

Sustainability Report

2023



ESG



COMMUNITY MEMBER

2023

Our Mission

Netivei Israel - National Transport Infrastructure Company leads infrastructure industry in Israel groundbreaking in public and smart transport solutions, drives an economic and social growth engine, for increasing productivity and improving the quality of life, enabling safe and highly available geographic occupational mobility for the entire population, in the periphery and in the center of the country.

Message from the Chairman of the Board and the Chief Executive Officer



The Corporate Responsibility Report for 2023 is an important element in the presentation and actual implementation of Netivei Israel's strategic vision. As Israel's national transport infrastructure company leading the development of the country's transport infrastructure, we are committed to spearheading the transition to a sustainable economy and serving as an example of excellence in the field of corporate responsibility.

The management and the Board of Directors consider corporate responsibility a cornerstone of the Company's business strategy. The year 2023 was challenging in general, and the last quarter in particular in view of the Iron Swords War. Last year we took significant steps to incorporate ESG considerations in the decision making processes, in the development of projects and in risk management. We acted to expand our investments in green infrastructures, in environmental innovation and in the development of human capital.

We are proud to see our company developing and growing, while maintaining a constant balance between development needs and environmental and social responsibilities. The Company's achievements in the field of corporate responsibility prove that it is possible to combine business excellence with a commitment to sustainable development.

We consider it our responsibility to lead the Israeli economy towards a future of modern and advanced infrastructures that are efficient and friendly both to road users and to the environment. In 2023 we continued to integrate sustainability principles at all levels of our activity, from planning through to execution, with emphasis on technological innovation and the advancement of green solutions.

The past year was significant for us in terms of corporate responsibility. We expanded our social involvement programs, deepened our commitment to reducing the carbon footprint of our infrastructure projects, increased transparency and strengthened the dialogue with our stakeholders, all while remaining financially robust and creating economic value for the Israeli economy.

We wish to express our deep appreciation to the Company's management, to all our employees and to our entire supply chain for their commitment to implementing our sustainability vision. Together we will continue to work towards a better future for Israeli society and for the coming generations.

On behalf of the management and the Board of Directors

Mr. Nissim Peretz

Director General

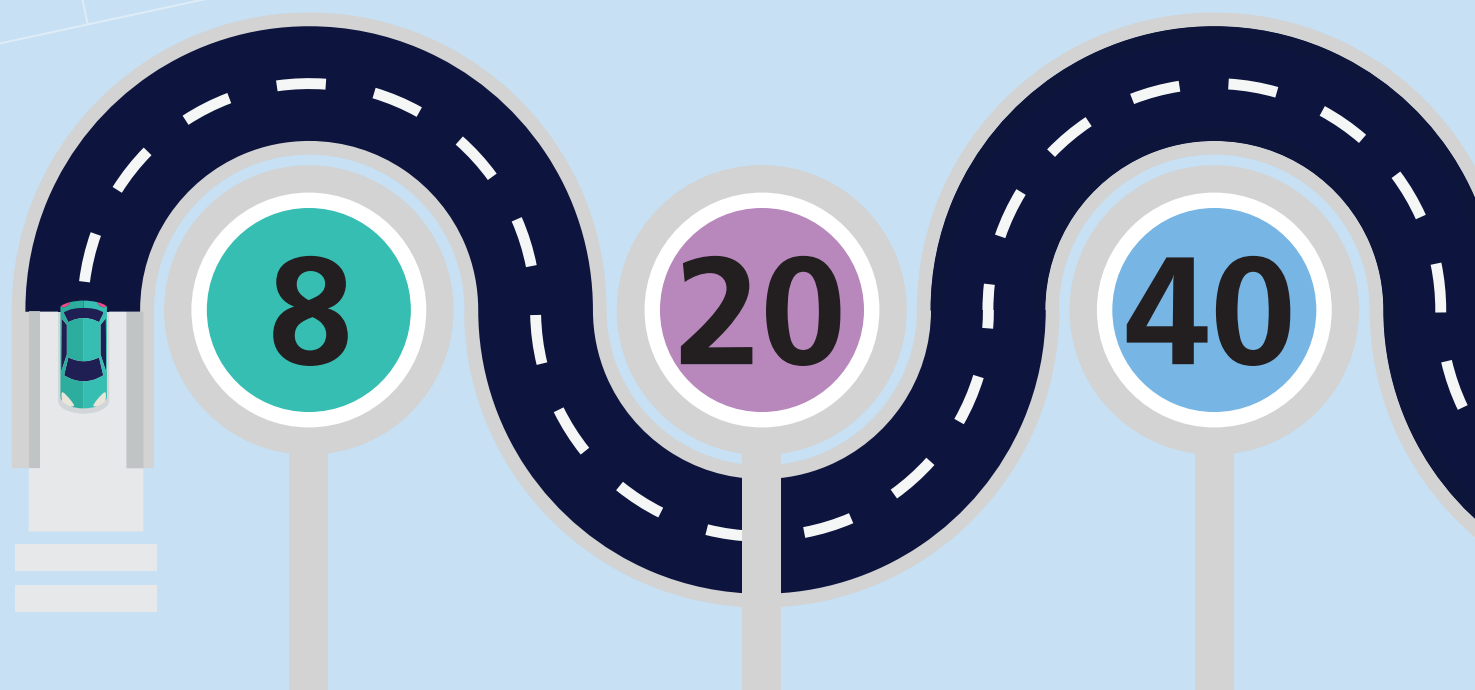


Mr. Yigal Amedi

Chairman of the Board of Directors



Table of Contents



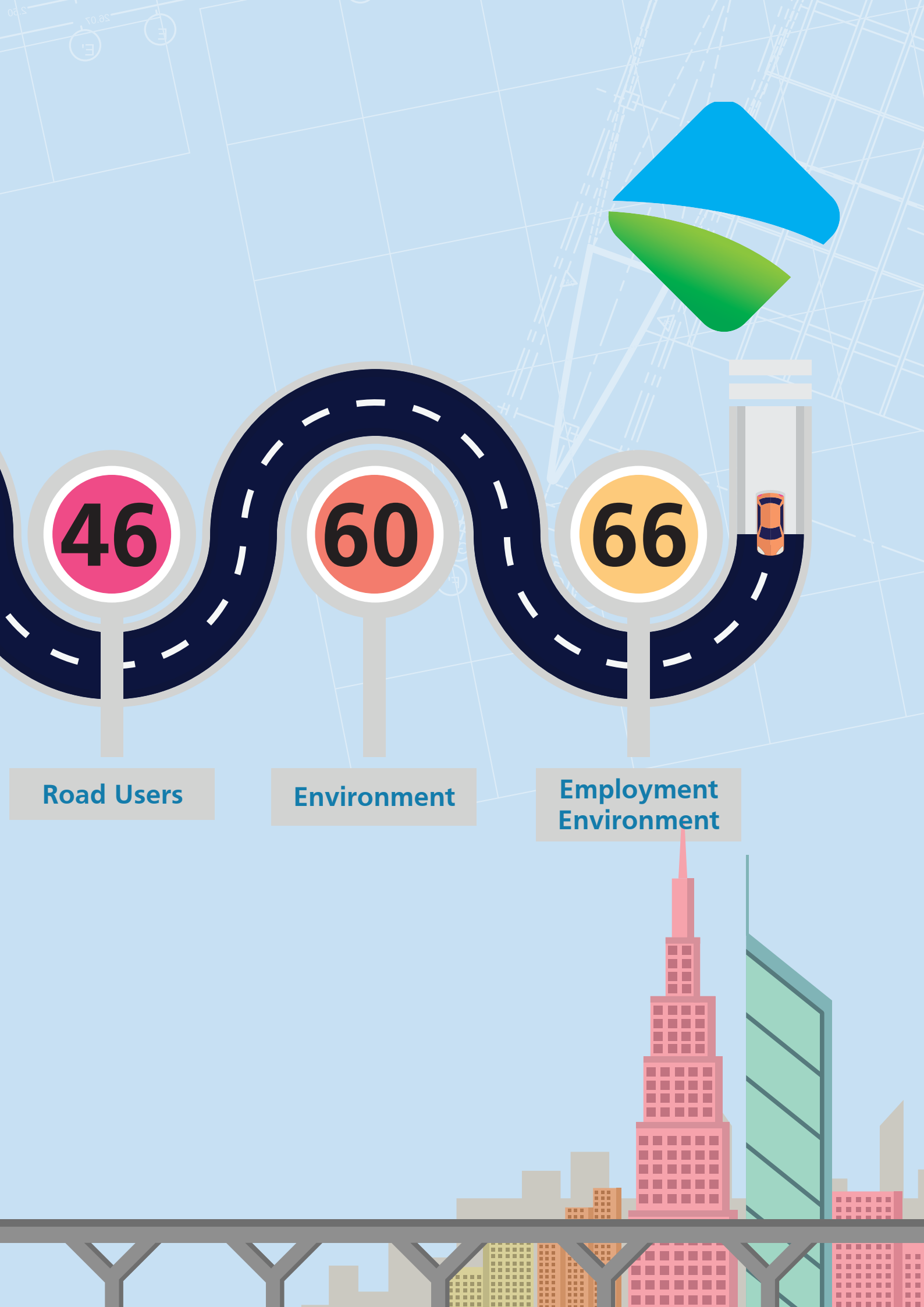
Management
of ESG and
Corporate
Responsibility

Responsible
Management

Supply Chain



מאה שנים של חיבור בין אנשים



46

Road Users

60

Environment

66

Employment
Environment

About the Report

Netivei Israel ESG Report for 2023

The current Corporate Responsibility Report is the ninth such report published by Netavei Israel – National Transport Infrastructure Company Ltd. The report reviews Netavei Israel's activities in 2023 in areas involving shared values of Netavei Israel and its stakeholders. These areas are an integral part of the Company's overall responsibility as a national government transport infrastructure company. The report provides an overview of the main activities carried out by the Company in 2023.

