam generation: 1%.

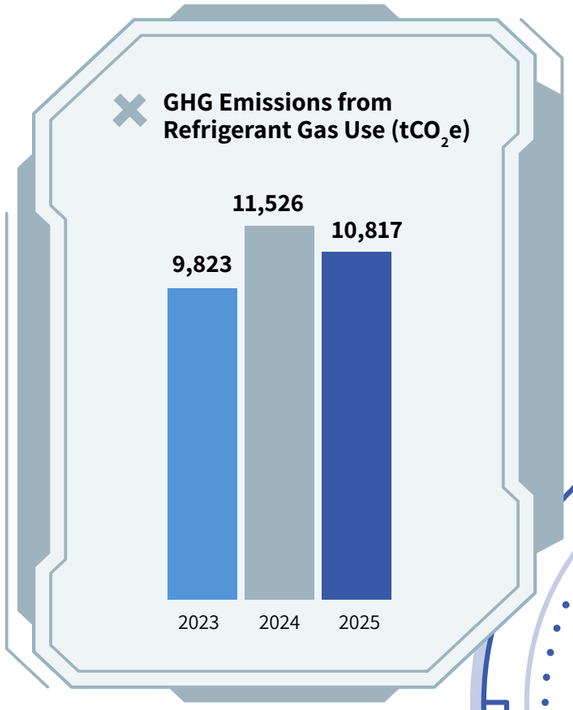


The reduction in Scope 1 and Scope 2 emissions intensity is attributed to several factors, including the transition to refrigerant gases with lower emission factors; reduced fuel consumption for transportation; the implementation of energy-efficiency projects; and growth in the Company's sales, which serve as the denominator for calculating emissions intensity.

With regard to transportation-related emissions, **Rafael continues to transition its vehicle fleet to electric and hybrid vehicles. In 2025, these vehicles accounted for 46% of the fleet, compared to 30.5% in the previous year**. To support this transition, the Company invested **NIS 4 million in electric charging infrastructure**, with **40 charging stations** deployed across its main sites. In parallel, Rafael operates **an extensive employee transportation network comprising approximately 650 routes**, serving thousands of employees daily, and actively encourages their use.

Rafael is also taking measures to reduce emissions associated with refrigerant gases. In 2025 there was a 6% reduction in emissions resulting from the use of refrigerants compared to the previous year.

GHG Emissions from Refrigerant Gas Use (tCO_2e)



Scope 3 data are expected to be published as early as the Company's next Corporate Responsibility Report. For Rafael, this represents **a strategic initiative to expand reporting** as part of an early and proactive approach to preparing for future regulations.

During the reporting period, Rafael initiated a process to strengthen **environmental management across its value and supply chain**, as part of its preparations for the measurement, monitoring, and reporting of associated Sco d into supplier expectations, with the aim of improving transparency, data quality, and the ability to better manage environmental impacts across the supply chain.

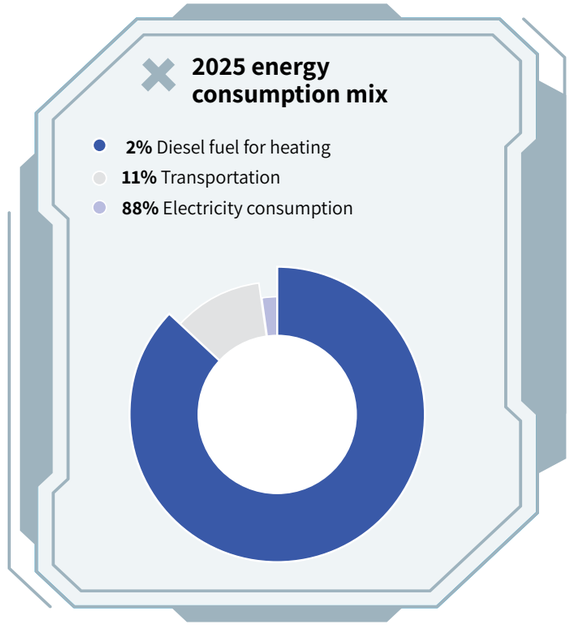
Energy Efficiency

Energy management is a material environmental issue for Rafael. The Company is certified to ISO 50001, the international standard for energy management systems, and once every six years is required to conduct a comprehensive energy survey across all its sites in order to identify savings potential and formulate practical recommendations.

Rafael's energy consumption is monitored on an ongoing basis. In 2025, total energy consumption reached approximately 757,734 GJ, representing a 4% increase compared to the previous year, resulting from increased production volumes and operational activity. Most of the Company's energy consumption is concentrated at the David and Leshem institutes.

During the reporting period, a comprehensive energy survey was completed, and an efficiency program was developed based on its recommendations. Measures implemented during 2025 included replacing older, inefficient cooling systems (chillers) with newer, more energy-efficient units; conducting a compressed-air leak survey and repairing leaks in compressed-air pipelines across Company facilities; continuing the transition to energy-efficient LED lighting; and introducing automatic shutdown mechanisms for energy-consuming equipment outside operating hours through the installation of occupancy sensors in new construction and renovation projects. In addition, Rafael monitors compliance with its directive to avoid purchasing electrical equipment with an energy-efficiency rating below A, except in specific cases subject to approval by a designated committee.

A notable example of investment in energy efficiency during 2025 was **the replacement of five chillers and 14 air-conditioning systems at the David Institute. The project represented an investment of approximately NIS 3.4 million, and is expected to reduce electricity consumption by approximately 2 megawatt-hours.**

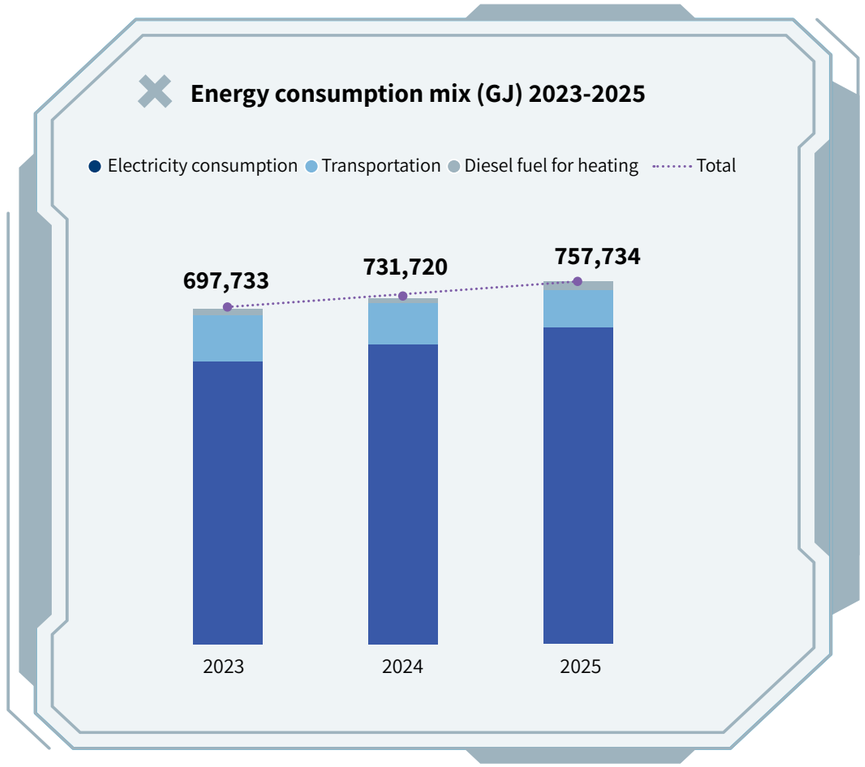


Overall, more than NIS 8 million was invested during the reporting period in initiatives aimed at reducing energy consumption across Rafael. Energy-efficiency projects resulted in a reduction of 1,394 tons of CO_2 emissions, representing progress toward the Company's target of reducing 2,240 tons.

As part of mapping the organization's significant energy consumers, a plan was formulated to examine measures intended to achieve an additional reduction of approximately 1,000 tons in 2026.

Rafael's Energy Consumption, 2023–2025 (GJ)

Source	2023	2024	2025
Diesel fuel for heating	12,230	14,152	13,893
Transportation	95,271	90,588	80,032
Electricity consumption	590,232	626,980	663,808
Total	**697,733**	**731,720**	**757,734**



The current estimated reduction amounts to approximately 7,000 tons of CO_2 per year.

As part of a major energy initiative, Rafael is in the detailed planning stages for the **establishment of an on-site power plant for self-consumption**, following receipt of CDR approval. The planned facility will be hybrid, combining 15 MW of electricity generation from natural gas; 9 MW of solar power generation; and installation of an energy storage system with a capacity of 50 MW. The project is expected to provide the Company with significant flexibility for energy optimization, reduce reliance on generators, and further decrease its carbon footprint.

Air Pollutant Emissions Management

As an industrial manufacturing company, Rafael uses hazardous materials in a range of its operations. The Company seeks to reduce their use by improving manufacturing and automation processes, adapting work methods, and substituting materials where feasible. In support of these efforts, Rafael is implementing a multi-year process to assess and identify alternative materials with lower environmental impacts.

The Company maintains responsible consumption of hazardous materials and stores only the inventory required for its ongoing operations. Storage is managed in accordance with the requirements of the hazardous substances permit and within approved quantity limits, with supervision provided through a dedicated ERP system. The introduction of a new hazardous material or an increase in stored quantities is accompanied by an assessment of impacts on separation distances and measures to reduce risk zones. At storage locations, a rigorous risk management process is maintained to prevent spills or environmental damage and to ensure immediate response in the event of an unexpected incident.

In addition, measures are taken to reduce pollutant emissions at the source, including measures undertaken proactively beyond regulatory requirements. These measures include: installation of scrubbers for acid treatment, reducing acidic air pollutant emissions to the atmosphere by 98% or more through a neutralizing chemical reaction; development of targeted solutions for managing material emissions, such as containers with dedicated sealing caps to prevent leaks and specialized covers for storage tanks; construction of a unique facility connected to chimneys and solvent tanks for the treatment of Volatile Organic Compounds (VOCs) through a thermal oxidation process. This facility, representing an investment of more than NIS 12 million, achieves an estimated treatment efficiency of 99.9%. In addition, the Company applies the most stringent applicable environmental requirements from the earliest planning stages when installing new chimneys and constructing new buildings.



Protecting Nature and Biodiversity

Two nature reserves are located within Rafael's sites: one on the seashore adjacent to the David Institute, and the other is the winter pond at the Leshem Institute. The Company acts to protect these reserves and refrains from construction, land use, or activities that could adversely affect biodiversity within these reserves. These efforts include dedicated academic research aimed at preserving the winter pond and its unique ecosystem; a quarterly beach cleanup program to remove waste washed ashore from the sea; protection of sea turtle nesting areas in cooperation with the Marine and Coastal Division of the Ministry of Environmental Protection, including the relocation of eggs when necessary.

Prevention of Soil Contamination

The transition from fuel-fired boilers to electric boilers for building heating has reduced fuel consumption and, consequently, the need for fuel storage. To prevent soil and groundwater contamination from underground tanks that are no longer in use, these tanks have been proactively removed from the ground at the Company's various sites.

In the area of surface runoff management, measures were implemented to separate drainage from clean runoff and runoff originating from operational surfaces, with the latter being collected and treated in accordance with regulatory requirements.

In recent years and through 2025, ten new and specialized operational surfaces were constructed, meeting all applicable requirements, including impermeability, drainage systems, and seepage prevention. In addition, existing systems underwent sealing and waterproofing improvements.

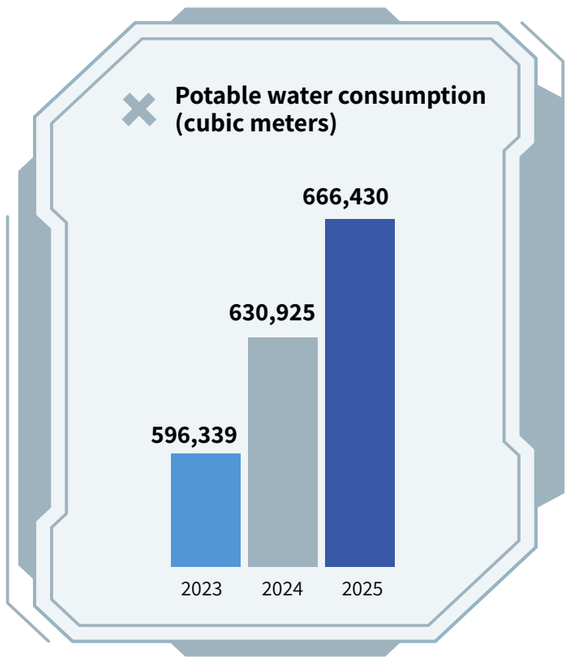
Water Consumption

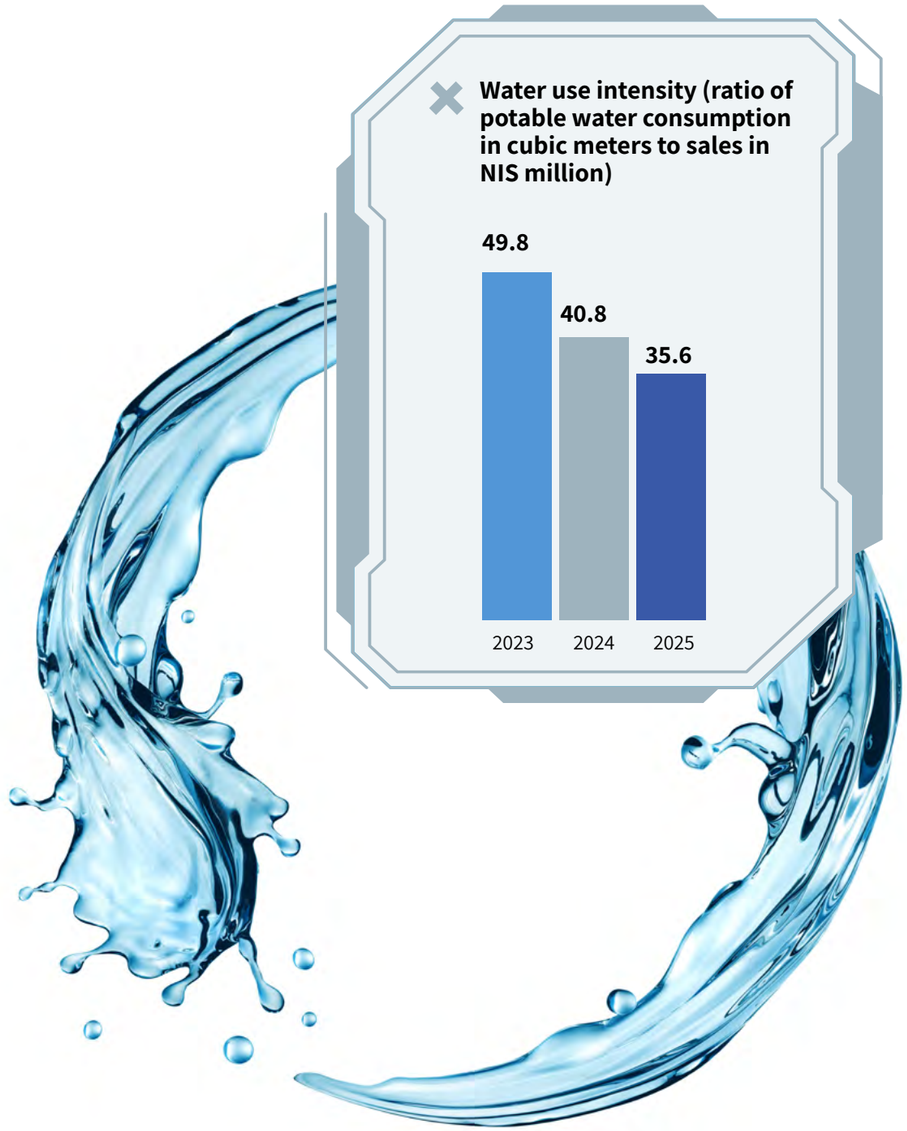
Rafael uses water for a range of industrial and operational purposes, as well as for drinking, irrigation, cooling, and sanitation.

While the growth in operational activity resulted in an increase in the Company's overall water consumption, Rafael continued to implement initiatives aimed at improving water-use efficiency. The Company has established a target to reduce normalized water consumption per unit area by 2%. Measures undertaken to support this target include the installation of irrigation control systems, water monitoring systems, and leak-detection systems designed to improve water-use efficiency and minimize water losses. **Despite the increase in operational activity, water consumption per square meter decreased by 1% in 2025**, reflecting the Company's efforts to improve water-use efficiency

As part of a multi-year water management program, the installation of water meters continued in 2025, with approximately 60 new meters added, significantly exceeding the target of 19 installations. This brought the total number of installed water meters to more than 150. The project is expected to be completed at the David Institute in 2026, while implementation will continue at the Leshem, Shlomi, and Shdema sites.

Together with the water meters, advanced control systems are being installed, enabling continuous monitoring of consumption and tracking of leaks. In addition, a comprehensive mapping of water consumers and potential points of water loss was conducted, alongside ongoing monitoring of facilities and processes with high water consumption requirements. As part of these efforts, old chiller systems and aging pipelines were replaced.

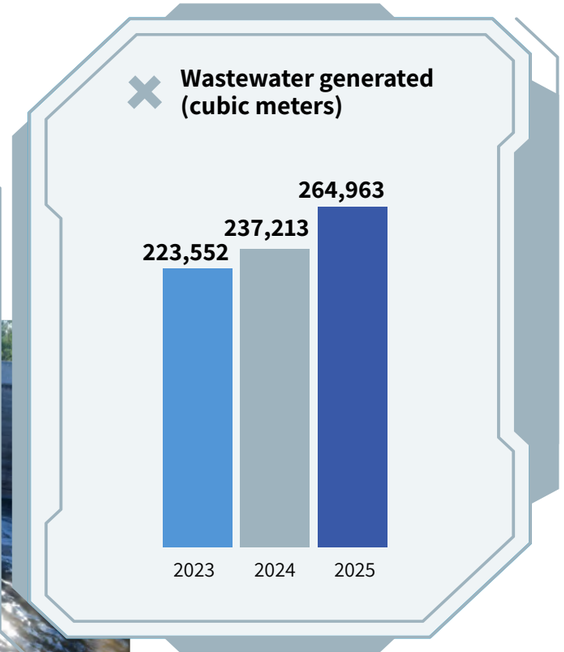




Sanitary Wastewater Treatment

Two wastewater treatment plants (WWTPs) are operated at Rafael's facilities for the treatment of sanitary wastewater, in accordance with the requirements of the Ministries of Health and Environmental Protection: the **David Institute WWTP** treats approximately 600 cubic meters per day and includes a primary collection basin, an emergency storage basin, filtration and disinfection systems, and a computerized control system. The effluent is treated to the tertiary level and transferred for reuse as agricultural irrigation water through the Mateh Asher regional reclaimed-water reservoir. The **Shdema Institute WWTP** treats approximately 24 cubic meters per day to the secondary treatment level, and the effluent is used for irrigation of local vegetation in the area, subject to approval by the Ministry of Health.

Wastewater generated (cubic meters)





Waste Management

Rafael's waste management and treatment system operates with the ongoing objective of maximizing recycling and reuse wherever possible. As part of this effort, continuous work is carried out to improve and refine waste data collection across the Company's sites, analyze trends, and enhance operational efficiency accordingly.

During the reporting period, **approximately 55% of solid waste was transferred for recycling or reuse, compared to 40% in 2024. The proportion of waste sent to landfill decreased by 25%** compared to the previous year.

At the same time, increased construction activity and production volumes contributed to a significant increase in the quantities of bulky waste, municipal waste, and construction waste sent to landfill, as well as in the amount of construction waste recycled within Rafael's facilities.

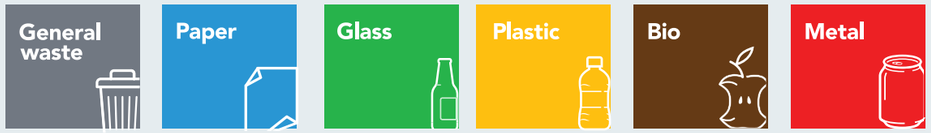
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2025 solid waste treatment

- **55%** Reuse/recycling rate
- **45%** Landfill rate







Volumes of Non-Hazardous Waste (in Tons) at the David and Leshem Institutes:

Waste type	2023	2024	2025
Domestic	2,319	2,374	1,681
Construction (waste transferred to licensed sites)	511	984	1,702
Bulk, mixed	975	1,072	2,960
Total waste sent to landfill	**3,805**	**4,430**	**6,343**
Metals	520	616	603
Construction (after recycling at Rafael's facilities)	4,085	1,200	5,618
Electronic	160	127	155
Wood	445	509	1,171
Cardboard	446	424	238
Paper	50	55	28
Green waste	-	0	-
Plastics	12	57	68
Packaging - new flow, since 2023	6	28	15
Total waste for recycling/reuse	**5,724**	**3,016**	**7,896**
Total solid waste	**9,529**	**7,446**	**14,239**

Hazardous Waste

An increase in hazardous waste volumes was also recorded in 2025, primarily due to expanded production activities in support of the war effort.

Hazardous waste is stored in dedicated facilities and segregated according to risk categories and designated treatment streams. Storage facilities are managed in accordance with applicable requirements, including appropriate signage, emergency equipment, and safety measures. A new interim storage facility, equipped with an electronic control system, supports the safe and orderly management of hazardous waste inventories until their transfer for treatment.

Industrial wastewater generated at Rafael's facilities represents a particular environmental challenge, as it is a liquid waste stream with complex characteristics. Some wastewater streams undergo filtration processes designed to separate the water and return it to production processes within the Company's facilities. Rafael places considerable importance on improving filtration and hazardous-material treatment capabilities and continues to invest in innovative technologies and techniques to enhance these processes. In 2025, activities in this area were expanded through the installation of additional wastewater treatment systems and water-recovery systems for reuse in manufacturing processes. As a result, the volume of liquid wastewater removed from the Company's facilities declined, despite the fact that increased production volumes were expected to double the relevant waste stream. In practice, water-recovery processes offset the entire anticipated increase and even resulted in an overall reduction in the volume of wastewater requiring disposal.

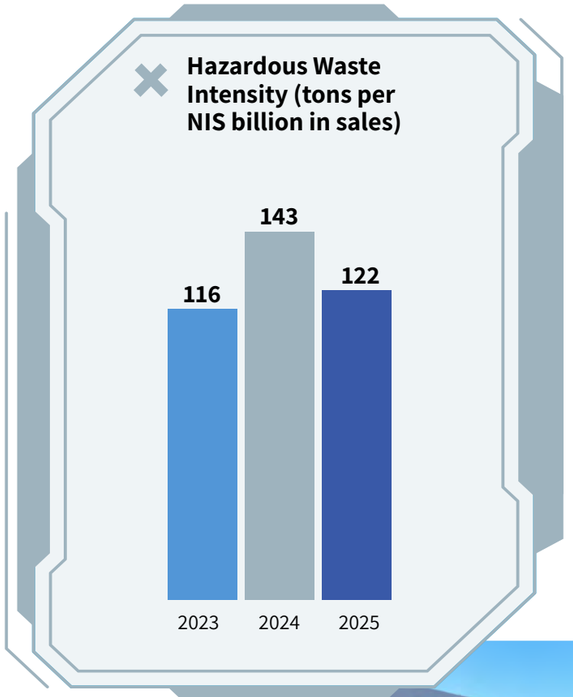
In addition, Rafael is leading research projects in collaboration with leading universities in Israel, with the objective of identifying solutions for waste types that present particularly complex environmental challenges.

Furthermore, unique manufacturing processes have undergone optimization through smart, tailor-made systems that enable maximum utilization in the production process, thereby reducing the amount of hazardous waste generated during the process.

Hazardous waste at Rafael is managed by the Infrastructure and Production Means Department, together with the Hazardous Waste Supervisor, who also serves as the Company's Hazardous Materials Officer, in accordance with the hazardous substances permit and applicable legal requirements.

The proportion of hazardous waste transferred for recycling or reuse reached 50% in 2025, up from 40% in 2024, representing an increase of 10 percentage points.

Waste that cannot be recycled is transferred to licensed treatment facilities in accordance with the guidelines of the Ministry of Environmental Protection.







Hazardous Waste Data (tons)*(טונות)*

Ton	2023	2024	2025
Hazardous waste - energy recovery and recycling	530	873	1,143
Hazardous waste - treatment	1,085	1,189	1,288
Hazardous waste - landfill	60	31	57
Total hazardous waste	**1,984**	**2,209**	**2,287**
Rate of recycling/reuse (%)	**27%**	**40%**	**50%**

* Due to changes in the calculation methodology, differences may exist between historical data presented here and previous reports.

Fostering an Environmental Culture

During 2025
a dedicated seminar was held on the topic of climate change,
with the participation of representatives of the Ministry of Environmental Protection.

Alongside improvements in manufacturing, storage, and operational processes, Rafael recognizes that reducing environmental impacts also depends on the awareness and day-to-day practices of its employees.

Environmental training and e-learning programs are managed by the Safety Training Center, which implements a comprehensive annual training program covering topics required by applicable legislation and relevant standards. The training is intended for all employees whose work has the potential to generate a significant environmental impact, or who have been assigned responsibilities within the environmental management system.

As noted above, during 2025 a dedicated seminar was held on the topic of climate change, with the participation of representatives of the Ministry of Environmental Protection.



4.

Committed to Socio-economic Impact

Approx. **11,000**
employees

53
Social and community projects

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

16
Local authorities partnering in community programs



Revolutionizing Ground Maneuver Warfare
Trophy fundamentally changed the nature of armored warfare. It was the first active protection system (APS) for armored vehicles to enter operational service and remains the only system of its kind to have been extensively validated in combat.

Over Two Million Operational Hours
The system recorded its first operational interception in 2011 along the Gaza border. Since then, Trophy has accumulated more than two million operational hours and achieved hundreds of successful interceptions, providing critical protection to maneuvering forces in combat zones.

360° Protection for Tank Crews
Using radar, the system detects an incoming threat and its direction of approach, tracks it, and intercepts it before it strikes the vehicle. This capability provides 360-degree protection against incoming threats.

Integrated into 17 Platforms Across Four Continents
Trophy has been successfully integrated onto 17 different armored platforms worldwide, including Israeli Merkava tanks and armored personnel carriers, U.S. M1 Abrams tanks, German Leopard tanks, and South Korea's K2 Black Panther. The system is currently in service with multiple NATO armed forces and allied militaries.

Awards and Global Recognition
Trophy has been awarded the Israel Defense Prize, and Forbes recognized it as one of the 12 weapon systems that changed the face of modern warfare. By effectively countering anti-tank threats, the system has saved the lives of hundreds of soldiers, enabled ground maneuver operations in complex and densely populated environments, and significantly increased the survivability of armored forces on the battlefield.

Trophy Active Protection System (APS)

More than 15 years after its introduction, Trophy remains the only operational active protection system in the world providing battlefield-proven protection for armored vehicles. It safeguards tank crews through comprehensive and precise threat detection, crew alerting capabilities, and the autonomous neutralization of threats using advanced and unique interception capabilities.



Rafael as a Leader of Socio-Economic Change

Our numbers for 2025

Approx. **11,000**
employees

25.8%
women in the Company

26%
women in management positions

32.5
training hours on average per employee

53
social and community projects

2,500
employees volunteering in the community

Our numbers for 2025

16
Cooperation with 16 local authorities

5.15%
employee turnover rate

3.28
ratio of near-miss incidents to industrial accidents

78%
local procurement

57%
procurement from peripheral regions

85%
local suppliers

Our Human Capital

Rafael's long-standing success is driven first and foremost by its human capital. The professionalism, commitment, and motivation demonstrated by its employees contribute to technological breakthroughs and new peaks of business achievements, while maintaining the Company's high standards of quality, safety, and reliability.

Rafael invests extensively in identifying and recruiting highly qualified talent from academia and the broader labor market, as well as in employee retention and professional and personal development. The Company regards the employee experience as a cornerstone of its ability to achieve its strategic objectives.

A key factor in employee retention, engagement, and commitment is fostering a sense of belonging and organizational identity, together with satisfaction derived from the work environment, professional challenges, and recognition of employees' contributions. At Rafael, these factors are further reinforced by a strong sense of mission and commitment to Israel's security, particularly during this complex period of prolonged war.

The year 2025 at Rafael was characterized by an exceptional combination of operating under ongoing emergency conditions while simultaneously experiencing accelerated organizational growth. Thus, alongside the need to maintain operational continuity and support employees and their families during the war, the Company continued to expand its activities through an unprecedented influx of orders. The Company recruited employees on a significant scale, strengthened its production systems and supply chains, and adapted its human resources processes to the needs of a growing organization that, for the first time, surpassed the threshold of 10,000 employees.

At the end of the reporting year, the Company employed 10,359 employees (excluding student positions), representing an increase of approximately 8% in its workforce over a 12-month period.



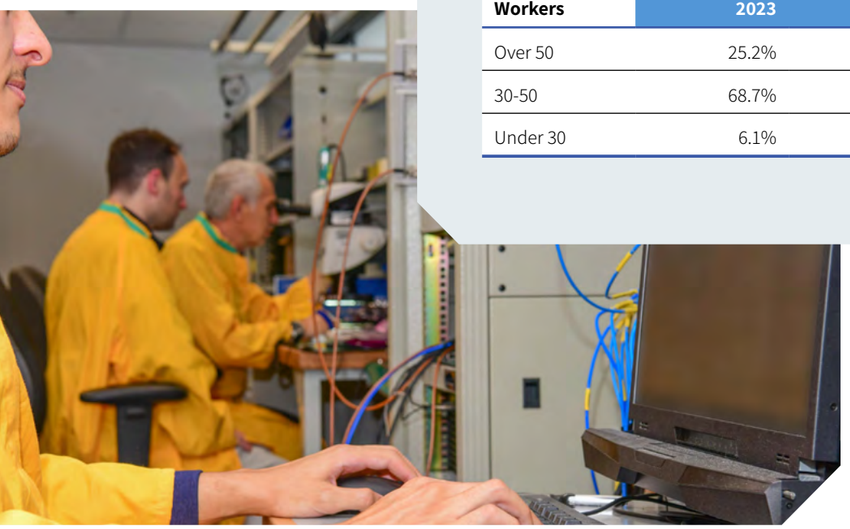
Full-time employees accounted for 98% of the workforce, while women represented 25.8% of all employees. Approximately 66% of employees were between the ages of 30 and 50, about 25% were over the age of 50, and approximately 9% were under the age of 30.

Employee breakdown by gender and employment type

	2023			2024			2025		
	Women	**Men**	**Total**	**Women**	**Men**	**Total**	**Women**	**Men**	**Total**
Full-time employees	2,149	6,277	**8,426**	2,401	7,055	**9,456**	2,624	7,598	**10,222**
Part-time employees	43	46	**89**	55	77	**132**	52	85	**137**
Permanent employees	1,382	4,300	**5,682**	1,520	4,597	**6,117**	1,530	4,535	**6,065**
Temporary employees	810	2,023	**2,833**	936	2,535	**3,471**	1,146	3,148	**4,294**
Total (excluding (students	**2,192**	**6,323**	**8,515**	**2,456**	**7,132**	**9,588**	**2,676**	**7,863**	**10,359**

Employee breakdown by age

Workers	**2023**	**2024**	**2025**
Over 50	25.2%	24.9%	25.3%
30-50	68.7%	66.9%	65.4%
Under 30	6.1%	8.1%	9.2%



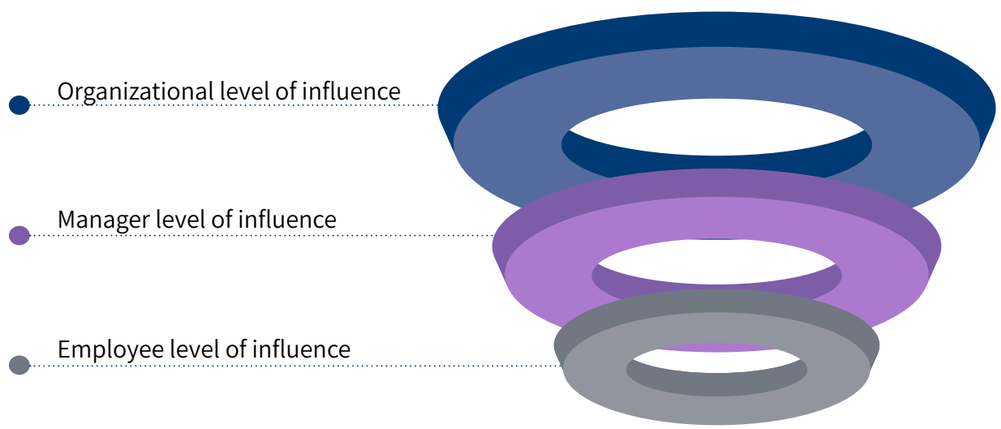
Human Resources Management

The Human Resources function is headed by the Senior Vice President of Human Resources, to whom **five corporate staff units report**: Compensation, Benefits and Labor Relations; Learning and Development; Recruitment and Mobility; Employee Experience, Processes and Operations, Systems and Analytics; Talent Management and Core Populations.

In each of Rafael's divisions, **Human Resources teams** operate to address the needs and development of the division's employees. With professional guidance and support from the Centers of Excellence, these teams implement HR processes and solutions tailored to the specific characteristics and needs of each division. This integrated approach is designed to support effective human capital management throughout the employee lifecycle, from onboarding through retirement.

The Human Resources function operates across **three spheres of influence**: at the **employee level** – supporting employees' development and wellbeing throughout the employee lifecycle, based on an employee-centered approach; at the **manager level** – support and development in managerial roles, recognizing their central role in the organization and managing its human capital; at the **organizational level** – supporting the implementation of the Company's strategy in human capital matters and facilitating organizational changes in response to an evolving environment.

The actions undertaken to realize these spheres of influence are likewise conducted along **three main axes of activity: Employee Experience** – creating a meaningful and fulfilling employee experience, providing appropriate employment conditions, presenting clear and accessible information regarding benefits and social rights (both legally required and beyond), promoting transparency in information and processes, updating procedures, advancing automated processes with monitoring capabilities, and providing an advanced work environment suited to employees' needs; **Growth and Development** – creating an organization that provides employees and managers with opportunities for meaning, challenge, and interest; **Performance** – continuously reviewing and enhancing performance evaluation and compensation processes that promote excellence and organizational flexibility, while strengthening a culture of collaboration.



Innovation in Human Capital Management

Rafael's HR function promotes a culture of excellence and professionalism and has received numerous awards and recognitions for its activities both within and outside the organization.

During 2025, the HR function advanced the transition to a new cloud-based information system designed to centralize employee and HR process information, improve access to information for employees and managers, and provide enhanced digital services and greater transparency throughout the employment lifecycle. This initiative forms part of the continued expansion of the function's digital infrastructure and its adaptation to the needs arising from the Company's accelerated growth.

In parallel, Rafael's Human Resources community conducts ongoing activities for knowledge sharing, learning, and exposure to AI tools. During the reporting period, AI Agents were integrated into feedback processes to support employees and managers in preparing for discussions, summarizing them, and managing the process as a whole. These solutions are among the most widely used AI-based tools within the organization.



Labor Relations

More than 90% of Rafael employees are covered by collective bargaining agreements and are represented by two employee organizations: The New General Federation of Labor (Histadrut) and The Research Staff Organization. The remaining employees are employed under individual employment contracts. Four workers' committees operate within the Company.

Recognizing employees as key stakeholders and as a central pillar of the Company's success and organizational identity, Rafael's management invests significant resources in maintaining constructive and positive labor relations with employee representatives. This is achieved, among other means, through negotiation and consultation processes concerning significant decisions that may affect employees.

No legal or administrative proceedings alleging violations of protective labor laws were brought against the Company during the last four years.