The report was approved by Netavei Israel's Board of Directors simultaneously with the approval of its financial statements in March 2024..

The report presents the Company's activities in the performance of a new materiality analysis that was carried out in 2023 with all its stakeholders, with a focus on the implementation of a multiannual plan in the field of corporate responsibility and sustainable development. This report is part of a set of periodic reports released by Netavei Israel to the public and does not supersede them. It includes a review of diverse processes and projects managed by outsourcing, which, in the opinion of Netavei Israel, involve aspects of corporate responsibility and sustainable development that are vital for the advancement of this field.

The information used in the preparation of the report was obtained from organizational information systems and other organizational sources in the different divisions and includes documents, procedures and written work processes as well as organizational data and information.

Netavei Israel expects that its future reports will present additional metrics, comparisons of relevant data and cumulative multiyear trends, based on a continuous process of learning within the organization and lessons drawn from the process of preparation and publishing of the reports, and – equally important – on comments, if any, made by the Company's stakeholders.

Netavei Israel intends to further expand its sustainability reporting in the future and to continue preparing and publishing an annual report, close to the publication of its financial statements. For the Materiality Disclosures Service, the Global Reporting Initiative (GRI) Services reviewed that the GRI content index is clearly presented and the references for Disclosures 102-40 to 102-49 are in line with the appropriate sections in the body of the report.

The Corporate Responsibility Report has been written in accordance with the international guidelines of the GRI – Global Reporting Initiative organization and is also guided by the GRI Sustainability Reporting Standards at the Core reporting level. The information presented in the report describes the organization's influences on the material issues and is based on the joint work of numerous parties within the Company and its stakeholders.

The information is consistent with the information presented in the Company's financial statements for the reporting year, and emphasis has been placed on defining targets for the existing activity for purposes of monitoring and efficiency. An internal due diligence process is carried out by divisional representatives who have been authorized by the Company to examine the information detailed in it. An additional control is done by the division managers, and the report is published following approval by the CEO of Netavei Israel and the Board of Directors.

The content of the report has been defined according to the following principles:

Materiality – The issues most important for the Company's business growth over the long term and of cardinal importance to the stakeholders.

Reference to stakeholders – Addressing the expectations and issues close to the heart of the stakeholders.

Sustainability context – Presenting performance in the context of issues in the field of corporate responsibility.

Integrity – Covering the material issues and their boundaries in a way that reflects economic, social and environmental impacts.

Message from the Vice President of Innovation, Strategy and ESG

The Iron Swords War, which broke out in October 2023, has been challenging for the State of Israel and for Netivei Israel, as the executing arm of the Ministry of Transport. This report describes the Company's activities and the assistance provided by it to the rescue and security forces and to the general public, as well as the emergency management processes implemented by Netivei Israel in relation to all the government companies under the responsibility of the Ministry of Transport.

At Netivei Israel, we see the connection between innovation, sustainability and strategy as key for spearheading the revolution in tomorrow's transportation infrastructure. Our strategic outlook is based on the understanding that the development of sustainable infrastructure requires innovative thinking and breakthrough solutions that combine advanced technologies with both environmental and social responsibility.

At the core of our strategy lie "smart infrastructures" that combine IoT technologies with AI to monitor and optimize transportation infrastructure, as well as smart traffic management solutions for congestion control along with solutions for shortening planning time. These solutions enable us to reduce energy consumption, improve maintenance efficiency and extend infrastructure life, while mitigating environmental impacts and increasing the positive social impacts of transportation infrastructure.

Innovation in sustainability is also reflected in the use of advanced, environment-friendly materials, such as recycled asphalt and building materials with a low carbon footprint. In addition, we are pioneering projects in the field of public transport infrastructure and electric transportation using trucks and cargo vehicles that combine smart design with advanced loading infrastructure.

The convergence of innovation, sustainability and strategy allows us to develop new models of collaboration with startups, research institutions in Israel and the world and local authorities, thereby creating an ecosystem of innovation in the field of sustainable infrastructure. This approach ensures that every new infrastructure project not only meets current needs, but is planned with a long-term perspective that takes into account future environmental and social challenges.

Given that Netivei Israel is Israel's largest transport infrastructure company, the effects of climate change on the Company's operations persist regardless of the war, with no letup in the need to contend with extreme events and their impact on the infrastructure under the Company's responsibility. This broad perspective enables and obliges us to continuously review and adapt our operations during a transition period that is set to last for many years and is characterized by uncertainty, while managing risks and identifying opportunities.

I thank you for your interest in the report and invite all our stakeholders to explore with us additional relevant and sustainable ways of advancing the areas in which we operate.

I believe that only together, with true cooperation and an open and facilitating dialogue with our stakeholders, will we succeed in realizing our responsibility as an organization intended to serve the entire population of Israel.

Regards,

Adi Gamliel
VP Innovation, Strategy and ESG
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Innovation, Strategy and ESG

Infrastructure companies such as Netivei Israel face complex challenges in the assimilation of sustainability and innovation principles over the entire life cycle of infrastructure projects. The main challenge arises from the need to balance between accelerated infrastructure development and meeting sustainable development targets, while contending with budgetary, regulatory and schedule constraint.

In the planning stage, the main challenge lies in implementing sustainability considerations already in the project's early stages. These considerations include assessment of the project's long-term environmental impacts; planning of ecological corridors and pathways for wildlife; incorporation of climate change considerations in infrastructure planning; consideration for the needs of local communities; infrastructure accessibility for the entire population, and adoption of innovative design technologies such as three-dimensional models and BIM systems.

In the construction stage, the most significant challenges in terms of sustainability are limiting greenhouse gas emissions in the construction processes; use of recycled materials and materials with a lower environmental impact; sustainable management of construction waste; reduction of environmental nuisances during project works; protection of natural resources and ecological systems, and integration of innovative technologies in the construction processes.

Sustainable infrastructure maintenance requires dealing with the development of smart monitoring systems for early identification of failures; optimization of maintenance processes to save on resources; extension of infrastructure life by means of innovative technologies; adaptation of infrastructure for climate changes and extreme weather events, and integration of renewable energy in the operation of infrastructure.

Notwithstanding the challenges, we believe that Netivei Israel and other infrastructure companies are uniquely

positioned to lead a significant change in the ability to implement new standards in the infrastructure industry; influence the supply chain and contractors to adopt sustainable practices; promote innovation not only through pilots and collaborations with startups but also through the incorporation of technologies in day-to-day operations; develop new models of sustainable transportation, and create a sustainable, smart network of transportation infrastructures that link the urban and interurban environments. Addressing these challenges requires the development of new metrics for assessing environmental and social impacts; investment in the training of professional manpower in the fields of sustainability and innovation; creation of intersectoral collaborations to promote innovative solutions; adoption of novel approaches to managing environmental and social risks, and the development of new financial tools for financing sustainable projects.

This report presents some of the results of the strategic moves initiated by us, including breakthrough plans in the field of sustainable infrastructure, collaborations with stakeholders, and the development of new metrics for measuring the social and environmental impact of our operations.

The report reflects our commitment to transparency and comprehensive reporting, while implementing the most advanced standards in the field.

Management of ESG and Corporate Responsibility

In an era where climate and sustainability challenges have become central to the global agenda, the role of the head of sustainability and corporate responsibility at Netivei Israel has become doubly important and complex. As Israel's leading infrastructure company, responsible for the development and maintenance of the interurban road network, it must cope with a wide variety of environmental and social challenges, which requires a broad perspective and the ability to exercise systemic influence. Netivei Israel's Director of Corporate Responsibility is responsible for the integration of sustainability considerations along the entire supply chain – from the stage of strategic planning, through the project planning and construction processes, to the operation and maintenance stages. His role requires him to conduct a continuous dialogue with a wide range of stakeholders, including regulators, environmental organizations, local communities and professionals within the Company.

Key to the role is the ability to translate environmental and social challenges into business opportunities and competitive advantages, while leading innovation processes and promoting breakthrough solutions in the field of sustainable infrastructure, along with responsibility for implementing advanced methodologies for the measurement and management of environmental and social impacts and for transparent and comprehensive reporting to the different stakeholders.

The Director of Corporate Responsibility is responsible for the professional formulation of a strategic plan in the field of sustainability and corporate responsibility as well as for the implementation of the policy and plan in accordance with the decision of the Board of Directors and the CEO of the Company, who approve the external reports to the Government Companies Authority and the corporate responsibility report distributed to the public once a year.

As part of his role in 2023, the Director of Corporate Responsibility was responsible for the formulation of the reports on the Ministry of Transport's preparations for climate change in accordance with the government's directives, also acting jointly with the Company's Chief Risk Officer to collect data and draw up an outline. Ongoing work was carried out vis-à-vis all the infrastructure companies which are under the responsibility of the Ministry of Transport.