Diversity and Inclusion

Diverse and inclusive employment, in addition to its social value, contributes to a richer and more diverse work environment that encourages innovation, creativity, and out-of-the-box thinking. It can also strengthen feelings of representation, engagement, and pride among employees, thereby supporting employee commitment, dedication, and retention.

Rafael places significant emphasis on promoting a diverse and inclusive workforce and on expanding employment opportunities for candidates from population groups that are underrepresented in the labor market. Responsibility for this area rests with the Vice President of Human Resources, supported by a dedicated function within the Recruitment Center.

As part of its organizational philosophy, Rafael advocates equal and fair opportunities in recruitment and employment and actively works to advance this objective. The Company has established employment targets for four population groups that are underrepresented in the labor market: the ultra-Orthodox (Haredi) community, the Druze community, members of the Ethiopian-Israeli community, and people with disabilities. As part of the effort to translate the diversity and inclusion concept into everyday managerial practice, Rafael operates a dedicated Diverse Organizational Culture Team, composed of managers and professional leaders who are closely familiar with the challenges of day-to-day management in the field. Throughout the year, the team conducts meetings across the Company's divisions, including the presentation of practical tools, deeper professional discussions, and panels on managing diverse teams. In addition, roundtable sessions are held for managers, aimed at raising operational challenges from the field and formulating practical solutions. Alongside these activities, the "Diverse Manager" Portal was established as a digital knowledge center for managers. It includes onboarding kits, information about the various diversity populations, and a calendar of relevant observances and events. The portal is intended to provide managers with readily available access to practical tools and supporting knowledge and to assist in creating an inclusive and respectful work environment throughout the employee lifecycle.



In 2025, the proportion of employees from these diversity populations increased to 4% of the workforce, compared to 3.6% in 2024. Their number increased by 72 employees, representing 19% growth compared with the previous year.

Population	December 2024	December 2025	% Increase in
Druze employees	78	117	50%
Ultra-Orthodox employees	112	125	12%
Employees with disabilities	118	129	9%
Employees of Ethiopian descent	74	80	8%
Total employees from target diversity groups	379	451	19%
Rafael - total employees (including student positions)	**10,395**	**11,198**	**8%**

During the reporting period, alongside its broader support for wounded IDF soldiers and individuals affected by the war, Rafael invested significant efforts in the training and integration of **combat veterans suffering from physical and psychological injuries** into the organization. To support this initiative, dedicated positions were allocated beyond the regular workforce headcount, coordination mechanisms were established with rehabilitation authorities, and managers and Human Resources teams were provided with tools to adapt the work environment and support employees throughout their integration. During the year, the Company recruited 20 IDF veterans with recognized disabilities.











In parallel, Rafael expanded its efforts to recruit employees from Druze communities in northern Israel during 2025. These efforts included targeted recruitment activities, the identification and removal of barriers to employment, the involvement of Druze employees as mentors, and adjustments to transportation arrangements. These included dedicated transportation services to communities where the number of employees was below the threshold normally required for such services. As a result of these efforts, the number of Druze employees at Rafael increased to 117, representing a 50% increase compared with the previous year.

Diverse employment is only one aspect of Rafael's approach to diversity and inclusion. Equally important is fostering an **inclusive and respectful work environment** for every employee, including those from diverse population groups. Rafael emphasizes acceptance and respect for each individual, enabling employees to express themselves and maintain their individuality without feeling a need to conceal differences or conform to the majority.

Throughout the year, Rafael holds lectures, activities, and events marking a range of cultural, religious, and social occasions, including holidays observed by different religions and communities, Sigd, Nabi Shu'ayb Day, Jerusalem Day, the International Day of Persons with Disabilities, International Diversity Day, and Pride Month. Held at Company sites and within the workplace, these activities promote familiarity, open dialogue, mutual respect, and a sense of belonging among employees.

In this context, special mention should be made of the **Druze Employees Community** that has become well established at Rafael. The community initiates activities, builds connections between the broader community and the Company, has effectively become a Rafael ambassador in the relevant communities, helping to support further recruitment efforts. Today, the Druze community forms an integral part of the organization's culture, as reflected in a joint fair celebrating both the Shavuot holiday and Eid al-Adha, culinary workshops, and other activities.



With regard to **employees with disabilities**, Rafael has appointed a dedicated officer responsible for this area and developed a comprehensive program aimed at increasing their representation among new hires, supporting their integration into the Company, adapting the work environment to their needs, and providing support and removing barriers throughout their employment. The employment of people with disabilities requires accommodations and close support; however, its importance in providing equal opportunity and enabling full integration into the community while maintaining the greatest possible degree of independence cannot be overstated.

Examples include employees on the autism spectrum who have been recruited as system testers in ITMP (Information Technologies and Processes Administration), as well as a Rafael production line operated at the Atidot Residential Center Employment Facility in Acre, where residents with disabilities live. The residents are employed on the production line and utilize a variety of capabilities while fulfilling a meaningful role at the heart of operational activity, and the income generated is directed toward their personal needs. The activity at the center, which is defined as a subcontractor of Rafael, has received the award of the Minister of Welfare and Social Services.

Progress toward diversity targets is incorporated into the **quarterly objectives of the divisions** and into the calculation of annual executive bonuses. The professional advantages of diversity, including teamwork, diversity of opinions and perspectives, and other benefits, are emphasized in management training workshops. To promote knowledge sharing and implementation of best practices in this area, the Company established a dedicated dashboard that provides real-time data and information. In addition, Rafael participates in knowledge-sharing initiatives through the Government Companies Authority and with other industrial companies and has also initiated and led an employers' panel in cooperation with the Rehabilitation Department.

Another initiative promoted within the organization, often as a result of employee-led efforts, is the establishment of dedicated support communities, such as Diversity Ambassadors and Parents of Children with Special Needs.

Women at Rafael

Rafael acts consistently to increase the proportion of women engineers and women managers, including women from the Ultra-Orthodox (Haredi) community. As of the end of 2025, **women held 26% of management positions and accounted for 19% of senior management.**

Throughout the year, in connection with occasions such as International Women's Day, the International Day for the Elimination of Violence against Women, and Breast Cancer Awareness Month, Rafael hosts inspiring lectures featuring women from within the organization as well as external guest speakers.

As part of its long-term efforts to increase the representation of women in engineering and technology, Rafael also invests substantial resources in encouraging the next generation of women engineers. These efforts include exposing high school girls to relevant technological and engineering fields and career opportunities.

Gender-based wage gaps at Rafael are minimal and primarily reflect differences in employment arrangements and work patterns, including overtime and military reserve duty, rather than differences in gross salary levels. As a government-owned company, pursuant to Section 6B(f) of the Equal Pay for Female and Male Employees Law, 1996, Rafael reports salary data to the Director of Wages at the Ministry of Finance and is not required to publish a separate public report beyond the information published by the Ministry.



"Women Trailblazers" Initiative: A Women's Leadership Pipeline Initiative

In 2025, as part of its efforts to increase the representation of women in management positions, Rafael launched the "Women Trailblazers" program, designed for women in their first management roles and at the early stages of their leadership journey. The program was established with the understanding that in technological and defense industries, where women are still underrepresented, dedicated support and tailored tools are required to encourage their professional development and promote their integration into key leadership positions. The program was developed following an internal assessment of employee and organizational needs, together with insights drawn from the experience of leading organizations in the Israeli market.

The program included 25 participants, selected based on their potential to influence the organization and their personal commitment to advancing the subject. It combined learning sessions, career and leadership development tools, and exposure to research and insights on gender diversity. Participants also met with senior women executives, who shared insights from their personal and professional experiences. As part of the program, participants developed group projects aimed at expanding opportunities for women within the organization, including the establishment of women's communities in different organizational units and initiatives designed to strengthen an inclusive organizational culture. In this way, the program sought to translate individual development into broader organizational impact.

The "Women Trailblazers" program constitutes a central component of Rafael's efforts to strengthen the pipeline of female leadership within the organization, support the career development of employees with management potential, and promote a diverse, inclusive, and empowering organizational culture. Following the success of the first cohort, Rafael intends to expand the initiative and establish an organization-wide women's community aimed at promoting continued engagement and long-term impact.

Prevention of Sexual Harassment and Workplace Bullying

Rafael maintains a zero-tolerance policy toward sexual harassment within the organization and in connection with its activities. Significant efforts are invested in preventing sexual harassment and promoting a safe working environment and an atmosphere that encourages the reporting of complaints without fear. These efforts include communications campaigns, orientation days, awareness lectures and presentations, and a dedicated e-learning program.

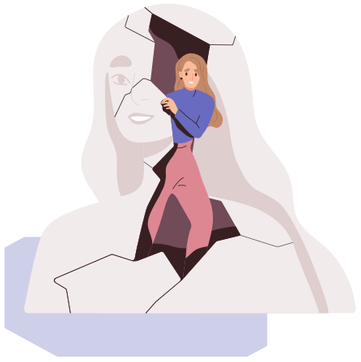
During the reporting year, awareness and accessibility efforts on the subject were expanded, including through a poster campaign across the organization, communication of the key provisions of the policy, and the launch of a new e-learning course based on the illustration of real-life situations by actors. The course also addresses complex or ambiguous situations ("grey areas") with the objective of strengthening employees' and managers' ability to identify inappropriate behavior and act accordingly.

Responsibility for addressing sexual harassment rests with the manager of the Employee Experience, Processes and Operations, Systems and Analytics Unit, who has undergone specialized training in this area.

A network of designated officers operates across the organization, with representatives in each division. The officers work as a coordinated team in accordance with a structured work plan and meet at least once a month.

In 2025, an amendment to the relevant legislation came into effect, extending employers' responsibilities to incidents involving individuals who are not directly employed by the organization. Accordingly, Rafael updated its regulations, introduced procedures relating to entry to Company facilities, and conducted structured training for external companies providing contractor services. Under Company policy, every person present on Company premises is considered under the Company's responsibility. Accordingly, reports involving external workers or contractors within Company premises are also handled by the designated officer.

Every report or complaint concerning sexual harassment is subject to thorough review and appropriate handling. During the reporting period, Rafael further formalized its reporting and case-handling processes. **In 2025, 19 reports or inquiries concerning sexual harassment were received and reviewed.**



Rafael also maintains a zero-tolerance approach toward workplace bullying and is Committed to providing all employees with a fair, respectful, and safe working environment. Information regarding reporting channels and the process of handling complaints is communicated to all employees. Responsibility for this area also rests with the manager of the Ethics and Integrity Unit, who issues a formal decision document to both the complainant and the respondent.

An additional reporting channel, which also allows for anonymous submissions, is available through the Internal Auditor, who also serves as the Employee Ombudsman. Each year, the Internal Auditor publishes a detailed report to management and to the Board Audit Committee, including a classification and analysis of complaints submitted.

During the reporting period, no incidents of workplace bullying were recorded, and no complaints on the subject were submitted during the year.

Recruitment, Onboarding and Retirement

The Recruitment and Career Division is responsible for the identification, recruitment, and onboarding of new employees. The division also manages employer branding activities and includes both the Internal Mobility Center and Career Advisory Center. Through these functions, the unit works closely with the Company's divisions to identify and place the most suitable candidates, promoting both internal mobility and external talent acquisition.

During the reporting year, in line with the Company's continued growth, recruitment activity increased by 5% compared with the previous year. Recruitment focused primarily on software, electronics, mechanical engineering, and algorithm development. Of the employees recruited during the year, 48% held degrees in engineering disciplines and 21% held other academic degrees.

Rafael offers student positions across a wide range of professional and technological fields. Beyond their immediate contribution to the Company, these roles serve as an important talent pipeline for future professional recruitment. In 2025, Rafael recruited 408 new students, and a total of 839 students were employed by the Company during the year.

The growth in Rafael's business activities and workforce was accompanied by a significant expansion of recruitment efforts. During 2025, **approximately 115,000 résumés were reviewed, around 30,000 applications were referred to professional units, and approximately 15,000 interviews were conducted by managers**. At the Company's largest onboarding event of the year, **117 new employees joined the Company in a single day**. To support the effective integration of new employees, 10 workshops were conducted during the year for nearly 200 new mentors.



During 2025, approximately 115,000 résumés were reviewed, around 30,000 applications were referred to professional units, and approximately 15,000 interviews were conducted by managers.

Employee turnover rate, 2023-2025

	2023	2024	2025
Women under 30	0.15%	0.15	0.28
Women aged 30-50	0.52%	0.52	0.66
Women above 50	0.28%	0.28	0.40
Total female employee turnover rate	**0.95%**	**0.95**	**1.33**
Men under 30	0.33%	0.33	0.42
Men aged 30-50	1.49%	1.49	2.02
Men above 50	1.39%	1.39	1.37
Total male employee turnover rate	**3.21%**	**3.21**	**3.81**
Total under 30	0.48%	0.48	0.70
Total aged 30-50	2.01%	2.01	2.67
Total above 50	1.67%	1.67	1.77
Total employee turnover rate	**4.16%**	**4.16**	**5.15**
Total employee-initiated turnover rate	**2.1%**	**2.1**	**2.4**

In response to the substantial increase in hiring volumes, Rafael implemented a structured and **standardized onboarding process**. As part of this initiative, the "New Employee Journey" platform was developed within the Company's learning management system. The platform includes a digital checklist, mandatory training content, background materials, learning videos, links to organizational systems, and automated reminders throughout the first months of employment. This process, which complements the professional mentoring programs, is designed to create a consistent onboarding experience, encourage new employees to take a proactive approach, and enable independent access to the knowledge and resources required for successful integration into the organization.

Another significant initiative within the recruitment and onboarding framework involves the operation of **internal assessment centers** which enable the evaluation and comparison of multiple candidates simultaneously. This approach results in time and cost savings, improved decision-making accuracy, and the provision of immediate feedback. To complement this initiative, the recruitment process was redesigned: managers now review résumés following the initial screening stage, and only thereafter does the sourcing team contact candidates. At the same time, the recruitment function was expanded, and the Company's digital recruitment capabilities were upgraded.



According to Rafael's 2025 Recruitment and Onboarding Surveys, **98% of new employees were satisfied with the welcome they received** within their unit and felt that they had a clear point of contact for assistance. 93% stated that they would recommend Rafael as a workplace to their friends.








15 || מדד מיתוג מעסיק 2025
3 חוויית מועמד: מאונבורדינג ועד קליטה | הזוכה: רפאל
על הקטגוריה
למה רפאל?
RAFAEL

From Onboarding to Retirement: Individual Well-Being

Rafael's approach to employee well-being addresses a broad range of aspects of employees' professional and personal lives. Initiatives include maintaining a supportive work environment; promoting a healthy lifestyle through nutrition programs, vaccinations, on-site sports facilities, and subsidized gym memberships; team-building activities; and leisure and recreational activities for employees and their families.

The **social support function** assists employees with matters relating to their personal and family circumstances and provides support during times of crisis, while also equipping managers and HR representatives with tools to help them support employees facing personal or family challenges.

The support mechanisms available through the Company's social workers include subsidized loans and several dedicated assistance funds. The **Assistance Fund** provides employees with reimbursement for medical, psychological, and other treatments that are not otherwise covered. In 2025, these reimbursements totaled approximately NIS 1.3 million. The **Mutual Assistance Fund** (Gemach), provides grants or loans (the loans are deducted from salary without interest) in cases of financial hardship, subject to the decision of a committee comprising management and workers' committee representatives. The annual aggregate amount distributed through this fund ranges between NIS 200,000 and NIS 300,000. The **Sick Leave Fund**, grants up to 90 additional days to employees who have exhausted their entitlement to sick leave and require an extended period of absence.

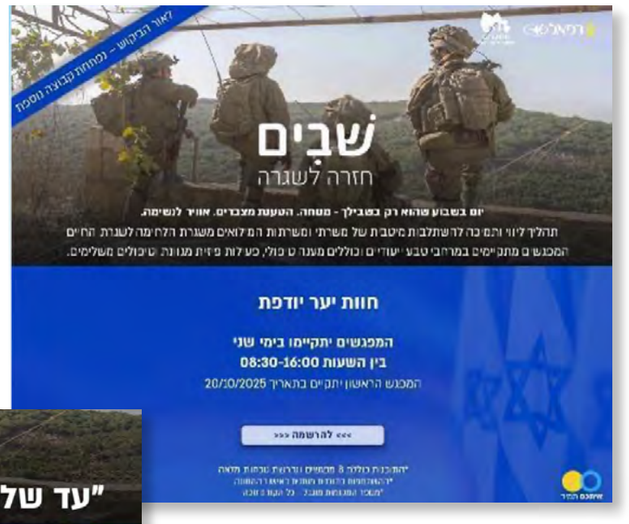
In addition, recognizing the need for flexibility according to employees' life circumstances, Rafael also provides flexible arrangements for working parents. Mothers and fathers of a child up to the age of 8, or of two or more children up to the age of 12, are entitled to end their workday 30 minutes earlier without any reduction in pay (an arrangement that also applies when working from home). The Company also reports a high rate of employees returning to work after maternity leave and remaining in their positions thereafter.

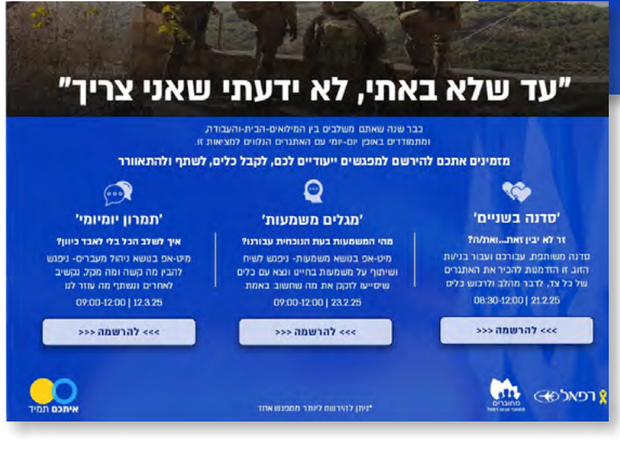


Return to work and retention following maternity leave, 2023-2025

	2023		2024		2025	
Employees who went on maternity leave	185	11	181	1	214	2
Employees who returned after maternity leave	172	10	187	2	218	2
Employees who continued working for at least 12 months after maternity leave	172	8	157	2	161	1

Special support was provided to employees affected by the war. In December 2025, under the leadership of the Company's social workers, two small support groups were launched for **employees who had lost a first-degree family member**, with the aim of providing a safe and supportive space for processing grief and strengthening personal and community resilience.