The Director of Corporate Responsibility is also responsible for managing a system of reports to the Government Companies Authority, including the writing and issuing of the Company's ESG report and its distribution among Netivei Israel's stakeholders.

The assimilation of the subject into the Company's ongoing operations requires understanding and involvement in the day-to-day processes Netivei Israel deals with. Therefore, each of the Company's divisions has representatives who, in addition to their functions, promote sustainability issues and assist in the collection and control of the periodic data and submission of the data to the Director of Corporate Responsibility. Furthermore, in collaboration with the Training Department and the Maala organization, the Director of Corporate Responsibility is responsible for the provision of professional training in reporting in accordance with the standards of the Global Reporting Initiative (GRI).

The Director of Corporate Responsibility reports directly and regularly to the VP Innovation, Strategy and ESG on the progress in performance and compliance with the multiannual strategic plan. The Company's Board of Directors receives a quarterly report from the Director of Corporate Responsibility.

Management of ESG and Corporate Responsibility

The Maala rating is a leading index in Israel that assesses the performance of stock exchange companies in the areas of social and environmental responsibility. The rating is awarded each year by Maala – Center for Corporate Social Responsibility, a leading organization in the field of corporate responsibility in Israel.

The Maala Index examines a wide range of parameters, including corporate governance, management of environmental and social risks, responsible business conduct, community relations, employment conditions and transparent reporting.

Highly rated companies enjoy recognition and positive goodwill among investors, customers and other target audiences. For infrastructure companies such as Netivei Israel, the assignment of a high Maala rating can facilitate capital raising, the establishment of collaborations with government entities and the presentation of added value to customers and stakeholders. However, the Company mainly focuses on the development of internal metrics and methodologies for the assessment of environmental and social performance, as part of its management of corporate responsibility along the value chain.

Maala's continuous and close relationship with parallel organizations abroad allows it to provide Netivei Israel with the most up-to-date information and tools from around the world in the field of corporate responsibility. In 2023, the Maala ESG Index included also a specific rating for diversity, inclusion and gender equality, in the framework of a collaboration between Maala and the Equal Employment Opportunity Commission in the Ministry of Economy, on which the Company was graded. Additionally, for the first time, the subject of safety in the workplace constituted a mandatory graded chapter for industrial, manufacturing and infrastructure companies, and Netivei Israel's activity in this field was reviewed. From 2019 through 2023, Netivei Israel has been consistently ranked in the highest category – Platinum+ – in the field of infrastructure and energy.

Stakeholders

The term "stakeholders" includes all the parties who influence or are influenced by the organization and its activity. The Company maintains a dialogue with all the stakeholders, through various processes and at various levels, such as the provision of information, consultation about the spheres of influence and issues that arise from time to time. These processes are intended to strengthen the relations of trust, narrow gaps and promote processes and solutions of value to the Company and its stakeholders.

As a national infrastructure company, Netivei Israel is influenced by a wide array of stakeholders, from regulators and decision makers, through local communities and citizens, to environmental organizations, suppliers and other business entities. Maintaining an effective, ongoing dialogue with all these stakeholders is critical for the Company's success in assimilating principles of sustainability and corporate responsibility.

This dialogue enables Netivei Israel to identify in real time environmental, social and regulatory risks relevant to its activity, and to develop suitable coping strategies. For example, collaborating with environmental organizations can help in identifying the ecological impacts of projects; thus too, maintaining a dialogue with local communities can engender a better understanding of social needs and concerns, while engaging in dialogue with regulators can help to prepare for expected regulatory changes.

Dialogue with the stakeholders is essential not only for contending with risks, but also for identifying new business opportunities. For example, collaboration with innovative entities could lead to the development of sustainable technological solutions for transportation infrastructure, while dialogue with suppliers enables Netivei Israel to influence the supply chain and promote sustainable practices. Thus, ongoing dialogue with all the stakeholders provides the key for dealing successfully with sustainability and corporate responsibility challenges.

Netivei Israel works with many stakeholders who influence its activity and are influenced by it directly or indirectly, and therefore, throughout the lifetime of the projects under its responsibility, the Company maintains a dialogue through various means, such as surveys, distribution of information, consulting to set expectations, community meetings, attentiveness and responding to inquiries via all the means at the Company's disposal. The dialogue takes place through a broad range of means of communication: radio, television, social networks, roundtables and meetings between company representatives and supply chain representatives and the general public, in the activities of projects under the Company's responsibility, all for the purpose of better managing the Company's activity and for the benefit of the population of Israel. In 2023, the Company added to its stakeholders, in the wake of the Iron Swords War, two additional groups, the one being the Tkuma rehabilitation administration and regional councils in the north and south of Israel, and the other being the security forces and all other government companies dealing with emergencies.



Stakeholder	Material Issues	Means of Dialog
Ministries of Transport and Finance, Government Companies Authority	All topics	Periodic reports, professional meetings, roundtables, work plans
Supply chain (organizational and project procurement suppliers)	Risk management, ethics, environmental planning, safety, corporate governance, responsibility for service and product, compliance with the law, responsible procurement, environmental performance and biodiversity, quality assurance, business continuity, technological improvements and energy efficiency	Roundtables, seminars, surveys, conferences, professional meetings, periodic reports, website, the organization's professional information systems, visits to the Company's offices and projects, means of communication
Civic organizations and the third sector	Environmental planning, corporate governance, social impact, knowledge management and promotion, energy efficiency	Seminars, surveys, conferences, professional meetings, periodic reports, roundtables, means of communication
Customers and road users	Risk sites and safety, satisfaction, corporate governance public involvement	Surveys, phone calls, website, social networks, means of communication
Means of communication	All topics	The Company's website, social networks, meetings in the Company's offices and in projects, talks, conferences
Regulatory authorities, statutory planning committees	Risk management, ethics, environmental planning, corporate governance, social impact, knowledge management and promotion, energy efficiency, risk sites and safety	Professional meetings, periodic reports, roundtables
Municipal authorities	Planning, corporate governance, social impact, knowledge management and promotion, energy efficiency, risk sites and safety	Professional meetings, periodic reports, roundtables, surveys, meetings with residents
All the government ministries, government institutions and authorities established by law	All topics	Periodic reports, professional meetings, roundtables, forums
Academia, trade unions and research organizations in Israel and around the world	Environmental planning, industry innovation, strategy, risk management, performance control and monitoring, knowledge promotion and collaborations	Joint studies, seminars, surveys, conferences, professional meetings, roundtables, website, corporate responsibility and sustainable development reports, means of communication
Board of Directors	All topics	Seminars, management surveys, professional training, professional committees and steering committees
Company employees	All topics	Seminars, surveys, meetings, opinions, organizational portal, company events, roundtables, knowledge capsules
Residents and communities within the framework of the Company's projects	Risk management, planning, infrastructure execution and maintenance, road user safety, traffic management, intermodal transportation, public involvement, transparency, talks and meetings with various parties within the Company	Seminars, surveys, meetings, roundtables, community relations, website, means of communication
Tkuma administration, regional councils in the north and south of Israel	Expansive view of economic, social and regional development facilitated by accessible and rapid public transportation, development of a transportation infrastructure as a social driver	Seminars, meetings, field tours, professional committees, joint work plans with the aid of steering committees
Security forces, other government companies dealing with emergencies	Emergencies, risk management, planning, infrastructure execution and maintenance, road user safety and security, reference scenarios for extreme events, data management, information and knowledge sharing	Seminars, meetings, field tours, professional committees, joint work plans with the aid of steering committees

Material Issues

Materiality assessment is a critical process for companies seeking to understand and deal with issues that are the most relevant in terms of their impact on society and the environment. For Netivei Israel, this process is an important tool for identifying the most significant risks and opportunities. For example, an examination of the environmental impact of transportation infrastructure and the development of industrial areas can be of help in the management of sustainability risks. Likewise, understanding the needs and concerns of local communities along infrastructure routes enables an appropriate response to social impacts. Additionally, identification of major regulatory and public issues can help Netivei Israel to deal strategically with these challenges.

The materiality assessment process provides Netivei Israel with an in-depth and reliable picture of the current situation and allows informed decision making on all aspects of sustainability and corporate responsibility, leading to increased trust and involvement of the different stakeholders and to better long-term performance by the Company. Once in five years, as an integral part of its multiannual ESG strategic plan, Netivei Israel carries out a materiality assessment, along with an international survey of parallel companies and bodies around the world, by way of external mapping and using roundtables both physically and online with focus groups that characterize its stakeholders. In addition, an extensive survey is conducted to assess issues reflected in the dialogue with the different internal and external stakeholders.

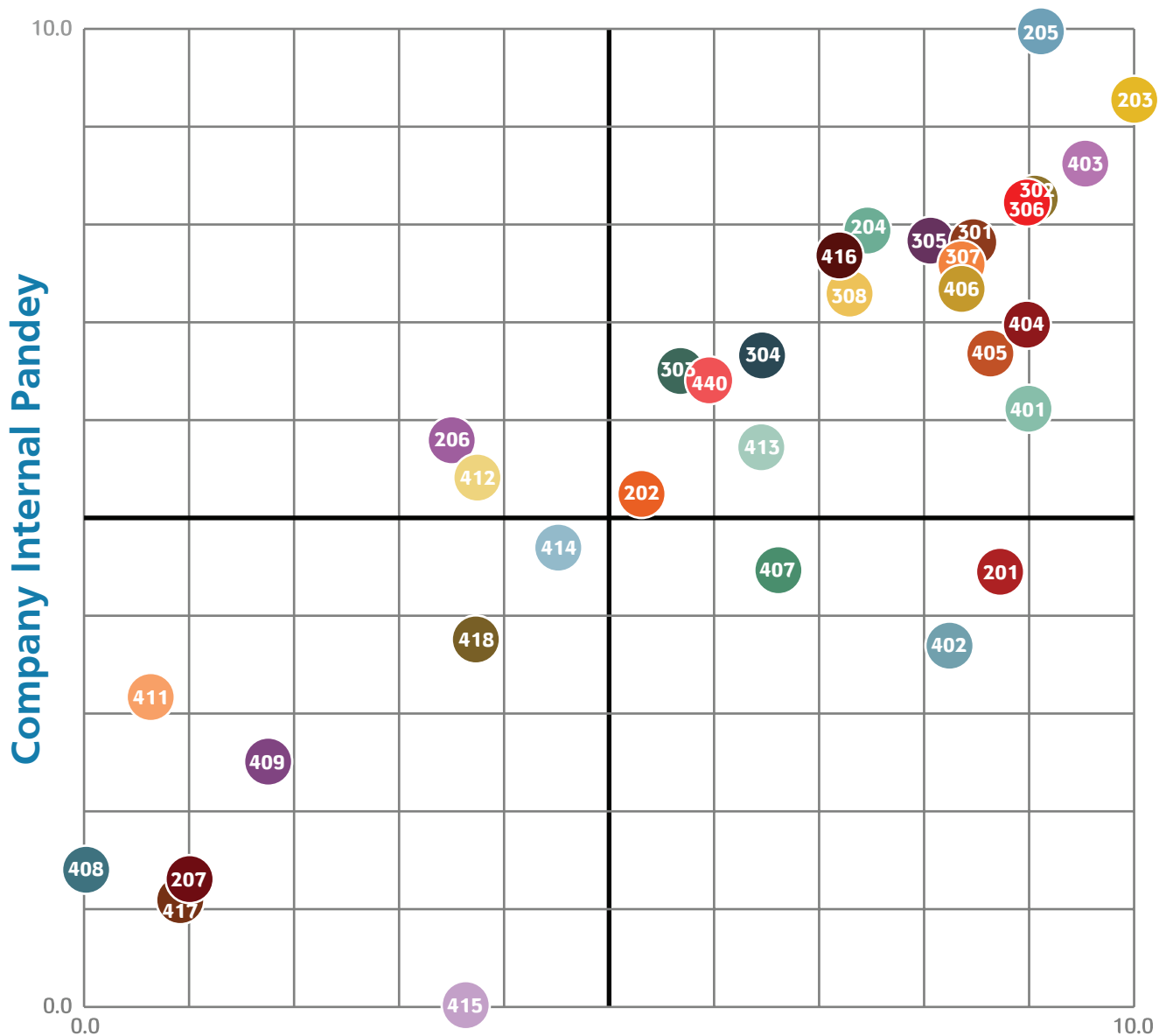
The Company distributed a survey in which the stakeholders it turned to could rate the importance of each topic, enabling an understanding of the material issues of the Company's management and the Board of Directors versus the stakeholders' expectations and thoughts. In order to identify the material issues, all the topics reviewed by the internal and external stakeholders were examined in relation to the GRI organization's updated reporting standard. The

rating of all the stakeholders determined the ranking of each topic, with the topics receiving the highest rating designated as the most important issues for the stakeholders.

A separate survey was conducted on each topic, which included an internal rating for that topic's importance. The survey findings and analysis helped the Company to pinpoint the issues considered most significant by Netivei Israel as well as by the stakeholders who influence and are influenced by its activities. Thus, on completion of the review of the material issues with all the Company's stakeholders, the issues were ranked by order of importance, helping the Company's management and the Board of Directors to concentrate the Company's managerial and financial resources to promote and positively impact the issues found to be the most influential. Within this framework, sixteen material issues were identified in the activities of Netivei Israel which are of paramount importance to the stakeholders as well as to Netivei Israel. Apart from this, there are fourteen other issues of secondary influence in the above ranking, but which are important for the Company's activities, and therefore efforts will be invested in them in the long-term.



Materiality matrix



Pankey by Company Stakeholders

ECONOMIC

- 201 ECONOMIC PERFORMANCE
- 202 MARKET PRESENCE
- 203 INDIRECT ECONOMIC IMPACTS
- 204 PROCUREMENT PRACTICES
- 205 ANTI-CORRUPTION
- 206 ANTI-COMPETITIVE BEHAVIOR

ENVIRONMENTAL

- 301 MATERIALS
- 302 ENERGY
- 303 WATER AND EFFLUENTS
- 304 BIODIVERSITY
- 305 EMISSIONS
- 306 WASTE
- 307 ENVIRONMENTAL COMPLIANCE
- 308 SUPPLIER ENVIRONMENTAL ASSESSMENT

SOCIAL

- 401 EMPLOYMENT
- 402 LABOR/MANAGEMENT RELATIONS
- 403 OCCUPATIONAL HEALTH AND SAFETY
- 404 TRAINING AND EDUCATION
- 405 DIVERSITY AND EQUAL OPPORTUNITY
- 406 NON-DISCRIMINATION
- 407 FREEDOM OF ASSOCIATION AND COLLECTIVE BARGAINING
- 408 CHILD LABOR
- 409 FORCED OR COMPULSORY LABOR
- 410 SECURITY PRACTICES
- 411 RIGHTS OF INDIGENOUS PEOPLES
- 412 HUMAN RIGHTS ASSESSMENT
- 413 LOCAL COMMUNITIES

- 414 SUPPLIER SOCIAL ASSESSMENT
- 415 PUBLIC POLICY
- 416 CUSTOMER HEALTH AND SAFETY
- 417 MARKETING AND LABELING
- 418 CUSTOMER PRIVACY

UN Sustainability Goals

In 2015, the United Nations set goals and targets for promoting sustainable development worldwide. The field of transport infrastructure is making great strides in the realization of these goals. Below we provide some examples of the importance of the UN sustainability goals for companies that engage in transport infrastructure at the national level.

The UN sustainability goals play a critical role for companies such as Netivei Israel. These are strategic goals designed to deal with universal issues of sustainable development across the globe. The adoption of these goals can help Netivei Israel to deal with major challenges, such as reduction of the carbon footprint, advancement of social justice and protection of biodiversity. The integration of these goals into the decision making and risk management processes will enable the Company to identify new business opportunities, enhance its goodwill and the trust of the stakeholders and ensure sustainable performance in the long term. Implementation of the UN sustainability goals will thus become a vital strategic resource for Netivei Israel.

This report as well as previous reports published by the Company highlight Netivei Israel's actions in integrating and advancing the UN sustainability goals, including the transition to clean and efficient energy; assimilation of innovative energy saving technologies; use of renewable

resources in all its transport infrastructures and installations, such as tenders held by it for the construction of solar panels; improvement of transportation infrastructure in terms of safety, accessibility and incorporation of green modular solutions; reduction of social gaps – offering employment opportunities and training to diverse populations and connecting the periphery to the national transportation network; protection of ecosystems – incorporation of landscape solutions and protection of open spaces along the infrastructure routes, for the sake of biodiversity; dealing with climate change – reduction of greenhouse gas emissions, adjustments for extreme scenarios through climate-resistant planning. By implementing these strategic goals, Netivei Israel is advancing sustainable development at the national level, in an effort to create a better future based on environmental, social and economic sustainability.

The table below lists the UN sustainability goals which the Company has chosen to adopt, and the main impacts.

Goal	Sub-Goal	Sections	Principal Impact
3	3.6	By 2030, halve the number of global deaths and injuries from road traffic accidents	As part of the activities of the Safety Division, reducing injuries and fatalities in projects under the Company's responsibility, improving infrastructure at infrastructure risk sites that are the responsibility of the Company in accordance with decisions of the inter-ministerial committee which were approved for implementation, activities of the core divisions for planning and maintaining transportation infrastructure while monitoring air and environmental planning to conform to international green transportation infrastructure standards; conducting a master plan for goods and cargoes for the Ministry of Transport using advanced information systems to manage and monitor performance, advancing a digital bill of lading and weighing trucks in motion.
	3.9	By 2030, substantially reduce the number of deaths and illnesses from hazardous chemicals and air, water and soil pollution and contamination	
4	4.3	By 2030, ensure equal access for all women and men to affordable and quality technical, vocational and tertiary education, including university	Training of company employees and supply chain employees at Netivim College: The College of Transportation Professions, where technical and professional knowledge can be acquired. In addition, encouraging company employees to acquire education in academic institutions in Israel and abroad, participation in knowledge sharing and joint research by parallel organizations worldwide, providing and sharing professional knowledge on environmental issues and sustainable development, through seminars and lectures in directors' and management courses, in Israel and abroad. In 2022, the Company became Israel's only training partner of the GRI organization, to deepen knowledge in the field of ESG reporting among employees, supply chain actors and the business community in Israel.
	4.7	By 2030, ensure that all learners acquire the knowledge and skills needed to promote sustainable development, including, among others, through education for sustainable development and sustainable lifestyles, human rights, gender equality, promotion of a culture of peace and non-violence, global citizenship and appreciation of cultural diversity and of culture's contribution to sustainable development	
5	5.1	End all forms of discrimination against all women and girls everywhere	As a heterogeneous company that employs workers from all sectors, Netivei Israel sees great importance in creating an equal and fair society, and in promoting the issue of equal opportunities at work. The Company's policy stipulates providing equal opportunity to all employees, starting from recruitment which includes employees with disabilities as well as special populations, through to employment conditions, such as salary grades, training, and development, as well as promotion and other employment conditions. We strongly oppose and negate any discrimination in the employment of workers on the basis of their religion, race, sex, national background, ethnicity, age, disability, military service status, gender identity, sexual orientation, etc. and constantly strive to provide equal employment opportunities. In addition, the Company has appointed officers such as an Abuse Prevention Officer, a Racism Prevention Officer and a Women's Status Officer, who are all subordinate to the organization's ethics committee, the chairman of which is the VP Innovation, Strategy and ESG.