In addition, in light of the significant number of reserve service personnel, who account for 8.3% of the workforce, a dedicated support framework was provided throughout the year for employees serving in the reserves and those returning from service. This framework included individual support and counseling provided by social workers, joint workshops for reservists and their spouses or partners, tools to assist the transition from prolonged military service back to routine work life, meetings designed to strengthen employees' sense of purpose and identity, and updated guidance and tools for managers responsible for supporting returning employees. A total of 276 employees and family members participated in these activities.

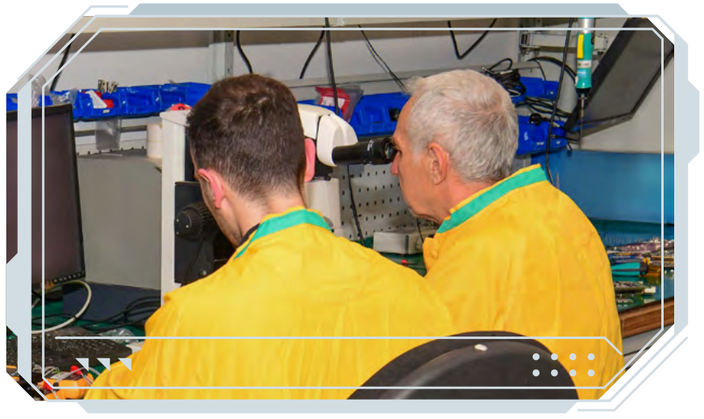
Support during key life transitions is also provided through dedicated peer-to-peer ("employee-to-employee") programs, which connect employees facing similar personal circumstances and provide opportunities for mutual support and shared experience. These programs support, among others, employees undergoing divorce and parents of children with disabilities. In addition, during 2025, a **community for parents of children with special needs** was established, serving as an organizational network for mutual support, knowledge sharing, and access to rights and practical resources. The process was guided by an external consultant and was based on a professional community-management methodology. Approximately 30 employees completed training in preparation for operating the community, a leadership team was selected, and a dedicated digital platform was established. Today, the community includes hundreds of employees and conducts activities and meetings throughout the year.

Retirement Support

The Retirement Administration provides professional and sensitive support to employees throughout retirement or separation processes and serves as an advisory center for managers and HR teams in this area.

Each year, the Retirement Team at the Tamir Center conducts a retirement preparation workshop designed to provide employees with emotional, financial, and practical tools to support their well-being and adjustment during the transition to retirement.

Some Rafael retirees continue to contribute to the organization through their experience and skills in various ways, either as volunteers or on a freelance basis. Thanks to this opportunity, in 2025, 55% of employees who reached retirement eligibility age chose to continue working with the Company.



Employee Retention

Maintaining technological leadership requires Rafael to compete continuously for highly qualified talent. This challenge is particularly significant given the long-term nature of many of the Company's projects, which require specialized knowledge, skills, and expertise developed over extended periods. Consequently, employee retention is a strategic component of Rafael's organizational resilience, supported by the employee experience, employment conditions, professional development, and career opportunities available within the Company.

Rafael invests significantly in employee retention, including through employee well-being initiatives, improvements to the work environment, and efforts to strengthen employees' sense of belonging and connection to the organization. In 2025, the employee turnover rate stood at 5.15%, compared with 10.45% in 2022, representing a decrease of approximately 50% over the period.

A key employee retention tool is the opportunity for **promotion and internal mobility** within the organization. A variety of positions at Rafael are first offered to Company employees and advertised internally through a dedicated website before being opened to the general public. Such transitions are managed through the Recruitment and Mobility Unit within the HR function, which operates a **Career Center**. In 2025, 135 employees approached the Career Center. 38 employees were placed in new roles and 45 employees expanded their existing responsibilities or transitioned to positions involving a broader range of activities.

Employees at professional crossroads whom the Company seeks to retain may receive individual guidance from career advisors. The advisors assist them in mapping their capabilities and examining opportunities for development and integration into other roles within the Company. To expand access to this support, 10 recruitment managers were trained during the past year to provide career counseling. For its achievements in this field, Rafael was awarded first place in the Excellence Competition of the Israeli Human Resources Association.

Another important retention tool relates to work-life balance. Hybrid work arrangements are approved for a variety of positions, according to role requirements: working from home up to two days per week with IT support and provision of office equipment. In addition, the Company's multiple sites enable employees, from time to time, to work from

When an employee notifies the Company of their intention to leave, they are invited to complete a questionnaire aimed at identifying the main factors underlying their decision. A sample of respondents is invited to participate in face-to-face interviews. The findings are analyzed to identify broader organizational issues and inform targeted interventions. In some cases, internal reassignment provides employees with an alternative career path within the Company.

Another important retention tool relates to **work-life balance**. Hybrid work arrangements are approved for a variety of positions, according to role requirements: working from home up to two days per week with IT support and provision of office equipment. In addition, the Company's multiple sites enable employees, from time to time, to work from sites closer to their homes.

Comprehensive Employee Services

As part of its efforts to retain employees and strengthen their engagement, sense of mission, and belonging required for long-term success, Rafael operates several corporate support functions that provide employees with a broad range of services throughout their employment.

The Tamir Center provides ongoing support in matters related to onboarding (including mobile phones and leased vehicles for eligible employees), welfare services, workplace accidents, the "Refuali" health insurance program, disability insurance, and retirement. Employees can contact the center through several channels, including a digital service platform, online chat with a representative, telephone support, and email. Information pages and data available through the Company's digital assets enable employees to perform a variety of self-service actions.

For day-to-day operational matters, ranging from maintenance issues and delayed transportation services to problems in dining facilities, support is provided through the MATAL Service Center, which serves as a single point of contact for all service requests and ensures treatment according to a consistent service standard. In doing so, it contributes to improving the employee experience while also providing valuable insight into employee needs, expectations, and perceptions. The most common communication channel with the service center is an intelligent system for submitting and managing requests. The system includes an employee-specific service profile, a module for improvement suggestions and feedback, and advanced capabilities for analyzing requests and generating organization-wide insights.

In 2025, Rafael handled 32,439 service requests and 5,019 chat inquiries. The average response time for chat inquiries was 18.75 seconds, and satisfaction with the handling of service requests reached 3.9 out of 4.

The Company's ongoing support for employee needs also includes an extensive and dynamic **transportation network**, primarily serving communities in northern Israel. To provide flexibility and optimal service, including accommodations for working parents, Rafael operates 650 fixed transportation routes across a broad range of hours. Routes and schedules are reviewed and updated through the Transportation Committee in cooperation with employee representatives.

Employee Benefits

Most employee benefits are provided uniformly and are anchored in collective bargaining agreements. These benefits include, among others: group health insurance ("Refuali"), with the enhanced coverage tier financed almost entirely by the company, including coverage for children up to age 30 and 50% subsidy of spousal coverage (optional coverage is also available to company retirees); pension arrangements under preferred terms from the first day of employment; employer-sponsored long-term savings fund; access to vehicle leasing arrangements supported by loans under favorable terms; attractive mobile phone package; access to a consumer club offering substantial discounts, including a website operated in cooperation with High-Tech Zone, providing a wide range of entrance tickets and vouchers for family experiences and consumer products at attractive prices; "Blue and White" product fairs held before holidays; and gifts for birthdays, weddings, and other significant life events.

Additional benefits and rewards are granted based on performance, with an emphasis on fairness and on encouraging excellence and innovation. The Company also provides a retention grant, designed as a long-term employee retention tool and a signing bonus, intended to attract talent with unique areas of expertise. During the wartime period, the Company decided to distribute incentive funds to hundreds of employees called up for reserve duty and to expand its employee benefits policy accordingly.

The Compensation, Benefits and Labor Relations Unit maintains structured processes for monitoring compensation and benefits trends in the labor market and assessing relevant adjustments. Its analyses consider different organizational and workforce segments, including divisions, professional disciplines, and employment models. The Unit conducts periodic salary surveys and analyses and participates in the Zviran Salary and Benefits Survey, which serves as a benchmarking source for compensation and benefits in the Israeli market.

Professional and Personal Development

In a rapidly evolving technological environment, continuous investment in training and professional development is critical. Rafael views learning as an ongoing, continuous process based on a lifelong learning approach, rather than as a one-time event.

The various development programs, managed by the Learning and Development Unit, are derived directly from the organization's strategy and from the strategic priorities of Human Resources management. Each of Rafael's divisions develops its own learning and development plan, tailored to its unique business needs and led by the divisional manager responsible for the subject.

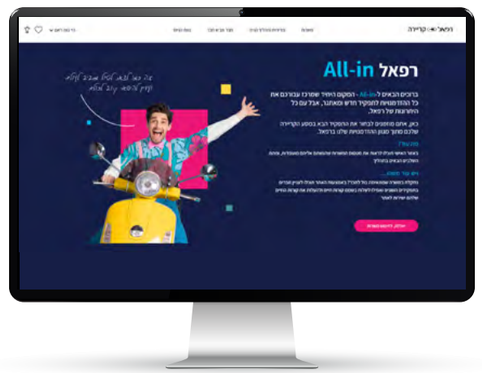
At the same time, the **Learning Center** takes an organization-wide view of development needs and designs cross-functional training programs. It also proactively identifies capability gaps and development opportunities in areas that may not necessarily emerge at the divisional level. The organizational learning plan is flexible and may be adjusted throughout the year in response to changes in the business, technological, and operational environment.

During the reporting period, organizational learning and development efforts focused on: supporting the organization's rapid growth and high recruitment volumes; strengthening mentoring and onboarding processes for new employees; developing capabilities in production and supply chain disciplines; advancing literacy and capability-building in the field of AI; and strengthening and developing the middle-management population as a critical leadership layer responsible for guiding employees and achieving performance objectives.

In 2025, in light of the increase in business activity and production volumes, employees in production and supply chain functions were identified as a priority population. The support provided to these employees included compensation and shift-premium adjustments, training programs for 23 production leaders, workshops focused on role perception and management skills, activities designed to strengthen engagement and professional pride, and the Company's first-ever Manufacturing Excellence Conference.

In addition, following a successful pilot program conducted in the previous year, **digital mentoring and certification solutions** within the production operations were expanded. Training pathways are now delivered through the learning management system alongside practical, on-site training. This initiative helps address the substantial increase in newly hired employees while enhancing scalability, standardization, and consistency across training processes. A similar approach was implemented in the training and certification process for Safety Trustees. A multi-day classroom-based course was converted into a blended-learning model combining digital learning with focused in-person sessions. This change enabled a significant increase in participant numbers while maintaining training quality and professional standards.

As another important step in supporting business growth, Rafael developed **internal training pathways** for professions experiencing shortages of skilled personnel. One example is the Aeronautics Training Cohort, through which employees from various disciplines underwent a comprehensive reskilling process to qualify as engineers. The program included joint onboarding, a structured learning pathway, training delivered by subject matter experts from within the organization, hands-on practical experience and integration into the relevant professional units.



In 2025, Rafael invested approximately **NIS 21.7 million in training and development,** compared with approximately NIS 20.8 million in 2024.

In 2025, Rafael invested approximately NIS 21.7 million in training and development, compared with approximately NIS 20.8 million in 2024. The **overall scope of learning activities (both internal and external) reached 252,028 learning hours, representing an average of 32.5 hours per employee**.

This figure reflects a decrease compared to the previous year, resulting in part from the postponement or cancellation of overseas training programs and conferences due to the impact of the emergency situation on air travel and the availability of training facilities.

Parameter	2023	2024	2025
Internal and external learning hours	222,934	295,208	252,028
Average learning hours per employee	35.4	35.3	32.5
Studies for advanced degrees	227	229	218
Overseas conferences	203	264	233





Rafael's Schools of Learning

Professional knowledge at the Learning Center is delivered through four dedicated schools designed to provide employees with the knowledge, skills, and tools required for their professional and managerial development:

- The School for Technological Professions, which leads training programs across a range of technological disciplines, including systems engineering.
- The School for Business Management, responsible for management training and development programs for business-oriented roles, including project managers, contracting professionals, marketing personnel, and other relevant functions.
- The School for Corporate Functions, intended for employees in roles such as corporate managers, operations personnel, quality professionals, and finance employees.
- The School for Safety Certification and Training, which trains relevant role holders and promotes a culture of safety throughout the organization.

The Learning Center also includes a Digital Learning Function, responsible for developing hybrid training programs and tools that support independent online learning. The Center supports employees throughout their lifecycle at Rafael and offers training programs, development initiatives, and learning activities tailored to different stages of their personal and professional growth, including:

- Mentoring processes, role-entry workshops, and core training programs beginning from the onboarding stage.
- Professional and technological training programs throughout an employee's career, designed to support continuous development and ensure employees remain current in their fields.
- Reskilling programs, aimed at equipping employees with additional skills in response to the evolving demands of the labor market.



Readiness for the Changing World of Work

In 2025, Rafael expanded its training programs in the fields of machine learning, learning, systems engineering, and AI. Particular emphasis was placed on AI, with learning and development initiatives extending beyond the Company's core technological and engineering functions to employees across the organization.

As part of this effort, organization-wide AI days, webinars, and lectures were held for all employees, along with a dedicated AI week featuring a variety of activities designed to advance knowledge and capabilities in the field. For professional populations such as safety, finance, and operations personnel, specialized webinars were developed, with examples and use cases tailored to their specific professional needs. In addition, practical hands-on workshops led by external experts were conducted, alongside dedicated training programs for various organizational units.

To make AI accessible to all employees, Rafael established an organizational AI portal that consolidates recordings, learning content, tips, tools, and links to knowledge resources. At the same time, as part of organizational change management and the systematic adoption of AI, a unified organizational language and branding approach was implemented across all AI-related activities.

To manage learning processes and provide employees with a broad range of learning tools, Rafael operates an innovative organizational learning platform. The platform includes a user-friendly and efficient mechanism for searching and retrieving professional content, e-learning modules, and training catalog offerings. In addition, a self-learning portal was implemented for employees, providing access to cross-functional topics such as negotiation skills, infographics, storytelling and time management.

Talent Pipeline and Leadership Development

To identify, prepare, and support Rafael's future generation of managers, leadership pipeline programs were established through several development tracks: **Rakia** – for senior core leadership positions (Field Managers), **Yuvalim** – for project management positions within the business divisions, **Bareket** – for management roles (department managers and section heads), **Hoshen** – for the development of corporate function managers and **Halamish** – for the senior, complex and critical role of Systems Engineers, including the retraining of engineers from other disciplines. During the reporting period, promotion rates to the next role among participants in the measured leadership-pipeline programs reached: 53% in the Bareket program, 51% in the Yuvalim program and 37% in the Rakia program. Overall, approximately 1,200 employees participated in management development programs designed to support the organization's expansion and facilitate the successful integration of new managers into leadership positions.

Encouraging Advanced Degrees and Knowledge Sharing

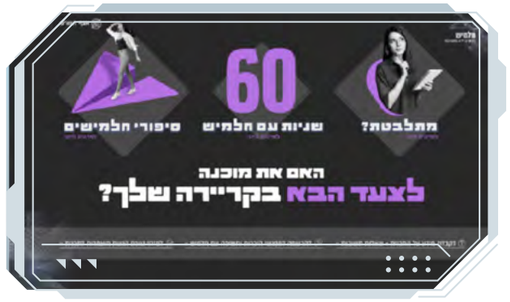
Rafael encourages its employees to pursue advanced academic degrees, with particular emphasis on thesis-based studies in fields that may contribute to strengthening the Company's technological and competitive advantage. As of the end of 2025, approximately 218 employees were pursuing advanced degrees at academic institutions in Israel and 6 employees were pursuing doctoral studies at leading universities abroad. Rafael finances their tuition fees and the work hours required for study purposes. Employees studying abroad are also provided with a comprehensive support framework.

As of the end of 2025, 72.4% of Rafael employees held an academic degree, 23.7% held a master's degree and approximately 4% held a doctoral degree.

In addition, Rafael employees serve as lecturers within the organization and in academic institutions, sharing the knowledge and unique experience they have accumulated in their various fields of expertise.

Professional Evaluation and Feedback

To support continuous improvement in employee management and the employee experience, surveys and feedback processes are conducted frequently under the responsibility of a dedicated unit within the Human Resources function.



The Company conducts recruitment and onboarding surveys for new employees (upon joining and approximately six months later), as well as Pulse surveys designed to identify emerging trends and employee needs and surveys focusing on specific topics.

Additional employee listening mechanisms include an open-door policy and roundtable discussions, which take place both at the organizational level and within individual divisions. These channels facilitate direct and open dialogue on organizational and employee-related matters. Employee engagement surveys are conducted once every two years. The most recent survey was conducted in 2024, and the next is scheduled for 2026.

Rafael also works to keep employees informed, to the extent possible, about significant organizational changes, employee career-development stories, emerging trends, and forward-looking topics. Communication channels include podcasts, dedicated campaigns, divisional newsletters, and other internal communications aimed at strengthening employees' sense of belonging, connection, and organizational pride.

Finally, the annual feedback and evaluation discussions held with employees' direct managers (with the option of also receiving input from the next level of management) provide employees with an opportunity to express their views and feelings on various matters. Feedback and summaries of these discussions are documented on a dedicated platform. The platform is accessible to employees and managers, ensuring transparency and enabling them to review past feedback. Following the feedback discussions, a structured consolidation process is conducted, during which insights are collected for implementation across the various organizational units.

99% of Employees Received Performance Evaluations,
representing 10,045 out of 10,122 employees.

Occupational Safety and Health

The development of defense systems inherently involves safety and environmental risks. Accordingly, Rafael places significant emphasis on protecting the safety and wellbeing of its employees, customers, visitors, and communities neighboring its facilities, as well as on protecting the environment.