Goal	Sub-Goal	Sections	Principal Impact
6	6.3	By 2030, improve water quality by reducing pollution, eliminating dumping and minimizing release of hazardous chemicals and materials, halving the proportion of untreated wastewater and substantially increasing recycling and safe reuse globally	Activities of the core divisions to carry out planning and maintenance of transportation infrastructure while monitoring air and environmental planning and reducing water pollution through the Engineering Department in all the Company's projects, assimilating research on biodiversity, promoting sustainable drainage solutions such as roadside biofilters in all phases of the project's lifespan. The Company operates in collaboration with the Nature and Parks Authority, the planning committees, the Ministry of Environmental Protection and the drainage authorities for proper treatment of all the transportation infrastructures under the Company's responsibility. As part of its railroad-related activity, the Company is building in the Ariel Sharon Park a drainage project which is the first of its kind in the park and the largest in Israel, for the purpose of restraining the flow of water from the Ayalon River during floods and controlling the release of water into the Ayalon channel. This is a preliminary condition for making the channel narrower, as part of the project for the construction of a fourth railroad track along the Ayalon River. The project includes the construction of new water reservoirs, a dam with retaining walls, channels, a command and management system, and more.
	6.5	By 2030, implement integrated water resources management at all levels, including through transboundary cooperation as appropriate	
	6.6	By 2020, protect and restore water-related ecosystems, including mountains, forests, wetlands, rivers, aquifers and lakes	
7	7.2	By 2030, increase substantially the share of renewable energy in the global energy mix	<p>Netivei Israel recognizes the value of creating renewable energy and energy efficiency. The Company invests extensive managerial resources in the field of lighting by replacing all the lighting fixtures under the responsibility of the Company with ecological and economical lighting. Moreover, the Company initiates legislative updates to promote solutions for generating solar energy at enclosed interchanges, and it has issued a tender that includes 13 interchanges at which solar farms are to be built. The Company is also considering the use of hydrogen as well as possibilities for paving using more efficient energy solutions along with solutions for roadside loading of vehicles on roads under its responsibility.</p> <p>Investment in research and development enabling energy consumption and storage by means of solar panels in acoustic walls.</p>
	7.4	By 2030, enhance international cooperation to facilitate access to clean energy research and technology, including renewable energy, energy efficiency and advanced and cleaner fossil-fuel technology, and promote investment in energy infrastructure and clean energy technology	
8	8.4	Improve progressively, through 2030, global resource efficiency in consumption and production and endeavor to decouple economic growth from environmental degradation, in accordance with the 10-Year Framework of Programs on Sustainable Consumption and Production, with developed countries taking the lead	As a government company, we comply with all existing labor laws and labor relationships, including the Equal Pay for Workers Law, the Annual Leave Law and the Hours of Work and Rest Law, apart from which the Company acts to protect workers' rights by means of a safe and healthy employment environment as well as through unionization. In addition, the Company is constantly reviewing its activities in this area.

Goal	Sub-Goal	Sections	Principal Impact
8	8.5	By 2030, achieve full and productive employment and decent work for all women and men, including for young people and persons with disabilities, and equal pay for work of equal value	
	8.8	Protect labor rights and promote safe and secure working environments for all workers, including migrant workers, in particular women migrants, and those in precarious employment	
9	9.1	Develop quality, reliable, sustainable and resilient infrastructure, including regional and transborder infrastructure, to support economic development and human well-being, with a focus on affordable and equitable access for all	The Company has established an Innovation Division that monitors developing trends in the world in general and in particular those that affect the ecosystem in which the Company operates. Accordingly, it formulates plans to advance technologies and processes that will enable the realization of opportunities and tackling of strategic challenges, in support of transportation infrastructure on which businesses rely, ensuring that they are universally available, thus enhancing economic growth and social progress. The work plan of the division addresses the creation of value for the Company and for startups and technology incubators. The Company in collaboration with the Ministry of Defense and other government bodies is advancing the establishment of a testing facility in the field of ground robotics.
	9.4	By 2030, upgrade infrastructure and retrofit industries to make them sustainable, with increased resource-use efficiency and greater adoption of clean and environmentally sound technologies and industrial processes, with all countries taking action in accordance with their respective capabilities	
11	11.2	By 2030, provide access to safe, affordable, accessible and sustainable transport systems for all, improving road safety, notably by expanding public transport, with special attention to the needs of those in vulnerable situations, women, children, persons with disabilities and older persons	Netivei Israel acts to improve road users' access to places of employment and housing. The Company's vision is to be "the country's leading infrastructure company; a trailblazer in solutions for public and smart transportation; a lever for economic and social growth, for increasing productivity and for improving the quality of life; and to enable geographical-occupational mobility that is available and safe for the general public, in the periphery and center of the country." Simultaneously, the Company is ready to undertake any challenge at the national level, and is also acting, following the Iron Swords War, to improve the transportation infrastructure for all the residents of the Tkuma region (the area located in the 7 km radius surrounding Gaza).
	11.8	Support positive economic, social and environmental links between urban, peri-urban and rural areas by strengthening national and regional development planning	
12	12.2	By 2030, achieve the sustainable management and efficient use of natural resources	The Company recognizes its impact on the use of raw materials. In each project, the Company balances earthworks and encourages the use of recycled materials. The Company reports the impacts on materials and natural resources in its corporate responsibility reports and financial statements.

Goal	Sub-Goal	Sections	Principal Impact
13	13.1	Strengthen resilience and adaptive capacity to climate-related hazards and natural disasters in all countries	Netivei Israel, as a national government company and in accordance with Government Decision No. 2973 from August 2017, is responsible for ensuring traffic continuity and providing a maintenance solution for interurban roads in various emergencies, including coordination and guidance on interurban roads under the responsibility of private / government infrastructure companies (such as Cross Israel Highway, Netivei Ayalon, Netivei Hayovel). The Company invests extensive resources in promoting various and diverse projects and activities for improving the emergency preparedness of its systems in all spheres of content (HR, technological capabilities and information systems, means and equipment, training and drills).
14	14.1	By 2030, prevent and significantly reduce marine pollution of all kinds, in particular from land-based activities, including marine debris and nutrient pollution	The Company acts in all projects under its responsibility to reduce marine pollution of all kinds. The Company works with all drainage authorities in Israel, the Ministry of Environmental Protection and the Nature and Parks Authority to prevent sewage contamination in all phases of the project's lifespan from its initiation, planning and implementation phases through to the maintenance phase.
15	15.1	By 2030, ensure the conservation, restoration and sustainable use of terrestrial and inland freshwater ecosystems and their services, in particular forests, wetlands, mountains and drylands, in line with obligations under international agreements	The Company acts to protect the environment, including promoting the use of recycled materials to ensure the supply of natural resources and raw materials in the future. The Company is working to increase its efforts to rehabilitate destroyed lands, by applying studies dealing with biodiversity in transportation infrastructure and in task guides for planners and contractors who work in projects under its responsibility. The Company also promotes collaborations with government ministries and civic organizations to raise awareness on the subject.
	15.4	By 2030, ensure the conservation of mountain ecosystems, including their biodiversity, in order to enhance their capacity to provide benefits that are essential for sustainable development	
	15.5	Take urgent and significant action to reduce the degradation of natural habitats, halt the loss of biodiversity and, by 2030, protect and prevent the extinction of threatened species	
	15.6	Promote fair and equitable sharing of the benefits arising from the utilization of genetic resources and promote appropriate access to such resources, as internationally agreed	
	15.8	By 2030, introduce measures to prevent the introduction and significantly reduce the impact of invasive alien species on land and water ecosystems and control or eradicate the priority species	
	15.9	By 2030, integrate ecosystem and biodiversity values into national and local planning, development processes, poverty reduction strategies and accounts	



Responsible Management

Netivei Israel was established in September 2003 as a government company, and upon its establishment was assigned the task and responsibility of planning, construction and maintenance of the interurban road network. The Company has operated since its inception on the basis of five-year plans which are approved by the Government of Israel. Setting a multiannual work plan enables the advancement of projects with planning and consistency, while maintaining a high level of certainty. The Company sees great importance in the advancement of multiannual plans that are a direct continuation of the previous five-year plan.

The Company's work plan supports the development of Israel's economy, through the development of the network of interurban roads and railways and optimal utilization of the existing road network. The plan's guiding principles are: commitment to a multiannual plan, increasing the safety of users of the road network, continued development of the road and railway network, maintenance and safeguarding of the road network, protection of environmental values and integration of the private sector in project financing and execution.

In December 2023, the Ministries of Transport and Finance decided on a summary of the division of work between the Company and NTA – Metropolitan Mass Transit System Ltd. to advance the availability of the Metro project. In the framework of this summary, it was decided that the Company would work to advance the availability of the

southern extensions of the M1 metro line (along the section between Rishon Lezion and Nes Ziona and Rehovot and the Be'er Yaakov, Ramle and Lod extension). This is a new area of activity for the Company, which is studying the implications and preparing accordingly.

The Company is committed to optimal quality and safety and ensuring the utmost convenience of users of the interurban road network, in collaboration with others, while remaining true to the goal and constantly striving for excellence. The Company's vision is to be the country's leading infrastructure company; a trailblazer in solutions for public and smart transportation; a lever for economic and social growth, for increasing productivity and for improving the quality of life; and to enable geographical-occupational mobility that is available and safe for the general public, in the periphery and center of the country.

The Iron Swords War

On October 7, 2023, the Iron Swords War broke out in Israel. The protraction of the war has led to the slowing of business activity in the economy, among other things due to the closing down of plants in the south and north of the country, the mobilization of reserve soldiers for an unknown length of time and the disruption of economic activity. The Company is fully implementing Government Decision No. 2973, and since the beginning of the war has been maintaining an emergency routine, including situation assessments, collaborations and application of a broad perspective. In accordance with the government's decision, the Company conducts a daily situation assessment that includes all the interurban transport infrastructure companies, such as Israel Railways, NTA and Cross-Israel Highway, for the purpose of maintaining optimal functional and traffic continuity.

The Company integrates the activity of all the infrastructure companies and carries on wide-ranging activity based on preliminary assessments and an emergency operational outlook. The Company has set up an emergency center at its headquarters and in the different districts that is available 24/7. Among the activities carried out by the Company to maintain traffic continuity and handle road hazards are the immediate handling of any road problem or hazard that develops, in order to keep the roads open, as well as various measures to ensure traffic continuity in coordination with the IDF and the Police. The Company assumed the important task of removing vehicles that were damaged in the Otef Aza (Gaza Perimeter) region, clearing a total of 1,700 vehicles. It also hung 17,000 national flags along the country's roads, repaired traffic lights and dealt with a variety of problems, including on roads closed to traffic, as well as seeing to the immediate repair of road infrastructure damages. A plan was formulated for dealing with Otef Aza roads up to the gates of the communities, within three time ranges and subject to receipt of approvals from the Ministry of Transport and the Tkuma administration. Continuous

learning – the Company is conducting learning meetings with all the Company's personnel and with infrastructure companies that work with it, for learning and drawing lessons and for studying implications and preparing for escalation of the war.

In addition, the Company has granted a series of reliefs to suppliers, in collaboration with the Accountant General in the Ministry of Finance, such as arranging for the immediate payment of all outstanding amounts due to the suppliers in the hundreds of millions of shekels, and even more, depending on the amounts of cash that will be transferred to the Company from the State; shortening of internal and external control processes for fast cash transfers from the Ministry of Transport; payment of pre-final accounts for projects that have completed execution; payment of pre-final accounts in an expedited process; splitting of milestones in DB projects; expansion of the mechanism of advance payments against bank guarantees (according to the tender terms); reduction of collateral (bonds and guarantees) in conjunction with risk management.

Impact of the War on the Company's Operating Results:

In the wake of the war, there have been delays in the planning of projects due to a shortage of manpower in the project management teams and the planning offices for all the disciplines. A similar delay is apparent also in some of the projects in execution. The Company is acting to fill the gaps through close and intensive planning management by the execution departments, the Engineering Department and the Company's management, in order to meet the Company's targets including the publication of execution tenders. Accordingly, the Company submits daily and weekly updates to the Ministry of Transport, to the Ministry of Finance and to the Government Companies Authority, and it maintains regular contact with them regarding the consequences and the direct and indirect costs arising from the war.

In order to contend with the consequences of the war, the Company is acting on several levels, among them: conducting a weekly follow-up of work outputs at the execution sites, appointing substitutes in the execution departments to provide a solution for all the projects, regularly monitoring the number of heavy engineering items at the execution sites, and participation in the Knesset Committee on Foreign Workers to find solutions for the shortage of workers in the field of infrastructure.

In addition, in light of the situation, contractors will request time extensions and submit claims for direct costs that have increased due to the war. The Company is acting in the framework of a joint working team with the infrastructure

companies and the Accountant General in the Ministry of Finance to formulate a standard compensation model in the industry, but as of the date of the financial reports it is unable to assess impact of this issue on the financial statements.

In the short term, the Company is fully complying with the work plan and its cash flow allows it to deal with all the emergency events. In the fourth quarter the Company published ten significant execution tenders with a budget of NIS 2.4 million. In the medium term, in the framework of the allocation of special "war budgets," it will be necessary to allocate a budget for the rehabilitation of the Otef Aza roads and the roads in the north of Israel. The Company has submitted an appropriate application to the Ministry of Transport and the Ministry of Finance, and the new budget summary for 2024 includes an additional budget of NIS 200 million for the rehabilitation project. In the long term, the changes in the order of priorities in the State budget, which is expected to be approved in March 2024, as reflected in the above budget summary, do not point to material changes in the scope of the five-year plan, since, traditionally, transport infrastructure budgets are considered an economic growth engine. In light of the foregoing, the Company estimates at this state, based on the information in its possession as of the date of approval of the financial statements, that the war will not have a material effect on its operating results.

Developments in the Areas of Activity

The Company's budget:

In recent years the Company has reviewed all the traffic and safety needs of the road network, with an emphasis on public transportation and housing aspects, and within the framework of the guidelines established by the Board of Directors, and on this basis it drew up a list of recommended projects for the new multiannual plan. The Company submitted its recommendations as part of the process of formulation of the strategic road plan for 2030 led by the Ministry of Transport in collaboration with the Ministry of Finance, and the final list of projects was approved in 2022. This list includes 164 projects for a budget value of NIS 77 billion, of which the majority (90%) are located on the road network for which the Company is responsible. This list comprises the Ministry of Transport's strategic road plan and includes the inventory of projects for planning and execution up to 2030.

In April 2023 a budget summary was signed between the Ministry of Transport and the Ministry of Finance, which received the final approval of the Knesset as part of the State budget for 2023-2024. The budget summary included the Company's new five-year plan for 2023-2027, which is based on the 2030 strategic road plan and includes new development projects for tens of billions of shekels for the promotion of availability and for execution, a significant addition to the maintenance budgets and the baskets, as well as the transfer of responsibility for the execution of the Pleshet-Sorek railway to the Company. In addition, at the end of July 2023 a plan was announced for linking the country by a network of railways, pursuant to which the Company will promote additional railway projects as part of the five-year plan, chief among them the Karmiel-Kiryat Shmona railway and the railway to Eilat. In December 2023 a summary was signed between the Ministry of Transport and the Ministry of Finance for transferring the first part of the Metro project to the Company's responsibility.

In January 2024 an additional budget summary was signed for the 2024 budget year, in order to comply with the budget limitation of the Ministry of Transport and Road Safety for 2024. This summary reflects the change in the order of priorities that is expected in the State budget as a result of the Iron Swords War, but it is not expected to materially affect the Company's activity in the coming years. Firstly, it includes the deferral of a limited number of projects, most of which were not slated for execution in the coming years. Furthermore, the summary includes a budget basket of NIS 200 million for the Otef Aza road rehabilitation project, to be carried out by the Maintenance Division, which is expected to be implemented within a short timetable. In light of the foregoing, the Company is in the midst of a process of professional and organizational preparation for achieving the targets of the new five-year plan and for rehabilitating the damages of the war, and already this year it is expected to double the number of

execution tenders that were planned in the framework of the original work plan.

In December 2022 the Board of Directors approved the work plan for 2023 for a total of NIS 6 billion. It should be noted that unlike the Company's previous five-year plan, the new plan is characterized by a high degree of maturation of execution projects, with some of the projects already ready for tendering and to be published still this year in the supplement to the work plan. As a result of the increased pace of execution of the work plan, the Company increased its cash flow for execution in 2023 by NIS 300 million to a total of NIS 6.3 billion. In addition, as a result of steps taken by the Company to shorten the number of credit days in order to ease the burden on its suppliers during the period of fighting, the Company increased its cash flow for 2023 by a further NIS 570 million. It should be clarified that unless otherwise indicated, and to prevent any distortion in the presentation of the amounts of execution between the years, the execution figures brought below represent 12 annual months of execution (that is, according to the original payment dates).

Apart from the consequences of the Iron Swords War, which broke out on October 7, 2023, in the last year, as part of the changes in the global market, there was a sharp rise in the paving and construction indices as well as a rise in interest rates. These increases, together with a worldwide shortage in certain raw materials due to the Russia-Ukraine war, and even more due to the Iron Swords War, could affect the cost of projects and the ability to advance them in terms of the availability of raw materials and the financial strength of the executing contractors. The Company is continuously reviewing the implications of these changes for the projects under its responsibility and hedging against them in several ways, such as updating the Company's price list for infrastructure products, linking contracts to the paving and construction indices, shortening the payment terms in new contracts, following up project milestones, etc. The topic has also been discussed several times in plenary meetings of the Board of Directors.