Our numbers for 2025

3.18
ratio of near-miss incidents to industrial accidents

3%
decrease in the TRIR index compared to 2023

9%
decrease in the ratio of industrial accidents to the volume of operations (NIS million) compared to the previous year

This commitment is reflected in ongoing efforts and investments aimed at ensuring that systems are safe for operational use, as well as in significant resource allocation to create a safe working environment that exceeds legal requirements. All of this is achieved through the implementation of high safety standards and the assurance of an acceptable level of risk across all fields of activity and throughout the entire lifecycle of systems, including R&D, manufacturing and testing, demonstrations and training, transportation and storage, operation, and disposal.

Safety principles are integrated into the various aspects of Rafael's operations according to their specific characteristics. Product safety engineering is a central discipline, as are safety measures in work processes and testing activities. Safety management is embedded at the core of the Company's operations, alongside the promotion of an organizational culture that views safety as a way of life at every management level.

For every project, beginning at the initiation stage, a dedicated Project Safety Committee is established, including a Safety Engineer. The committee addresses system and component safety, aviation safety surrounding development and testing activities, the development of safety-related hardware and firmware, and other relevant safety aspects. In many cases, when dealing with new technologies for which international safety standards have not yet been defined, the guidelines are developed within Rafael's divisions in cooperation with the Safety Department and the intended customer.

Rafael's safety approach emphasizes advance consideration of potential scenarios and the development of appropriate courses of action, comprehensive and professional risk analysis based on accumulated knowledge and lessons learned alongside mandatory requirements, and the identification of practical solutions that enable activities to be conducted in accordance with the relevant risk assessments. Transparency and a culture of investigation and reporting are key elements of this approach, supporting organizational learning, lessons learned, and continuous improvement in safety performance.

In addition to internal stakeholders, ongoing oversight and regulatory processes are conducted with the Ministries of Defense, Labor, Transportation, and Environmental Protection, the Standards Institution of Israel, insurance companies, and others. Rafael complies with ISO 45001 for Occupational Health and Safety Management, ISO 14001 for Environmental Management Systems, and Israeli Standard 9301 for Safety and Quality Management in Transportation. The requirements of these standards are communicated to all stakeholders, and at least once a year the Standards Institution of Israel conducts audits at the Company headquarters and divisions.

Rafael complies with ISO 45001 for Occupational Health and Safety Management, ISO 14001 for Environmental Management Systems, and Israeli Standard 9301 for Safety and Quality Management in Transportation.

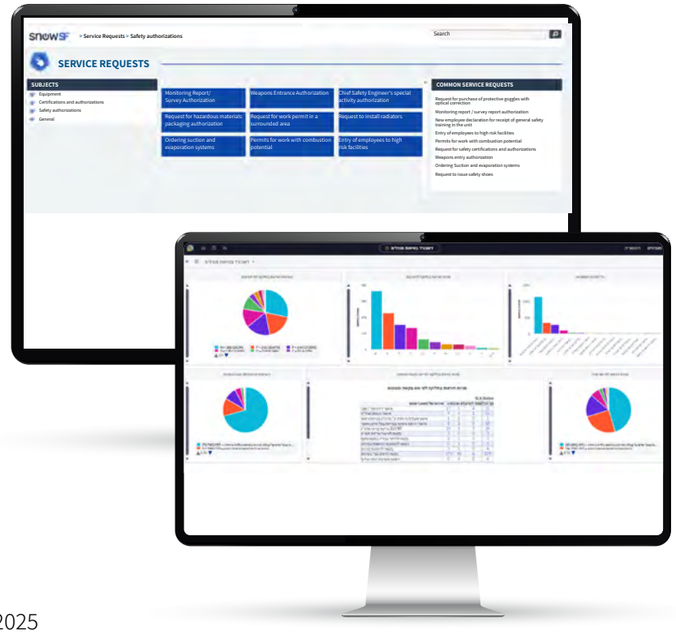
Safety management

Responsibility for promoting a culture of safety and maintaining risk at a minimum level lies with the Occupational Safety and Health function, headed by the Company's Chief Safety Engineer, who is a member of senior management and reports directly to the CEO. The function includes the Corporate Safety Department, divisional safety engineers, professional safety engineers, and additional specialists. For specific matters, the Company also engages external consultants.

In accordance with regulatory requirements, Rafael continuously measures the number of workplace accidents and the number of absence days resulting from them. Using internal organizational indicators, the severity of incidents is assessed based on their impact on people, property, and the environment, alongside the level of near-miss reporting.

The data are presented and analyzed by internal expert committees using automation and digitalization tools. Safety approvals have also been migrated to an advanced digital system, improving efficiency and shortening process timelines while maintaining the same high level of safety. Safety policies and programs, supported by defined objectives, are published within the organization and are periodically presented at various management levels, to the Company's Board of Directors, and in accordance with regulatory requirements.

During the reporting year, Rafael continued to adapt and strengthen its safety organization in response to the expansion of its operations and the growth in workforce size and production volumes. As part of this process, safety teams within the core divisions were expanded, professional training and certification programs were adjusted, management processes were enhanced, and technological tools supporting the Company's complex and unique manufacturing activities were integrated. In addition, the use of the SNOW system for managing safety processes was expanded significantly, with usage increasing by a factor of 2.75 (approximately 11,000 activities compared to 4,000 in 2024). Six additional processes were incorporated into the system during the reporting year (in addition to the nine processes already operating within it the previous year).



Safety risk management

By the nature of its activities, safety risks and their management are a critical component of Rafael's operations. A dedicated safety risk management procedure establishes the methodology for systematically and continuously identifying, assessing, and managing risks across relevant activities and areas of operation. It defines responsibilities for risk management and oversight and sets out risk assessment methodologies and reporting formats for typical activities.

Risk management initiatives may originate from any employee; however, responsibility rests with managers at the level of department head and above, with the support of divisional safety engineers. Across all facilities, processes, and activities under their responsibility, they are required to identify the potential for safety incidents and factors defined as hazardous. Maintaining direct responsibility within the organizational unit, rather than assigning it to an external party, contributes to professional knowledge and assists in embedding a culture of safety throughout the organization.

The methodological process is based on the U.S. military standard MIL-STD-882. Before an activity is approved, risk factors are identified, their severity and likelihood of occurrence are assessed while taking safety controls into consideration, and the actions required should the risks materialize are specified. The process also defines actions that must be taken once a risk reaches a specified level, including elimination of the hazard, replacement with a lower-risk alternative, and the use of engineering controls (such as remote operation), administrative controls (procedures, signage, and training), and personal protective equipment (PPE).

As part of this approach, the Safety Department maintains a comprehensive catalog containing hundreds of approved items of personal protective equipment, enabling employees to select the equipment required according to the nature of the work being performed. Any new equipment is subjected to a review and approval process before being added to the catalog, serving as an additional layer of oversight to ensure optimal safety standards.



Safety in testing activities

The Safety function closely oversees all testing activities at Rafael, and dedicated Safety Committee discussions are held prior to each test. In 2025, the training of safety engineers specializing in testing activities was completed. In addition, given the growth in testing volumes, safety, coordination, and oversight processes in this field were further strengthened.

One of the challenges associated with testing activities relates to noise signatures, requiring the allocation of designated areas that serve as noise containment zones. As part of its engagement with local communities and authorities, Rafael also maintains a structured notification process, coordinated with relevant professional and communications teams, to provide advance notice of tests that may generate noise in the vicinity of Company facilities. Additional safety challenges relate to high-energy testing activities, including those involving high-power lasers or armed aerial vehicles.

Rafael integrates safety considerations from the design and development stages, through testing activities. During the reporting year, guidelines for safe design in autonomous systems were completed, the Product Safety Design Guide was updated, and learning and review processes were conducted following safety incidents involving products, including the identification of design modifications required based on insights generated within the divisions. An organizational framework for the operation of Project Safety Committees was also published, thereby deepening the involvement of the Safety function in various projects, including those involving technologies that incorporate AI.

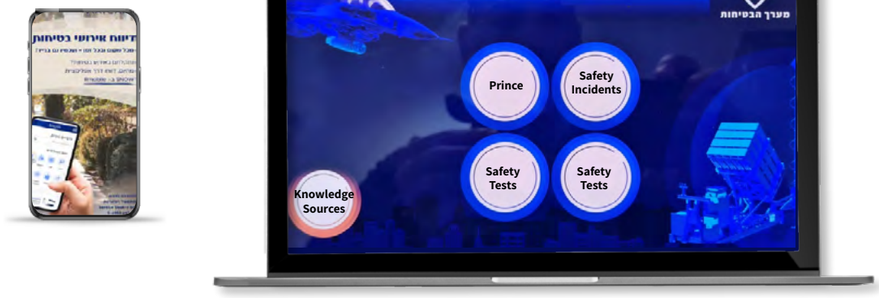


Innovation in safety

Rafael works to reduce employees' direct exposure to risks through engineering solutions, automation, and modifications to work processes. During the reporting period, the integration of such measures continued, including: advanced robotics for the assembly of explosive components; automated loading system at a testing range; use of portable X-ray equipment; and remote operation and command capabilities in laboratories that utilize hazardous materials.

Additional measures implemented to distance employees from risk areas included: establishment of a safety cell for ETE (End-to-End) tests, enabling comprehensive end-to-end testing without exposing personnel to risk; installation of cages or barriers between work areas; modifications to mixture preparation processes, removing employees from sieving operations; introduction of manipulators to reduce physical strain associated with lifting tasks; development of a barrel-turning solution to reduce manual handling; and reduction of the need for paint touch-ups through improved platform covering solutions.

Beyond that, digitalization also supports safety management, through computerized systems and platforms for the collection and analysis of data, the formulation of insights, and the sharing of knowledge. Thus, a user-friendly interface presents the risk-related indicators relevant to each unit, and the system generates alerts accordingly. Digitalization also improves the capabilities for reporting safety incidents from any place and at any time, through a dedicated application hosted on an external server and accessible to all employees via smartphone.



Safety culture

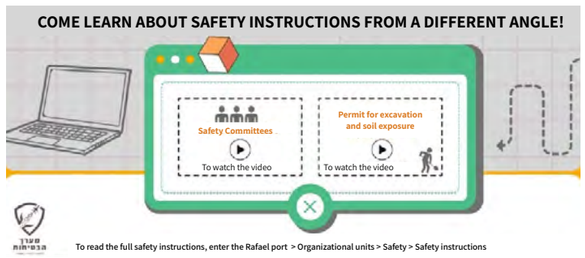
Safety is an integral part of Rafael's organizational culture. Safety principles are introduced from the first day of employment, integrated into ongoing activities, and reinforced through regular updates and refresher activities.

As part of this approach, significant emphasis is placed within safety management processes on the investigation of workplace accidents and occupational illnesses. Investigations are conducted in accordance with an established procedure, and every investigation report is distributed and brought to the attention of the relevant stakeholders. When necessary, safety instructions, risk management procedures, and relevant training programs are updated based on the findings.

Throughout the year, safety conferences, seminars, and lectures are conducted, alongside concentrated training courses and certification programs, as well as self-learning through dedicated e-learning modules. To promote learning and professional development, advanced learning methods supported by digitalization and technological tools are integrated into training activities. During the reporting year, a new website for the Safety Department was launched, several safety learning modules were updated, knowledge sheets consolidating relevant professional information were published, a forum for learning from safety investigations was established, and a professional hackathon was held focusing on improving the dissemination and implementation of lessons learned from safety investigations.

Rafael also invests in improving the accessibility and effectiveness of training programs, including the creation of instructional videos on the internal learning portal. To ensure compliance with training and certification requirements for every employee, a dedicated dashboard monitors the validity of safety certifications and qualifications and generates alerts when they expire.

Once a year, during the annual conference of the safety function, safety trustees are selected and certificates of excellence are awarded by the CEO to outstanding contributors in the field. The conferences also incorporate innovative technological topics. During the reporting year, the conference was held under the title: "Safety in a Changing Era – Growth, Industrialization, and Warfare". More than 250 safety engineers, safety trustees, employees, and managers participated in the event.



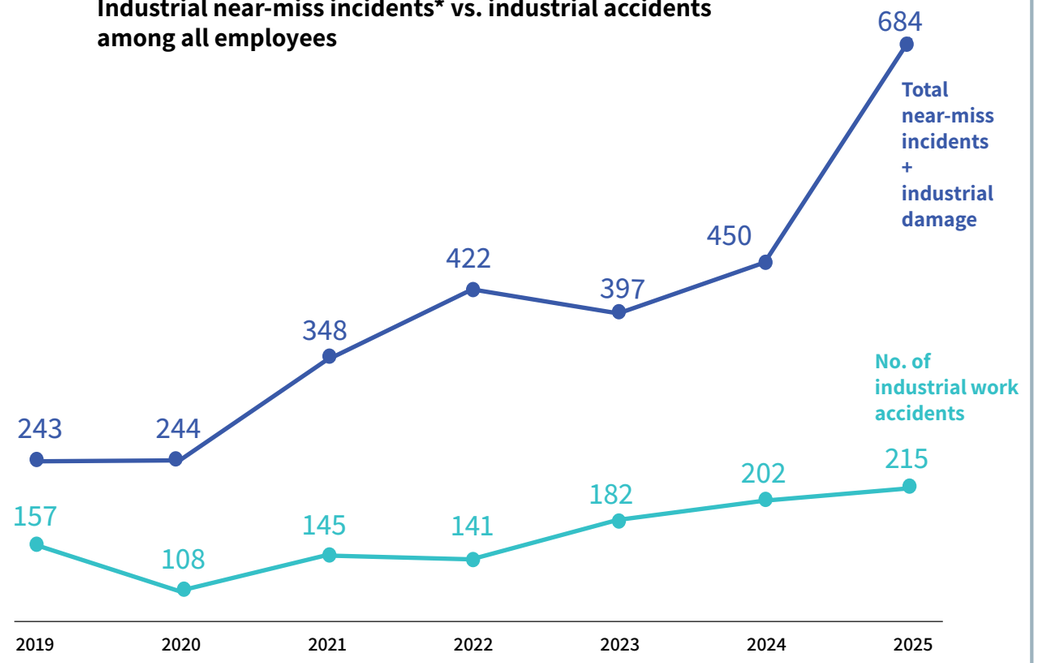




Near-miss reporting

As part of efforts to promote safety awareness and establish annual safety metrics and targets for the divisions, Rafael encourages employees to report not only accidents but also near-miss incidents. This serves as an important and effective tool for reducing the number of industrial accidents, namely accidents that occur at the workstation or in the course of work activities. Since 2020, there has been a 176% increase in near-miss reports. In addition, a long-term objective has been established for this area: to achieve an improvement of at least 10% each year in the ratio between the number of near-miss reports and the number of actual accidents.

Industrial near-miss incidents* vs. industrial accidents among all employees



* Near-miss incidents involving minor industrial damage with the potential for injury to personnel



Subject	2023	2024	2025
Total industrial near-miss incidents	389	430	672
Total near-miss incidents	888	911	1,398
Total industrial work accidents	182	202	215
Total near-miss incidents + industrial damage	397	450	684
Number of absence days due to safety incidents	220	297	226
Fatal accident rate	0	0	0
Total employees at Rafael	8,515	9,588	10,359
Total labor hours	18,392,400	20,710,080	22,375,440
LTI - work accidents	9	14	30
(LTI rate ("LTIR") (per 200k hours	0.10	0.14	0.27
Total recordable incidents ("TRI") - work accidents and injuries	205	227	260
(TRI rate ("TRIR") (per 200k hours	1.98	1.95	1.92
Ratio of near-miss incidents to industrial accidents	2.18	2.23	3.18
(Operating volume (NIS million	13,395	16,714	19,566
Ratio of industrial near-miss incidents to operating volume	29.64	26.92	34.96
Ratio of industrial accidents to operating volume	13.59	12.09	10.99

Knowledge sharing

A central component in promoting a culture of safety involves sharing knowledge with stakeholders both within and outside the organization, in order to create mutual learning and benefit from the experience of others.

Rafael operates various communities of practice that promote knowledge sharing and consultation on different topics, such as activities involving hazardous materials. In addition, the Safety Engineers Forum and various professional forums (covering electrical hazards, laser safety, high-pressure systems, and others) convene periodically.

Alongside these activities, Rafael maintains ongoing relationships with relevant authorities and institutions, including the Occupational Safety and Health Administration, the Institute for Safety and Hygiene, the Standards Institution of Israel, the Home Front Command, and government ministries, and participates in professional conferences in Israel and around the world.

In the field of space safety, in which Rafael is considered a global leader and possesses unique expertise, the Company's engineers participate in international conferences alongside leading agencies and companies such as NASA and SpaceX. They present technical papers and lead professional lectures and panel discussions on a variety of topics.

The Chairman of Rafael's Aviation Safety Committee also serves as the Chairman of the International Launch Safety Committee of the IAASS (International Association for the Advancement of Space Safety).



Performance vs. Safety Targets and Indices

Subject	Index	2024 performance	2025 performance
Risk management	Percentage of risk management reports in active processes that are no longer valid	0.15%	3%
Safety incidents	Ratio of near-miss incidents to industrial accidents (entity wide)	2.23	3.18
Documenting safety incident investigations	Rate of conducting mandatory investigations for incidents (divisional target)	98%	89%



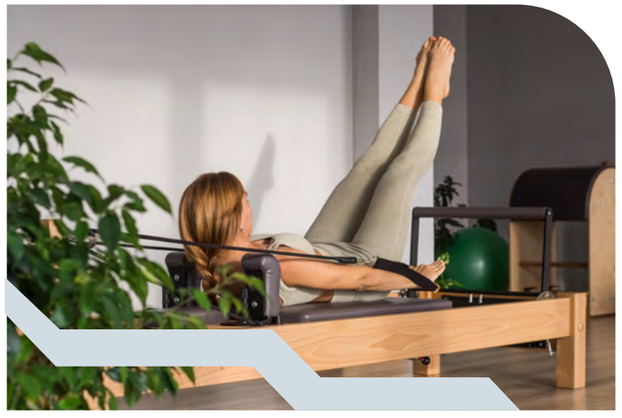
Safeguarding employee health

Similar to its approach to safety, Rafael places significant emphasis on protecting and promoting employee health. To this end, frequent occupational health surveys are conducted, and approximately 3,000 occupational monitoring assessments are carried out annually in accordance with a yearly plan that complies with legal requirements, company policy, and risk assessments.