The information about the budget and the work plan for 2024 and the five-year plan for 2023-2027 is forward-looking information based on budgets received by the Company up to the date of approval of the financial statements, and on the Company's assessments as to the amounts of the current budgets it will be allocated for road maintenance, traffic management and safety project baskets. This forward-looking information relies on the Company's experience in its area of activity and depends, among other things, on factors that are outside the Company's control. As of the date of signing of its financial statements, the Company had received the preponderant majority of the budgets it requires for carrying out its activities in accordance with the work plan.

Main activities and core operations in 2023:

- Significant development projects for road users – 18 tenders were published and 10 projects were opened for traffic.
- Activity in the area of terminals, bicycles paths and priority lanes – The Company acted and is acting to promote projects in the urban space with emphasis on terminals (facilities, priority lanes for public transportation and bicycle paths: receipt of budgets of close to half a billion shekels for planning and promotion of availability, appointment of planning and management teams and start of execution of 194 bicycle paths, 7 in the urban space and the rest in the interurban space. In a revolutionary government decision, 31 cities were approved in which the Company is permitted to work also in the urban space. Two bicycle path projects were completed in Rosh Ha'ayin, with the execution of another two bicycle paths to begin in Rosh Ha'ayin in 2024, plus two paths in Ofakim and one in Modi'in Ilit.
- The Company is also promoting park and ride car park projects – Netivei Israel service centers serving all road users and incorporating charging stations for cars and trucks, waiting areas and rest areas for heavy vehicles. To date, various geographical areas have been mapped in collaboration with the Public Transport Authority, and locations have been determined in coordination with the Ministry of Transport.
- The Operation and Maintenance Division is leading safety improvement activities along the Dead Sea section of Highway 90, with emphasis on providing a solution to the problem of flooding and obstructions on the highway. In 2023 a bridge was opened above Wadi Hever. In August 2023 a dedicated price list was published for terminals and public transportation lanes (price list within the jurisdiction of a municipal traffic signs authority), for the use of projects for terminals, bicycles paths and priority lanes.
- Transportation centers (park and ride terminals – Netivei Israel service centers) – The Company is promoting the planning and execution of park and ride exchange centers (transportation centers) as part of the Ministry of Transport's project for terminals, bicycles paths and priority lanes. Up to the date of the report, a sum of NIS 4 million was received for mapping and for a strategic plan, in parallel with the planning of the first five park and ride terminals. In addition, a budget of NIS 10 million will be received shortly for the planning of additional park and ride terminals (along with the advancement of a statutory plan authorizing the construction of road structures). In recent months the Company has begun the construction of the first park and ride terminal (at the Latrun Junction) for a sum of NIS 11 million. Another NIS 40 million will be received for mapping and for a strategic plan for terminals, as well as a budget of NIS 30 million for the construction of three additional park and ride terminals.

- Road infrastructure projects for the security forces –

The Company is promoting several infrastructure projects in collaboration with and funded by the security forces (Ministry of Defense, IDF and other secret services), for traffic and safety arrangements on access roads, protection of traffic arteries and enhancement of the feeling of security and safety of Israel's citizens. These projects include: road lighting in Judea and Samaria, arrangement of access roads to IDF bases and camps and installations of other security bodies, and construction of concealment walls to protect main traffic arteries against shooting from the Gaza Strip towards the Otef Aza communities.

- In the field of electricity and lighting, in 2023 more than 50,000 lighting bodies were converted to controlled LED and more than 250 microwave detectors were installed for traffic counting. More than 100 projects and planning works were carried out, including: bicycle paths, proactive tasks involving lighting maintenance, risk hotspots and projects in open spaces, including improvement of the lighting on Highway 90. Planning and execution of lighting projects in Judea and Samaria has begun in the framework of the five-year plan, for NIS 40 million. In addition, an outline was approved for a five-year energy survey.
- The Company is continuing to carefully implement the supplier assessment processes (project managers, top-level planners, lead planners and Land Department surveyors), according to a structured methodology and using feedbacks as an effective assessment tool to improve product quality and the level of service. Thus far, grades were assigned and communicated to the project managers, lead planners, top-level planners and surveyors for the 2022 assessment year. Additionally, the stage of dealing with appeals and sending letters of reply to suppliers has ended. Concurrently, upgrades are being made to the supplier assessment system both to maintain the system and to improve it.
- A methodology has been developed for the assessment of contractors. The pilot is continuing for the 2022 assessment year. Relevant projects have been chosen, and the professional project entities have completed the assessment data for rating the contractors. This activity is currently in the stage of assignment of grades.
- As regards the External Entity Permits Department, the Company has implemented several processes and innovations that have led to an improved response and better service to external entities.
- Judea and Samaria five-year plan – The 2023-2027 multiannual plan includes the improvement of the response to road users, their safety and their feeling of security, through the establishment of a standard for roads and lighting projects at a cost of NIS 600 million in the Judea and Samaria region. In the 2023 working year an implementation budget of NIS 110 million was received for the design and execution of projects in the 2024 working year and for raising the standard of roads and access roads, plus NIS 40 million for lighting.

Infrastructure coordination system

The system is the product of a joint development of the Prime Minister's Office, the Ministry of Finance and the Ministry of Transport. Its purpose is to upgrade and improve the infrastructure coordination processes between the government infrastructure companies (including councils and authorities as well as private bodies). By means of the system it is possible to receive information on the matters requiring coordination, to submit request for coordination, to manage the requests and to follow them up. The system is managed by Netivei Israel for government bodies and is used by all the infrastructure bodies in Israel, including local authorities.

The system meets two main needs of the Company, the first being infrastructure coordination in the Company's projects. The system enables the Company's project departments to set up projects and coordination requests vis-à-vis the relevant infrastructure bodies, such that for each request in the system, the time from when the request was made until it was answered is measured. Use of the system enables close monitoring of the process of coordination of the planning/excavation permits required in the Company's projects, ensuring continuous transparency of the requests and facilitating risk management, advancement of the project and conformity to the work plans.

Before the infrastructure coordination system went into use, requests were submitted by email and sometimes by hard copy, a complicated and lengthy process that required multiple inputs of company personnel.

The second need relates to the receipt of third party requests for coordination with the Company. The Permits Department deals with the provision of service to external entities (third parties) involving the handling of requests for authorizations to carry out work on the Company's network of roads. Up to 2020, hard copy (paper) requests were received by mail. Starting from 2020, the Department receives third party requests solely through the national infrastructure coordination system, in a paperless process. In the framework of the process, which is coordinated by the Permits Department, the request is routed to the relevant professionals in the Company via the national infrastructure coordination system.

The system enables concentrating all the responses of the professionals in a single location, resulting in a significant improvement in the Company's infrastructure coordination processes.

The system, which includes all infrastructure bodies, serves as an interface management tool that enables control and monitoring of the service levels and provides an effective solution for topics under the Company's responsibility and for the management of the interfaces between the infrastructure companies.

In a future stage, the system will serve as an infrastructure database enabling effective and optimal infrastructure and engineering coordination between the companies.

Significant challenges facing the Company in 2024

Iron Swords War: Approval of work plans in conditions of uncertainty including: return to full normalcy at work sites and approval of flexible and breathing work plans (timetable and cash flow) to allow for changes in the work plans in light of changes in the order of priorities in the State budget for 2024; preparation for acceptance and execution of projects of any kind, in terms of contracts, tenders and manpower; formulation and budgeting of a "day after" plan (medium and long term); preliminary handling of damages, rehabilitation of roads and execution of engineering projects, such as expansion, new roads, bypasses, etc.; integration of the Company in the work of the Tkuma administration as an executing contractor; preparation for negotiations with contractors regarding indemnity for the costs of the war and establishment of a uniform indemnity standard for all the infrastructure companies; significant expansion of activity in railway projects, with an emphasis on receiving the first portion of the Metro project; approval of a strategic plan for 2050; publication of 25-29 significant execution tenders for road users; completion of 24 significant tenders for road users.

In the field of operation and maintenance: Approval of a maintenance budget model; use of technologies as an engine for growth and efficiency through the Innovation, Strategy and ESG Division; strengthening of capabilities in the urban space; implementation of the second year's strategy – transition from control to management of traffic, continued conversion of the lighting network to economic and smart lighting.

Trends in the core of operations: Update and extension of the operation and finance agreement and its adjustment to the new five-year plan, risk hotspots and safety projects – start of execution of 57 projects and completion of execution of 41 projects.

Innovation, strategy and ESG projects – In this framework, the following activities will be carried out:

- **Strategic works:** Pilot for the import of bitumen; in-depth study on permitted loads; pilot for continuous on-site monitoring of work tools; capturing carbon dioxide; maintenance strategy, and collaborative tender pilot.
- **R&D Department:** Technological perception of traffic monitoring and management; video analytics for planning and management; adaptive traffic lights;

standardization of new technologies for detectors in the field of traffic lights; sandbox – solution for "green stealing" traffic lights; regular monitoring of the inventory of advanced technologies; survey of bridges using advanced technologies; short-term flood warning; advanced technologies and materials for filling pits; dynamic electric charging; weighing in motion; metrics measurement; identification of failure to meet clearance height and identification of enforcement events.