These activities, which are supported by a computerized system and testing conducted by an accredited laboratory, examine exposure levels to hazardous substances, noise, dust, and other factors, while establishing an occupational health protocol for each employee and identifying any deviations from accepted standards. Based on the findings, alternatives are evaluated, including changes to work methods, technological optimization, and the use of new materials.

An important aspect of employee health relates to promoting awareness of a healthy lifestyle. For this purpose, newsletters and communications are distributed on health and nutrition topics, and dedicated awareness days and training sessions are conducted. Rafael offers its employees discounted access to fitness and sports clubs and operates yoga, Pilates, and TRX classes at its facilities. In addition, sports days and group training activities are organized, and the Company supports Rafael sports teams participating in the Workplaces Sports League as well as in football, basketball, and cycling tournaments.





Supply Chain and Procurement

As a company that purchases products and services worth billions of NIS annually, Rafael places great importance on responsible conduct not only within its own operations and in its relationships with employees and customers, but also throughout its supply chain. The Company views its suppliers and external contractors as an integral part of its operations and community, based on a long-term partnership approach that extends beyond traditional buyer-seller or supplier-customer relationships. Accordingly, Rafael maintains close relationships with suppliers and subsidiaries and works to strengthen their resilience, stability and long-term development.

In line with this approach, Rafael continuously invests in the development of its suppliers, both in terms of quality and in expanding the supplier base, which is necessary in light of increased production volumes and order backlogs. Company representatives maintain close familiarity with the supplier landscape, visit supplier facilities, and work to strengthen their capabilities. The development of Israel's local industrial ecosystem has, to a significant extent, progressed alongside Rafael's activities, and the Company considers its operations an important driver of economic and industrial growth, particularly in northern Israel.

Rafael also seeks to ensure that its suppliers' conduct reflects the values it promotes, including labor rights, environmental protection and business ethics.

Our numbers for 2025

78%
of total procurement sourced locally

46%
procurement sourced from peripheral regions

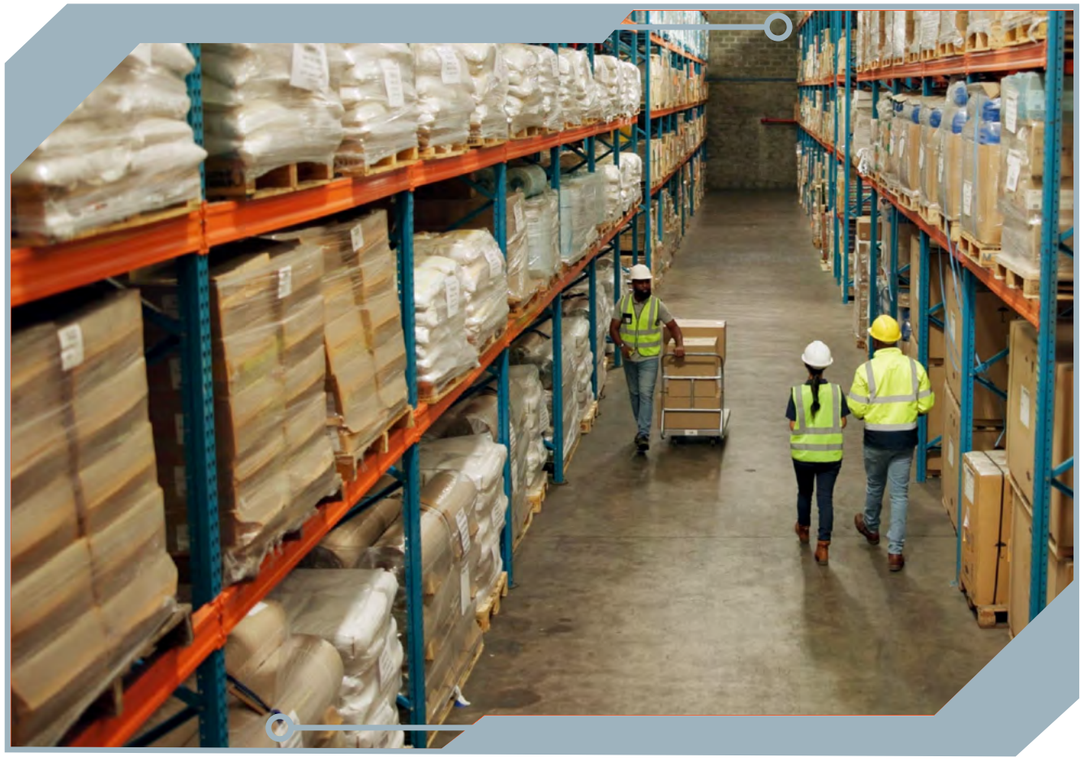
85%
local suppliers

2,100
active suppliers

Approximately
60,000
orders

More than 114,000
questions and inquiries submitted through the Supplier Portal in 2025

Approximately
NIS 10B
the Operations Division surpassed a supply volume for the first time, during the reporting year

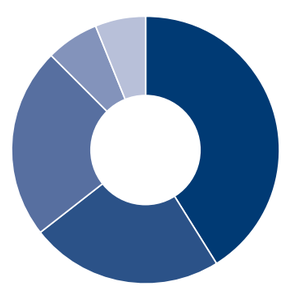


The Company encourages suppliers and contractors to maintain environmental management systems and requires them to take all reasonable measures to prevent environmental pollution and to use environmentally friendly packaging and supporting materials. Suppliers are also required to comply with the safety standards applicable to Rafael employees and are encouraged to implement EHS (Environment, Health and Safety) management systems. This is reinforced through safety appendices in contracts and through audits and inspections at suppliers' facilities.

During the reporting year, procurement activities totaled approximately 60,000 purchase orders with a total value of around NIS 11 billion, **supplies valued at approximately NIS 10 billion**, and approximately 70,000 quality assurance and inspection activities. Overall, approximately **2,100 suppliers** were active throughout the year, one-third of them located in northern Israel and accounted for approximately 43% of total project-related procurement.

Procurement orders from Israeli suppliers increased by 23%, distributed across the following categories:

- Mechanics and materials (39%
- Electronics (22%)
- Systems (22%)
- Computing (6%)
- Equipment (6%)



ESG Considerations as an Integral Part of Procurement

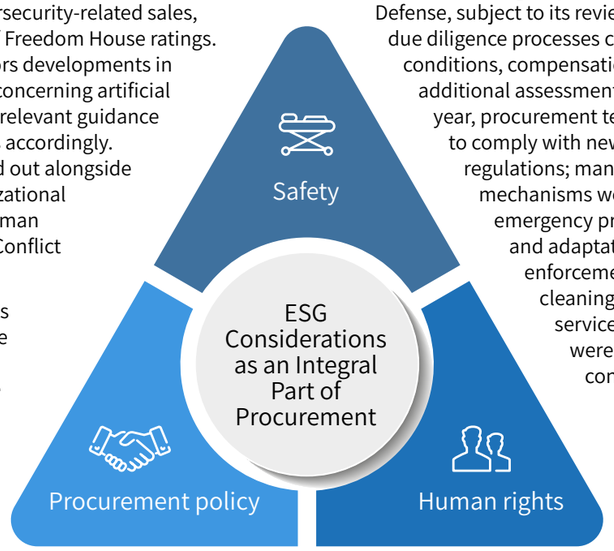
Rafael integrates **environmental considerations** at early stages of logistics and procurement planning. Incorporating environmental aspects into planning processes helps reduce transportation requirements as well as the consumption of raw materials, water, and energy. For example, where operational activities and infrastructure can be located closer to a production site, or even within the site itself, this alternative is preferred in order to reduce travel, truck usage, transportation of hazardous materials, and associated logistical risks.

In the area of **safety**, a dedicated Rafael committee monitors safety violations, accidents and near-miss incidents involving contractors. Contractor employees are required to report such incidents in the same manner as Rafael employees. The committee analyzes incidents and is authorized to impose sanctions according to their severity, ranging from warnings to financial penalties (which are redirected to reward outstanding contractor employees) and up to work stoppages. In the event of a safety violation or incident, a contractor representative is required to present the details before the committee, which then determines the necessary measures. In addition, for new construction projects, contractors' workplace safety records are reviewed to verify compliance with required safety standards.

With regards to **human rights**, Rafael conducts review processes for cybersecurity-related sales, including consideration of Freedom House ratings. The Company also monitors developments in international regulations concerning artificial intelligence and develops relevant guidance for its development teams accordingly. These activities are carried out alongside implementation of organizational policies regarding Anti-Human Trafficking & Slavery and Conflict Minerals.

In accordance with Rafael's engagement terms, service providers are required to comply with all applicable legal requirements relating to the social and employment rights of employees engaged in providing services to Rafael. In addition, Rafael operates in accordance with the Israeli Law for Increased Enforcement of Labor Laws, 2011, and maintains ongoing monitoring and oversight mechanisms to safeguard the rights of individuals employed through service contractors in the areas of catering, security, and cleaning. As part of these efforts, the Company verifies that such employees receive all entitlements required under applicable law, including social benefits, fair employment conditions, and lawful wages.

Rafael's **Procurement policy is presented to suppliers** as part of the request for information during the engagement process. Among other requirements, suppliers must obtain approval from the Defense Export Controls Agency within Israel's Ministry of Defense, subject to its reviews, and undergo Rafael due diligence processes concerning employment conditions, compensation, legal opinions, and additional assessments. During the reporting year, procurement terms were updated to comply with new privacy protection regulations; management and control mechanisms were expanded, including emergency preparedness measures and adaptations to enhanced enforcement regulations in cleaning, guarding, and security services; and relevant clauses were incorporated into contractual agreements.

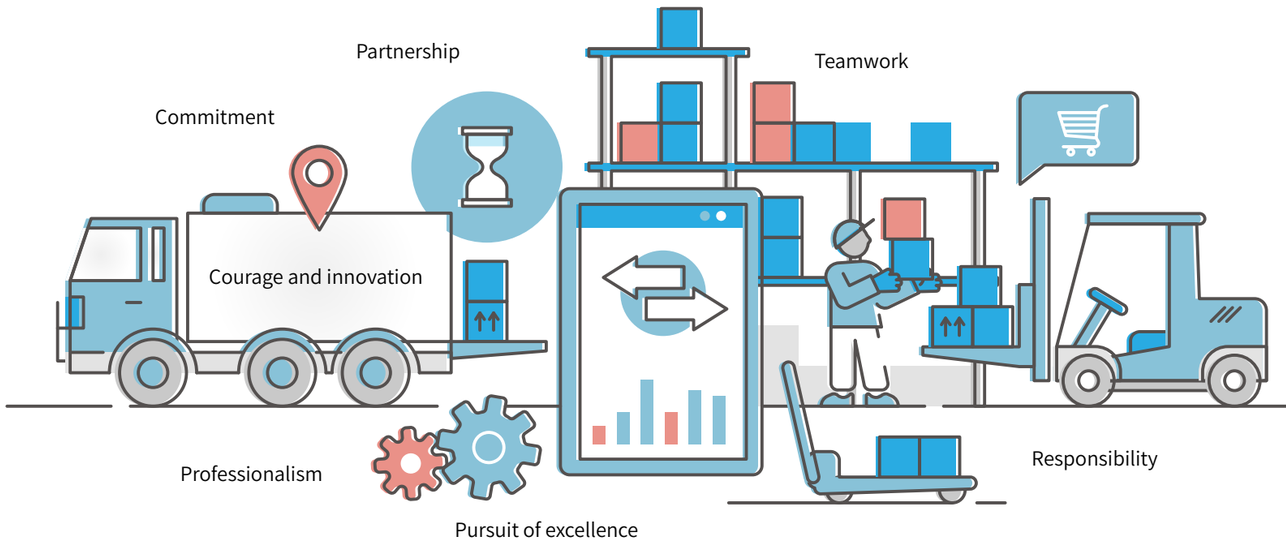


Strategy and Values

Rafael's procurement strategy is centered on several key objectives: delivering optimal service to customers, developing human capital, strengthening the organizational structure, improving processes and operational efficiency, and promoting professional excellence. The strategy also incorporates periodic SWOT (Strengths, Weaknesses, Opportunities, and Threats) analyses, with work plans updated accordingly. Its implementation is continuously reviewed over time to ensure that procurement activities remain aligned with the Company's strategic goals and objectives.

The procurement organization's core values are professionalism, commitment, responsibility, and the pursuit of excellence; partnership through courteous, reliable, timely, and high-quality service; teamwork based on trust, openness, a positive atmosphere, and cooperation to maximize individual and departmental potential; courage and innovation; and the creation and development of more effective processes, methods, services, and products that align with market conditions and organizational culture.

The procurement organization's core values



A Supply Chain that Supports Time-to-Market

The rapid transition from development to production is one of Rafael's key competitive advantages.

Achieving this capability requires not only technological innovation but also the ability to manufacture, deliver, and provide ongoing support after delivery. The ability to meet volume requirements, delivery schedules, and customer expectations forms part of Rafael's competitive edge and depends on a strong and flexible global supply chain.

Rafael's continued growth requires the ongoing development, strengthening, and diversification of its supply chains, while ensuring that suppliers and subcontractors have the capacity to grow alongside the Company over the long term. The Company regularly updates suppliers regarding its multi-year work plans, enabling them to prepare in advance for anticipated increases in demand. **The supply chain is therefore considered a strategic component in supporting Rafael's growth** and operational capabilities.

Supply Chain Management

The **Operations Division** is responsible for all supply activities within Rafael, including production, procurement, manufacturing subsidiaries, subcontractors, logistics infrastructure, and preparation for future growth.

The mission of the Operations Division is to serve as a leading, efficient, and innovative organizational function, responsible for defining policy and implementing project-based operational and logistics processes throughout Rafael while supporting an effective and responsive supply chain. Its activities focus on standardizing and simplifying cross-organizational processes, promoting innovation and operational efficiency, and strengthening Rafael's competitive advantage.

The Operations Division includes four main directorates:

- **Infrastructures and Logistics Directorate (MATAL)**: Responsible for the promotion and management of Rafael's infrastructure and logistics systems, including environmental protection, safety, licensing, maintenance and construction activities. These activities are carried out through professional, coordinated, and controlled operations that meet the Company's evolving needs.
- **Production Directorate**: Responsible for the production and maintenance of advanced defense systems, with particular emphasis on integration processes, in accordance with operational requirements, technological developments, and the expectations of customers and business units.
- **Ofek Directorate**: Responsible for managing an effective supply chain that supports Rafael's business and operational strategy throughout the full lifecycle of systems and projects. The Directorate leads cross-organizational processes supporting project planning and execution.
- **Technologies, Information and Processes Directorate (MATCAM)**: Rafael's central IT organization, serving as a key enabler of the Company's business and professional objectives by providing optimal technological and process solutions to evolving organizational needs and challenges.

Rafael's Procurement Department operates as a professional and dynamic organizational function. It serves as a center of expertise responsible for planning, guidance, control, and execution. Procurement activities are founded on supplier development, human capital development, continuous analysis, and ongoing improvement of procurement processes.

Rafael's procurement activities are divided into two categories: project procurement, operating within the Ofek Directorate of the Operations Division, and administrative procurement, operating within the Operations Division. Both are carried out in accordance with Israel's Mandatory Tenders Law and the Company's procurement procedures, with the involvement of requesting units, tender committees, finance representatives, legal advisors, and other stakeholders.

Project Procurement

Project procurement is designed to support project needs and enable delivery within the shortest possible timeframe, while meeting established quality standards and target costs, thereby contributing to the Company's profitability and overall business objectives, all while maintaining the highest professional standards.

Project procurement is managed by the Ofek Directorate within the Operations Division, which consolidates all supply chain organizations under a single framework. This structure supports the development and consolidation of professional knowledge and expertise, enhances coordination across supply chain activities, facilitates resource sharing and prioritization in accordance with project requirements, and enables long-term planning, while contributing to shorter time-to-market.

Project procurement activities include procurement related to electronics, mechanics, strategic suppliers, subsidiaries, and U.S.-based companies, among other areas. Its mission is to function as a professional and dynamic organization serving as a center of expertise for planning, guidance, control, and execution of procurement activities. Emphasis is placed on developing both suppliers and human capital, alongside continuous process optimization, to ensure compliance with customer requirements regarding schedules, quality, and target costs.

The Ofek Directorate integrates three supply chains, each aligned with a business division: Air Defense, Air & Intelligence, and Sea & Land. During the reporting year, the Ofek Directorate successfully achieved its supply target of approximately NIS 10 billion.

Administrative Procurement

Administrative procurement encompasses general procurement activities that are not associated with a specific project. Managed by the Operations Department, this function specializes in indirect procurement in the fields of services, infrastructure, construction, catering, and equipment, totaling approximately NIS 2.6 billion annually.

Rafael's Administrative procurement activities are managed according to a 360° Strategic Procurement approach, serving as a business partner involved from the stage of defining the need and evaluating appropriate solutions through to management of the commercial process. This approach combines data-driven management, benchmarking, performance indicators, and control tools, alongside the ongoing management of suppliers and engagements. The objective is to maximize economies of scale, preserve value throughout the lifecycle of engagements, and generate economic value for the Company.

Buyers and Contract Managers

Procurement professionals at Rafael receive training from the entities responsible for one of the two procurement types, according to the specific needs of each buyer and the unit to which they belong. In most cases, within three to six months of joining the Company, buyers take a certification examination in which they are required to propose solutions to various scenarios.

Professional development continues after certification through an annual program focusing on processes, systems, and the skills required to foster a service-oriented mindset and partnership approach. The program was designed in an innovative format of digital "learning capsules", based on accumulated organizational knowledge. The Project Procurement organization, in cooperation with the Training Campus, developed an onboarding kit for procurement professionals containing essential procurement and technology training materials delivered through presentations, animated videos, and recorded content.



Automation, Algorithms, Data, and AI in Procurement Processes

To reduce workloads among buyers and other organizational stakeholders, particularly in repetitive, technical, or manual processes, Rafael is implementing automation and artificial intelligence tools across its procurement organization. The integration of these technologies enables continuous operations, higher processing rates, improved accuracy, savings in production space, reduced waste, and lower consumption of raw materials.

In 2025, a dedicated module was established for managing hundreds of framework agreements with an aggregate value of billions of shekels, based on a data-driven lifecycle management approach. The module is integrated into a management dashboard that enables end-to-end monitoring of agreements, including processing times, activity status, and budget utilization at the order level. This enhances transparency and control, improves decision-making quality, and maximizes value throughout the contract lifecycle.

During the reporting period, the use of AI tools in routine work processes was also expanded. All procurement personnel underwent basic AI training, while the integration of AI applications into procurement processes is being advanced to support information analysis, process improvement, and decision-making. AI applications are expected to support predictive maintenance, improve decision-making efficiency, reduce food waste, optimize inventory planning, and enhance operational efficiency. Within procurement, significant potential lies in systems that identify similar items and suppliers with overlapping technological capabilities, thereby expanding the pool of suppliers invited to submit quotations. This approach can also support the preservation and accessibility of historical knowledge, reduce repetitive inquiries, refresh and expand the supplier base, and support the principle of equal opportunity among suppliers.

One automated service already implemented within the procurement organization is the automatic order increase feature. When additional quantities are required, the supplier submits a request through the Supplier Portal, and the system handles all associated requirements, including approvals, discounts where applicable, timeline adjustments, signatures, and controls. As a result, purchase orders are updated without buyer intervention and continue through internal approval and control processes in accordance with procedures and regulatory requirements. This process saves time, shortens response times, and standardizes interactions with suppliers.

At the time of writing, a pilot AI system is being advanced to analyze open purchase orders and predict orders likely to be delayed. The system incorporates parameters related to the order, supplier, past performance, and other factors, enabling preventive and focused intervention before delays occur. In addition, an AI-based intelligent supplier Q&A mechanism is being developed, and the potential implementation of a chatbot in the Supplier Portal is being evaluated to serve as a first-response channel. Given that more than 100,000 supplier inquiries and questions are submitted annually through the portal, automated responses to some of these inquiries could reduce operational workload, improve response times, and enhance the supplier user experience.

To establish a common language and uniform baseline knowledge, all procurement employees completed a foundational AI course by CampusIL. Internal training and learning programs are also conducted to develop AI agents and work-supporting tools.



Ethics and Strengthening Supplier Relationships

As part of Rafael's corporate responsibility framework, all procurement personnel are expected to conduct their activities ethically and in accordance with principles of honesty, integrity, good faith, impartiality, and strict protection of commercial confidentiality. Procurement activities and the associated financial and business commitments require all involved parties to adhere rigorously to procedures and principles of proper governance, with particular emphasis on integrity and ethical conduct.

Furthermore, as a government-owned company, Rafael operates in accordance with the Mandatory Tenders Law and the Defense Establishment Procurement Regulations, under which any deviation is permitted only under conditions and exemptions defined by the regulations. The Company is Committed to providing suppliers with equal opportunities to participate and succeed in tenders.

Rafael allocates significant resources to developing suppliers and strengthening the local industrial ecosystem. These investments may include supplier certification, equipment support, and capability development. Investment decisions are informed by the Company's multi-year plans and anticipated strategic needs, with consideration given to the technologies, capabilities, and services that will be required in the future. Through this approach, Rafael seeks to leverage its position as a major customer not only to achieve cost efficiencies, but also to develop and strengthen suppliers and foster long-term relationships based on mutual trust.

The Company seeks to maintain a strong supplier base comprising suppliers that meet Rafael's quality and certification requirements; possess capabilities and technologies that support production and development requirements; demonstrate financial resilience ensuring stability and continuity; remain competitive in pricing, delivery schedules, and service levels; and comply with all applicable regulatory requirements in Israel and, where relevant, in other countries in which Rafael operates.

Through a dedicated function within the Ofek Directorate, Rafael certifies and rates suppliers by conducting audits and measuring performance against various criteria. The Company also seeks, where appropriate, to establish turnkey engagements, under which the manufacturer assumes full and comprehensive responsibility for an entire assembly and all of its components.

Rafael manages its relationships with more than 4,400 suppliers in Israel and abroad primarily through a **Supplier Portal** that includes effective modules for quality management, tagging, convenient communication channels, SLA monitoring, and more. The portal and additional digital systems contribute to enhanced transparency, accessibility, and communication. During the reporting year, more than 114,000 questions and requests were submitted through the portal.

From time to time, Rafael holds a **Procurement Management Review (PMR) meeting** with suppliers. These reviews cover issues related to labor rights, environmental quality (including compliance with Israeli Standard 14000), Israeli Standard 10000, business ethics, business continuity during crises, and community involvement. The PMR serves as a broader management dialogue and relationship-building platform with suppliers. Suppliers are also requested to present a self-assessment SWOT analysis. Each PMR includes an ESG slide covering employee rights, IS 10000 compliance, safety and occupational health, community involvement, and related topics, which suppliers must complete. For major suppliers, Rafael has initiated a Quarterly Business Review (QBR) process focusing on business, financial, quality, and operational performance. Its purpose is to maintain alignment of expectations, provide suppliers with Rafael's perspective on their performance, and allow suppliers to share their experience of working with Rafael.

Among dozens of Rafael's **mechanical** suppliers, a supplier community has been established, holding quarterly virtual meetings for updates, discussions, market insights, and coordinated messaging from the Company. Educational content is also presented during these meetings. The most recent meeting featured a lecture on Game Theory. In the **electronics** sector, a process has begun for distributing quarterly performance

reports to key suppliers directly to their CEOs and owners, reducing the risk of communication distortions and fostering more direct and transparent dialogue.

At the end of each calendar year, as a recognition of excellence and encouragement of high performance, **suppliers designated as outstanding performers** (scores of 90 or higher in the On-Time Delivery category) **receive recognition** and are rewarded through reimbursement of delay penalties paid during the year. As part of efforts to strengthen collaboration throughout the supply chain, Rafael periodically holds large-scale **supplier conferences**. These events serve to strengthen relationships, share information and knowledge, and deepen dialogue. In 2025, these activities were expanded through dedicated conferences for subsidiaries, mechanical suppliers, and electronics suppliers.

Through **ongoing dialogue** with suppliers, Rafael identifies and addresses issues affecting supplier relationships, including payment terms, financing challenges, process delays, and challenges encountered by international suppliers. During 2025, efforts were made to streamline processes and reduce payment-related delays. As an additional step to improve supplier service and prevent unnecessary transportation and deliveries, reduce traffic congestion at company sites, and save time and resources, Rafael established a Supply Delivery Coordination System. Through this system, suppliers reserve delivery time slots in advance and benefit from expedited handling upon arrival, supported by appropriate preparation of receiving and warehouse operations.



Supply Chain During Wartime

During Operation Rising Lion (the campaign against Iran in June 2025), Rafael established a dedicated procurement command center designed to ensure the continued functioning of the procurement organization, support suppliers, and coordinate ongoing activities with them. At the same time, a supply delivery coordination system for Rafael sites was advanced. Following lessons learned from the operation, this system was further enhanced and became a permanent service available to suppliers during routine operations as well. It should be noted that during wartime and emergency situations, many of Rafael's suppliers, like Rafael itself, are classified as essential to the national economy. Indeed, since the outbreak of the Swords of Iron War, suppliers have mobilized in support of the increased operational requirements, in many cases while operating under challenging conditions and while employees were simultaneously called to military reserve duty. Their commitment was both inspiring and invaluable, making a contribution of critical importance to the Company's achievements, and consequently to those of the State of Israel, while ensuring business continuity.

Local Procurement as a Lever for Economic Resilience

In accordance with the Mandatory Tenders Regulations (Preference for Israeli Products) and the Company's procedures, and as part of its broader responsibility toward Israeli society and the local economy, Rafael gives preference to local procurement wherever feasible.

Particular emphasis is placed on procurement from businesses located in peripheral regions and from businesses that promote the employment of underrepresented populations. Procurement from international suppliers is undertaken where no suitable local alternative is available, where specific technological or operational requirements necessitate sourcing from abroad, where offset procurement obligations apply, or where procurement is financed through U.S. Foreign Military Financing (FMF) funds.

In 2025, local procurement totaled approximately NIS 10.738 billion, representing 78% of Rafael's total procurement volume. Local suppliers accounted for 85% of all suppliers, of which 46% were located north of Hadera or south of Gedera, underscoring Rafael's contribution to economic growth and resilience in Israel's peripheral regions.

(Procurement volumes (NIS million	2021	2022	2023	2024	2025
(Project procurement (local	2,797	4,470	5,645	7,536	8,152
(Project procurement (foreign	2,706	2,204	1,563	3,496	3,010
Total project procurement	**5,503**	**6,674**	**7,208**	**11,032**	**11,162**
(Administrative procurement (local	1,007	1,112	1,947	1,802	2,586
(Administrative procurement (foreign	72	56	20	15	36
Total administrative procurement	**1,080**	**1,168**	**1,967**	**1,817**	**2,622**
Total procurement	**6,583**	**7,842**	**9,175**	**12,849**	**13,784**
Ratio of local procurement to total procurement	**58%**	**71%**	**83%**	**73%**	**78%**

Through its commitment to Blue-and-White (Israeli) procurement, Rafael supports the preservation of Israel's industrial capabilities and national industrial independence. At the same time, it provides job security and high-quality employment for tens of thousands of Israelis, both directly and indirectly, while supporting the livelihoods of thousands of households in northern Israel. Rafael views the development of the economy in northern Israel, and in Israel's peripheral regions more broadly, as an important aspect of its broader social and economic impact. Accordingly, through the establishment and expansion of development branches, warehouses, testing facilities, and operational sites in peripheral regions, Rafael makes a valuable contribution to regional development. In return, the Company benefits from access to a highly skilled workforce distributed across a broad geographic area, while also strengthening operational continuity.

To strengthen its engagement with local industry and improve accessibility for Israeli suppliers, Rafael's procurement organization maintains continuous engagement with the Manufacturers Association of Israel and the Industrial Cooperation Authority within the Ministry of Economy and Industry. The Company also works closely with MAFAT (the Directorate of Defense Research and Development) and other entities to identify and cultivate unique technologies so that they remain available within Israel. These efforts have become increasingly important in light of global supply chain challenges, as well as instances of a "silent embargo" on exports to Israel. The objective is to strengthen local industrial capabilities as part of national resilience and to preserve business continuity and operational independence even under external constraints.

From Company to Community: Rafael's Community Outreach

Alongside its critical participation in the security of the State of Israel and its contribution to the economy, Rafael is deeply engaged in social and community initiatives which it regards as an integral part of its long-term success. As the Company grows, it continues to expand its community engagement and pursue partnerships with local authorities and organizations in the areas where it operates and employs people.



Our numbers for 2025

100,000
hours of volunteering in the community

2,500
employees volunteering

53
community projects

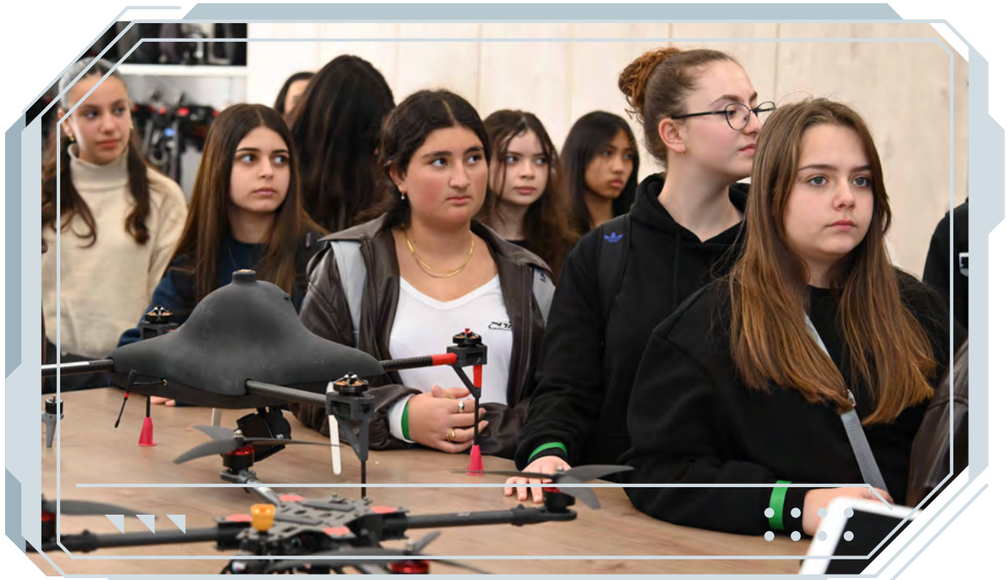
33
initiatives promoting scientific-technological education

18
initiatives encouraging technological studies among girls

16
partnerships with local authorities

2,000
students and graduates participate in Rafael community programs each year

NIS 202,500
in scholarships for outstanding students from northern communities in Israel each year



Rafael's social activity is guided by the aspiration to create significant and lasting impact that changes reality, rather than one-time benefits. Therefore, similar to all other projects at Rafael, every initiative in this field is implemented through deep consideration, careful planning, close management, and ongoing evaluation of metrics against the objectives that have been set.

For Rafael, commitment to the community is not viewed as a peripheral activity, but rather as an inseparable part of its social responsibility and its impact on Israeli society. For this reason, even the years of war did not halt the activity, with most initiatives adapted to the evolving circumstances. Rafael is proud that, despite organizational changes and the state of emergency, its achievements in this field were not only maintained but further strengthened.

Volunteering is deeply embedded in Rafael's organizational culture, with many initiatives originating from employees and divisions across the Company.

At the end of 2025, Rafael employees were involved in
53 Company-supported volunteer projects
benefiting from resources, professional guidance, and a logistical support framework.

Management and leadership

The social and community activity at Rafael is managed as a structured organizational process that includes planning, oversight, and continuous learning. Each year, the overall program is presented to the Company's Management and Board of Directors, and the business divisions report on their progress as part of annual reviews. Initiatives are periodically assessed for their relevance, achievement of defined objectives, and ability to generate lasting value for both the community and employee volunteers.

The activities are led by the **ESG Department**, which establishes the guiding principles and monitors both the short and long-term impact. The Department is supported by a dedicated **Community Relations Steering Committee**, established specifically for this purpose with the participation of division heads and managers of the administrative departments.

The **Community Relations Action Team** operates under the Steering Committee and comprises managers from across Rafael's divisions. The team initiates, plans, and implements community activities at the divisional level. Within the divisions themselves, teams are also established to support these activities alongside their regular responsibilities, under the leadership of a **Community Relations Manager**.

The operating model is based on three key principles:

- **Sphere of impact** – Activities focus on promoting socio-economic development in communities surrounding Rafael's facilities and areas where many of the Company's employees live, with an emphasis on continuous and long-term impact, and strengthening employees' connection to their communities.
- **Nature of the activity** – A key focus is on promoting technological education, with 33 projects representing 62% of all community initiatives and engaging diverse groups of young people, also as part of investment in future talent pools. In addition, the Company also supports vulnerable populations, children and adults with disabilities, and initiatives dedicated to preserving Holocaust remembrance.
- **Community partnership** – Municipal and regional leaders are an inseparable part of planning and implementing community initiatives. With their assistance, and without intermediaries, it is possible to identify real needs in the field in real time and develop relevant responses. This approach reflects Rafael's commitment to working with communities as partners, fostering meaningful and lasting relationships.





In line with its community engagement goals, Rafael prioritizes **deep, long-term partnerships** over short-term initiatives. Accordingly, the primary collaborations are with authorities and organizations Committed to advancing community development and empowerment.

Experience demonstrates that project success depends largely on **the quality of the local partner**. Accordingly, extensive preparatory work is conducted before launching new initiatives, prioritizing partnerships with the potential for long-term impact and the ability of all parties to maintain activities over the long term.

To support long-term impact, Rafael conducts **measurement and learning** for its core community programs. Throughout the year, pulse surveys and feedback are collected from program participants and local stakeholders in order to assess the quality of implementation, satisfaction, and the perceived value of the activity.

In addition, the Community Relations Team conducts ongoing monitoring of project performance and examines the extent of progress against predefined objectives. This approach enables the identification of opportunities for improvement, the implementation of adjustments where necessary, and ensuring that the programs continue to be relevant, effective, and valuable for the communities they serve.

Technological education: from core business to social impact

Rafael believes that meaningful social impact is achieved by leveraging its core expertise. As a leading technology company, Rafael therefore focuses much of its educational activity on promoting technological education.

Through its long-standing programs, Rafael supports students in technological study tracks, exposes them to the worlds of engineering, and encourages curiosity and interest in technology. This serves as a valuable set of tools and skills both for the students themselves and for Israel's industry. These activities also help promote equal opportunities and reduce disparities between girls and boys, Israel's peripheral and central regions, and diverse population groups.

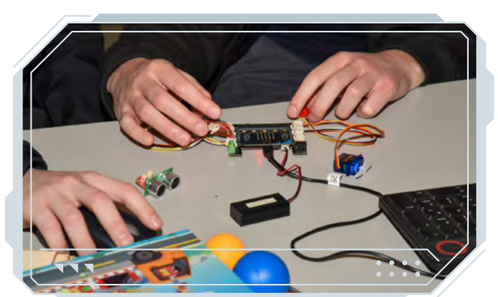
Most of Rafael's educational initiatives are based on the engineering and technological expertise of the Company's employees, including engineers, developers, and cyber experts, who accompany the programs, participate in hackathons, mentor students, and enable the next generation to gain hands-on experience with real-world technological challenges.

During the reporting period, Rafael expanded its activities in communities along the confrontation line, including Shlomi and the Ma'ale Yosef Regional Council. This was carried out through necessary adaptations to the changing reality in the communities during the war, while providing tailored responses to the unique needs of students and communities. Dedicated emergency programs were developed to ensure the continuity of the educational projects.

At the same time, educational activity in Druze communities in northern Israel continued and expanded. Within this framework, high school students acquire AI skills, compete in operating robots and drones, and gain exposure to technological and scientific fields. During the year, three new technological programs were launched in Peki'in, Julis, and Yarka.

These partnerships with local communities and educational institutions reflect Rafael's broader commitment to technological education and to increasing the inclusion of the Druze community as part of its diversity initiatives.

Rafael continued its scholarship program for outstanding students in technological study tracks in northern Israel.



In 2025, 132 students from 50 schools across 28 communities received scholarships totaling NIS 202,500.

In addition to the financial grant, the scholarship program, in which 30 employees volunteer as interviewers and mentors, provides students with broader exposure to technological fields and opportunities.

Rafael's next generation

The Rafael Next Generation (RNG) initiative was established in response to the ongoing shortage of employees, and particularly female employees, in engineering and technological professions in peripheral communities. It seeks to address this challenge by encouraging 9th grade pre-high school girls to choose scientific and technological studies, with the hope of increasing the likelihood that they will subsequently enroll in scientific faculties in academia, from which the path to female leadership positions in industry in general and at Rafael in particular is considerably shorter.

In the 9th grade, as they approach the selection of their high-school study track, the girls meet women engineers and scientists from Rafael who serve as their mentors. They hear their personal stories, learn about the paths they have taken, and gain insight into the choices they made. In most cases, they also participate in exposure tours to Rafael's technologies and scientific work environment.

In 2025, approximately 700 female students identified by educational institutions participated in the RNG program. They met with approximately 70 volunteer female and male engineers from Rafael. The program currently operates in 34 schools across 11 local authoritie in northern Israel.



Summer semester in Haifa

A unique program developed together with the Excellence Unit of the Education Administration in Haifa, whose purpose is to advance students from the city's technological track. Students meet with Rafael engineers during the summer break (generally between grades 8 and 9) for a week of significant and experiential technological exposure.

The participants engage in complex engineering challenges drawn from the worlds of AI, mechanics, and other technological fields, and work in teams to develop creative solutions. The program culminates in a final competition, in which the participants' solutions and achievements are evaluated.

In 2025, 120 students participated in the technological summer camp in Haifa, accompanied by 30 Rafael engineers and a professional logistics team. It should be noted that the program continued throughout the war, with the necessary adaptations, and during the reporting period returned to its original format, including visits to Rafael's facilities.

Magshimim Cyber and Magshimim+

The Magshimim program, operated by the Rashi Foundation, strives to integrate outstanding youth from Israel's social and geographic periphery into elite Intelligence and Cyber Directorate units of the Israel Defense Forces, which can provide a gateway to high-tech careers and greater social mobility.

Within the framework of the program, high-school students receive reinforcement, enrichment, and training in software engineering and cyber disciplines, while accumulating knowledge, work methodologies, and practical experience. Approximately 20 Rafael employees participate in the initiative as mentors alongside partners from the industry. Outstanding participants are integrated into Rafael's Development Division and the Company's Cyber Operations Center before their military service.

As part of the broader program, Rafael runs Magshimim+, an intensive week-long bootcamp for outstanding 12th graders from the original initiative. The students gain practical experience in data, encryption, web and mobile development, while also strengthening their independent research and problem-solving skills.



"Brothers for Life"

The Brothers for Life Association, which supports IDF wounded, significantly expanded the scope of its activities and fundraising efforts, and required professional expertise in areas such as management, procurement, finance, ethics, and segregation of duties. In response, Rafael conducted a three-day professional mentoring program for the association focused on procurement. The program included visits to production lines, workshops with category managers, and meetings with managers and heads of staff units. The program was conducted on a voluntary basis, reflecting Rafael's commitment to sharing its professional knowledge and expertise to support the Association's important work, and help strengthen its management and procurement infrastructure.

Assistance to IDF wounded and people with disabilities

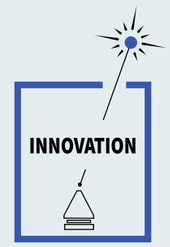
Rafael leverages its technological expertise and strengths to create unique impact for IDF wounded and people with disabilities, helping address everyday needs and improve quality of life, with the potential to transform lives for both individuals and society as a whole.

During the war, as the number of injuries among combat soldiers increased, this activity was expanded even further. Rafael operates a workshop for the design and production of assistive devices. Approximately 20 retired employees contribute their technological knowledge and experience from their careers in service of this important purpose.

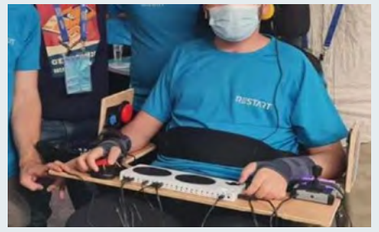
During 2025, Rafael also undertook extensive efforts to integrate IDF wounded into its workforce, as described in the Diversity and Inclusion section of this report.

Makers for Heroes

This inspiring project, led by the Restart Association, brings together multidisciplinary teams of "makers" – engineers, physicians, designers, and programmers, possessing creative capabilities from some of the leading companies in the industry – around the design of technological solutions for the wounded and injured. Throughout the year, several key events are held and proposals are developed, from which complex solutions are selected for implementation by units within Rafael. Through this initiative, the Company harnesses innovation and technological expertise for the development of devices that will facilitate the functioning and improve the daily lives of IDF wounded and disabled.



Since the outbreak of the war, the association has expanded its activities to hospitals and rehabilitation centers, establishing dedicated "maker" stations equipped with 3D printers and scanners. These facilities have enabled the rapid development of tailored solutions for dozens of fighters who were wounded in the war, including customized carrying solutions for amputees, through smart control systems for wheelchairs, and specialized sports accessories.





Volunteering that promotes resilience

Another pillar of Rafael's ongoing social and community engagement focuses on **supporting at-risk youth and adults**. This is achieved through frameworks that provide them with life skills and a basic technological background, while accompanying them on their path toward integration into society. These activities are carried out primarily in youth villages and through social programs operated by local authorities.

Moreover, as part of its essence and primary mission serving as a central pillar in Israel's security, Rafael finds profound meaning in Holocaust remembrance and the transition from Holocaust to national revival, reinforcing the message of "Never Again". Rafael employees volunteer at day centers for Holocaust survivors, assist in documenting their life stories, lead social activities, and provide support with everyday technological needs. The Company also supports the Ghetto Fighters' House Museum in the Western Galilee, where employees assist the museum staff in addressing various technological challenges, including archival documentation. Each year, the Company sends a delegation to Poland, as part of an educational program that includes preparation and follow-up activities led by a Holocaust survivor. Upon returning, members of the delegation volunteer in support of Holocaust survivors.

As part of their volunteer activities, Rafael employees also contribute to national and social resilience by volunteering with emergency response organizations, with **approximately 50 paramedics and first responders volunteering with Magen David Adom (MDA), 40 volunteers serving in the Traffic Police, and 22 mental health support volunteers serving with ERAN (Emotional First Aid).** Rafael's partnership with ERAN has continued for a decade and includes extensive guidance, training and support for employee volunteers. For this purpose, the Karmiel branch adopts Rafael volunteers. Each volunteer completes three shifts per month and handles an average of 10 calls per shift, providing **support in approximately 350 calls per year.**

Rafael's contribution to social resilience is also reflected in its commitment to **employing individuals from populations underrepresented in the labor market**; its preference for **procurement from external suppliers** for any service, product, or process that is not part of its core business activities; and its clear **prioritization of local procurement, particularly from Israel's peripheral regions** and from businesses that promote the employment of underrepresented populations. Further information on these activities can be found in the sections of this report addressing responsible supply chain management and diverse and inclusive employment.

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Collaborations with academia

Rafael further contributes to Israel’s technological and industrial ecosystem and to Israeli society through academic research and extensive collaboration with academic institutions.

Dozens of Rafael employees serve as adjunct lecturers in courses at universities across Israel, sharing their knowledge and expertise with the next generation of engineers across a wide range of disciplines. In many cases, these positions are not funded by the academic institutions, and Rafael bears the associated employment costs. This direct engagement also provides students with greater exposure to Rafael and its experts as a channel for future employment with the Company.

In addition, Rafael provides approximately NIS 2 million annually to support academic research in fields including aeronautics, materials engineering, electro-optical components, AI, and cyber. The outcomes of this research contribute to the Company’s development processes, creating a mutually beneficial exchange of knowledge between academia and industry.

Rafael also engages academic experts as consultants and makes use of academic laboratory facilities, enabling the Company to benefit from the knowledge and expertise of Israel’s academic and research community. At the same time, to encourage continuous learning and the integration of innovative capabilities, a dedicated group of dozens of Rafael researchers devotes 20% of their working time to projects outside the Company, primarily in academia.



About the report

This is the tenth report reviewing the performance of Rafael Advanced Defense Systems Ltd. in the fields of Environmental, Social, and Governance (ESG) responsibility, and it addresses the Company's activities during 2025.

The report relates to Rafael's operations excluding its subsidiaries, and the data presented therein do not include Rafael's overseas representative offices (except for employee-related data). As part of its ESG commitment, Rafael publishes an annual report presenting its achievements in relevant areas, alongside multi-year trends, objectives, and developments.

The report was prepared with reference to the Global Reporting Initiative (GRI) and Sustainability Accounting Standards Board (SASB) guidelines and standards for the Aerospace & Defense sector. Due to rounding, percentages and figures presented in certain data tables may not sum precisely to 100% or to the totals presented.

The contact person for this report is Ms. Riki Maman, Corporate Responsibility Manager at Rafael. Questions and comments may be sent to rikim@Rafael.co.il.



5.

Indexes

GRI Index

Indicator number	Indicator name	Source	Location
The Organization and Its Reporting Practices			
2-1	Organizational details	ESG Report	16–22
2-2	Entities included in the organization's sustainability reporting	ESG Report	136
2-3	Reporting period, frequency and contact point	ESG Report	136
2-5	External assurance	ESG Report	No external assurance was performed
2-6	Activities, value chain and other business relationships	ESG Report	16–27, 116–125
2-7	Employees	ESG Report	80–83
Governance & Ethics			
2-9	Governance structure and composition	ESG Report	42–43
2-10	Nomination and selection of the highest governance body	ESG Report 2025 / Annual Report 2025	ESG Report: 42–43 Annual Report: Chapter 1, Restrictions and Supervision of Company Activities, Regulation 21, pp. 36–51
2-11	Chair of the highest governance body	Annual Report 2025	Chapter 1, Restrictions and Supervision of Company Activities, Regulation 21, p. 38
2-12	Role of the highest governance body in overseeing the management of impacts	ESG Report	31, 42–43
2-13	Delegation of responsibility for managing impacts	ESG Report	30–31, 42–43, 45, 62–63
2-14	Role of the highest governance body in sustainability reporting	ESG Report	30–31, 42–43
2-15	Conflicts of interest	ESG Report	44-45
2-16	Communication of critical concerns	ESG Report	30–31, 42–43, 62–63
2-17	Collective knowledge of the highest governance body	ESG Report	42-43
2-19	Remuneration policies	ESG Report 2025 / Annual Report 2025	ESG Report: 44 Annual Report: Chapter 2, Significant Accounting Policies, Note 3, p. 32
2-20	Process to determine remuneration	ESG Report 2025 / Annual Report 2025	ESG Report: 42-44 Annual Report: Chapter 2, Significant Accounting Policies, Note 3, p. 32

GRI Index

Indicator number	Indicator name	Source	Location
Strategy, Policies and Practices			
2-22	Statement on sustainable development strategy	ESG Report	6–9, 18–19, 30–31, 36–42
2-23	Policy commitments	ESG Report	38-39, 46-51
2-24	Embedding policy commitments	ESG Report	45–51, 116–119, 122-123
2-25	Processes to remediate negative impacts	ESG Report	48–51
2-26	Mechanisms for seeking advice and raising concerns	ESG Report	46–49
2-27	Compliance with laws and regulations	ESG Report / Annual Report 2025	ESG Report: 34-35, 46–51, 56-59 Annual Report: Restrictions and Supervision of Company Activities, Regulation 21, pp. 36–51
2-28	Membership associations	ESG Report	32-33
Stakeholder Engagement			
2-29	Approach to stakeholder engagement	ESG Report	34–35
Employment & OHS			
2-30	Collective labor agreements	ESG Report	84-85
Materiel Topics			
3-1	Process to determine material topics	ESG Report	36–37
3-2	List of material topics	ESG Report	36–39
Economic Performances			
201-1	Direct economic value generated and distributed	Annual report 2025	Chapter 2, Statements of Changes in Equity, pp. 12–13; Financial Statements, Note 26, pp. 68–71; Note 27, pp. 74–75
201-3	Defined benefit plan obligations and other retirement plans	Annual report 2025	Chapter 2, Financial Statements, Note 3, pp. 23–24; Note 19, p. 53
Indirect Economic Impacts			
203-2	Significant indirect economic impacts	ESG Report	14-24, 24, 27, 40–41, 116–135
Procurement Practices			
204-1	Proportion of spending on local suppliers	ESG Report	18–19, 40–41, 116–125

GRI Index

Indicator number	Indicator name	Source	Location
Anti-Corruption			
205-1	Operations assessed for risks related to corruption	ESG Report	46–51
205-2	Communication and training about anti-corruption policies and procedures	ESG Report	42–43, 46–51
205-3	Confirmed incidents of corruption and actions taken	ESG Report	46–51
Energy			
302-1	Energy consumption within the organization	ESG Report	66–69
302-3	Energy intensity	ESG Report	66–69
302-4	Reduction of energy consumption	ESG Report	66–69
Water and Effluent			
303-1	Interactions with water as a shared resource	ESG Report	62–63, 70–72
303-2	Management of water discharge-related impacts	ESG Report	62–63, 72–75
303-3	Water withdrawal	ESG Report	70–71
303-4	Water discharge	ESG Report	72–75
303-5	Water consumption	ESG Report	70–72
Biodiversity			
304-1	Operational sites owned, leased, managed in, or adjacent to protected areas and areas of high biodiversity value outside protected areas	ESG Report	68-71
304-3	Habitats protected or restored	ESG Report	68-71
Emissions			
305-1	Direct (Scope 1) GHG emissions	ESG Report	64–66
305-2	Energy indirect (Scope 2) GHG emissions	ESG Report	64–65
305-4	GHG emissions intensity	ESG Report	64–66
305-5	Reduction of GHG emissions	ESG Report	60–69
305-6	Emissions of ozone-depleting substances (ODS)	ESG Report	60–69
305-7	Nitrogen oxides (NOx), sulfur oxides (SOx), and other significant air emissions	ESG Report	68-69

GRI Index

Indicator number	Indicator name	Source	Location
Waste			
306-1	Waste generation and significant waste-related impacts	ESG Report	62–63, 69, 72–77
306-2	Management of significant waste-related impacts	ESG Report	62–63, 69, 72–77
306-3	Waste generated	ESG Report	72–77
306-4	Waste diverted from disposal	ESG Report	72–77
306-5	Waste directed to disposal	ESG Report	72–77
Employment			
401-1	New employee hires and employee turnover	ESG Report	80-81, 90–93, 96-97
401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	ESG Report	94–99
401-3	Parental leave	ESG Report	94–95
Occupational Health & Safety			
403-1	Occupational health and safety management system	ESG Report	104–107
403-2	Hazard identification, risk assessment and incident investigation	ESG Report	104–115
403-3	Occupational health services	ESG Report	110, 114–115
403-4	Worker participation, consultation and communication on occupational health and safety	ESG Report	104–115
403-5	Worker training on occupational health and safety	ESG Report	107–115
403-6	Promotion of worker health	ESG Report	114–115
403-9	Work-related injuries	ESG Report	111–114
Training & Education			
404-1	Average hours of training per year per employee	ESG Report	100-101
404-2	Programs for upgrading employee skills and transition assistance programs	ESG Report	96–103
404-3	Percentage of employees receiving regular performance and career development reviews	ESG Report	102-103

GRI Index

Indicator number	Indicator name	Source	Location
Diversity and Equal Opportunity			
405-1	Diversity of governance bodies and employees	ESG Report	43, 80–89
405-2	Ratio of basic salary and remuneration of women to men	ESG Report	88-89
Freedom of Association and Collective Bargaining			
407-1	Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	ESG Report	84-85
Local Communities			
413-1	Operations with local community engagement, impact assessments and development programs	ESG Report	124–135
Public Policy			
415-1	Political contributions	ESG Report	48-49
Customer Health and Safety			
416-1	Assessment of the health and safety impacts of product and service categories	ESG Report	52–59, 104–109
416-2	Incidents of non-compliance concerning the health and safety impacts of products and services	ESG Report	56–59
Customer Privacy			
418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	ESG Report	50–51

SASB Sector Level: Aerospace & Defense

Table 1. Sustainability Disclosure Topics & Accounting Metrics

TOPIC	ACCOUNTING METRIC	CATEGORY	UNIT OF MEASURE	CODE	RESPONSE
Energy Management	(1) Total energy consumed, (2) percentage grid electricity, (3) percentage renewable	Quantitative	Gigajoules (GJ), Percentage (%)	RT-AE-130a.1	ESG Report, pp. 66–69
Hazardous Waste Management	Amount of hazardous waste generated, percentage recycled	Quantitative	Metric tons (t), Percentage (%)	RT-AE-150a.1	ESG Report, pp. 72–77
	Number and aggregate quantity of reportable spills, quantity recovered	Quantitative	Number, Kilograms (kg)	RT-AE-150a.2	0
Data Security	(1) Number of data breaches, (2) percentage involving confidential information	Quantitative	Number, Percentage (%)	RT-AE-230a.1	ESG Report, pp. 50-51
	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, pp. 45–51, 58–59
Product Safety	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
Fuel Economy & Emissions in Use-Phase	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
Materials Sourcing	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
Business Ethics	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, pp. 46–51, 116–123

Table 2. Activity Metrics

TOPIC	ACCOUNTING METRIC	CATEGORY	UNIT OF MEASURE	CODE	RESPONSE
Activity Metrics	Production by reportable segment	Quantitative	Number	RT-AE-000.A	Annual Report 2025: Chapter 2, Financial Statements, pp. 9–15
	Number of employees	Quantitative	Number	RT-AE-000.B	ESG Report, pp. 80–83




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