- **Corporate Responsibility Department:** Environmental reports in information systems; the climate crisis; updating of Maala rating in 2024; updating of the GRI Standard in 2024; promotion of a multiannual plan for 2023-2026.
- **Master Plan Department:** Partners in the process of formulation and implementation of a master plan for the movement of goods and cargoes. Main directions of action: infrastructure development, technologies, information systems and policy and process changes.
- **Extra-organizational activities:** Collaborations and expansion of the circles of acquaintance and activity with the ecosystem.
- Continued extensive investment in information systems"
- **Traffic management, command and control system** Establishment of infrastructure and communications, characterization and development of first work package and going live.
- **Digital bill of lading project** – Laying of the technological basis for a bill of lading system, development of a mobile application for truck drivers and support for initial operation of the system.
- **Setup of a CRM system for customer service and community relations.**
- Negotiations for a collective agreement – Signing of new agreement and/or updating of existing agreement to adapt it to the changing reality.
- Replacement of the external control company of the Ministry of Finance and the Ministry of Transport (consolidation of entity level control and accounting control).
- Continued organizational staffing according to the approved roster.

The Company's goals for 2024 are as follows

Infrastructure development

Development of Israel's transportation network, through the establishment of mass transit infrastructures, as an alternative to private vehicles; implementation of the five-year plans and preparation for the next five-year plan; widespread implementation of terminal, bicycle path and priority lane projects in the urban space and public transport lanes in the interurban space as well as lifesaving projects, in compliance with the stipulated timetables, quality and budget.

Railway infrastructure

Planning and execution of railway networks; promotion of the "Linking Israel" plan, with an emphasis on the Kiryat Shmona-Karmiel railway and the Be'er Sheva-Eilat railway; continued execution of the fourth Ayalon rail line and the Eastern Railway; detailed planning and promotion of availability prior to the start of execution of the Pleshet-Sorek railway, and continued planning of the Galilee railways, the Menashe railway and the fifth and sixth Ayalon rail lines.

Maintenance and operation

Maintenance of the road network under the Company's responsibility, using advanced technologies for optimal traffic management and control; creation of collaborations between the National Traffic Management Center and the security forces, the government ministries and the private market in order to increase the safety of road users regularly and in extreme weather events; preservation of the country's unique natural values.

PPP projects

Building additional capabilities of the Company to create business opportunities in collaboration with the private segment in such projects as electric charging stations, heliports, railways, etc.

Planning processes

Management and leadership of planning processes from the initiation stage to the inspection stage, applying the products of the strategic work to shorten and improve the quality of the project planning processes.

Contracts

Deepening the perception of the "future contract" vis-à-vis the supply chain as a rapid, effective and efficient solution and advanced growth engine for realizing the Company's goals, while complying with the rules of good governance and the provisions of the law.

Management and human resources

Instilling a professional, value-based and ethical intra-organizational culture, including the preservation of human dignity as a leading value.

Developing life skills and providing forward-looking professional training for employees.

Promoting gender equality and employment of diverse populations.

Providing a logistical solution and implementing organizational arrangements in support of the Company's challenges as part of a fair work environment.

Innovation

Adapting the organizational strategy to future challenges through the provision of optimal internal and external service, research and development processes, innovation and competitive business development, including the encouragement of entrepreneurship in the renewable energy sector and investment in the development of information systems, smart transportation and emergency preparedness.

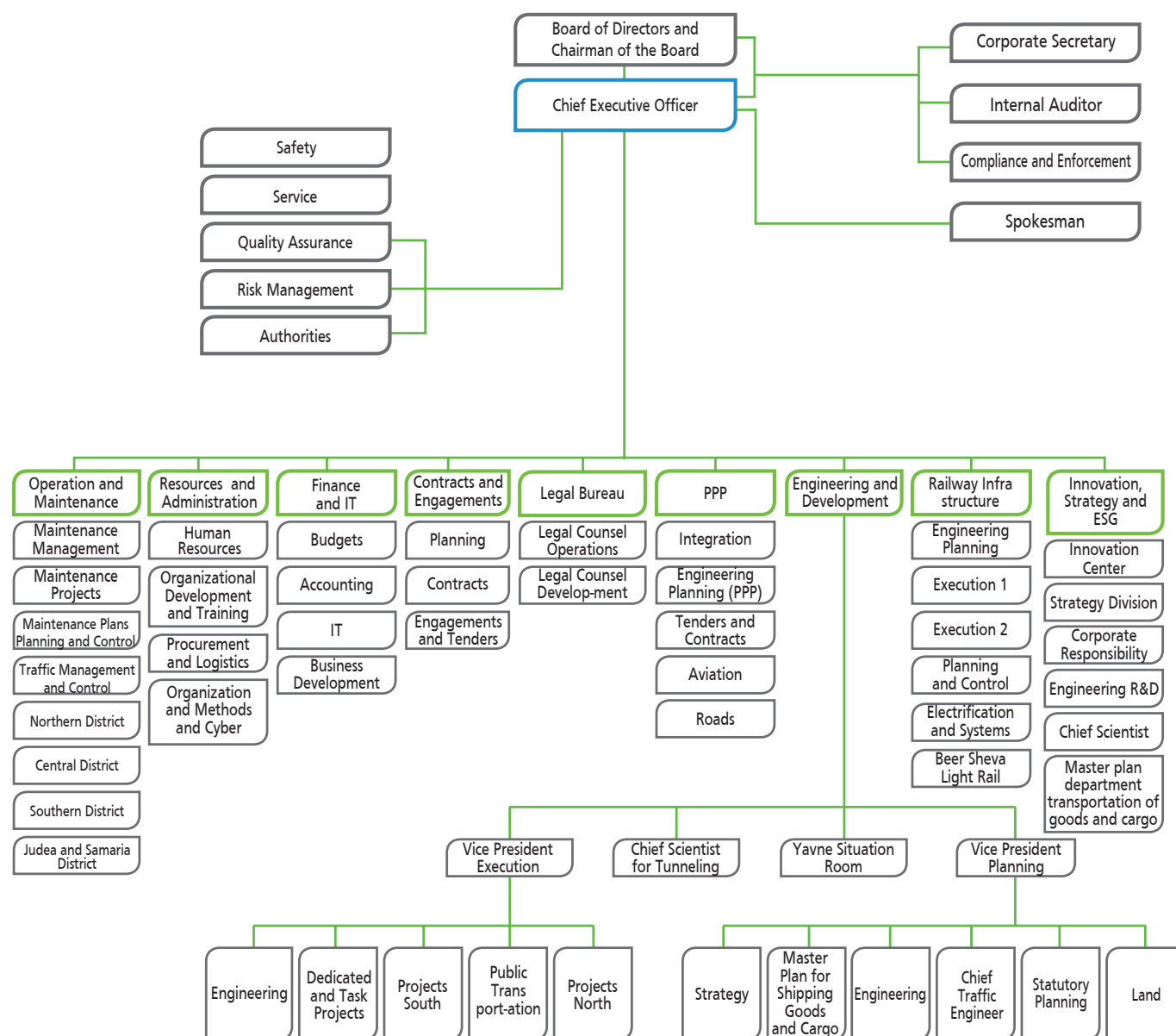
Management of project and organizational risks in a changing reality, to create added value that supports the Company's goals and targets.

ESG – environment, society, corporate governance

Instilling considerations of sustainable development and corporate responsibility in projects and in the supply chain, preparation for environmental regulation and the effects of climate change, using innovation tools, R&D and transportation models.

Organizational Structure

On November 23, 2023, the Board of Directors approved a new organizational structure that includes an update of the roster in the Railway Infrastructure Division. This follows the Government of Israel's decision, in the framework of the "Linking Israel" plan, to build new railways, including the establishment of a North Railways Administration and a Central and South Railways Administration, as well as the establishment of two new departments, in coordination with the Ministry of Transport, in light of the approved projects and the budgetary and financial support. In addition, the Company is acting to update and adapt the organizational structure to optimally reflect the challenges facing it.



In 2023, the Board of Directors and management continued to adapt the Company's organizational structure to deal with the challenges it will face in carrying out the tasks assigned to it in the multiannual plan in the field of transportation infrastructure, as well as establishing an Innovation, Strategy and ESG Division that will help the Company prepare and cope with the changes and transformations taking place in the fields of initiation, development, construction, management and maintenance of transportation infrastructure in Israel and around the world, while strictly conforming to values of professionalism, organizational efficiency, high level of service to road users, integrity and a high safety standard, out of a sense of national corporate responsibility.

The Company's Board of Directors

The Board of Directors of Netivei Israel plays a key role in setting its strategic directions and in supervising their implementation. It is responsible for ensuring that the Company's policy and infrastructure projects meet the highest standards and are adapted to the changing challenges and regulatory requirements in the field of transportation. The duties of the Board of Directors include the approval of work plans and budgets, monitoring compliance with goals and supervision of the Company's risk management and financial performance. The Board of Directors acts to promote sustainability and technological innovation, in accordance with the ESG policy, to enable the Company to contend with modern-day transportation challenges and the effects of climate change.

The Board of Directors bears overall responsibility for a long and varied list of tasks: approval of the Company's annual budget and its five-year plan; manner of application and use of the resources available to it; approval of the Company's quarterly and annual financial statements; approval of short- and long-term plans; establishing the Company's manpower recruitment process; approval of employee positions and appointment of senior officers, including the required qualifications and terms of employment of all personnel.

The Board of Directors is also responsible for managing the quality control system that reviews the Company's functioning, oversees continuously and systematically the manner of implementation of its policy and actual execution of the work plans and examines how it utilizes its budgets.

The Board members are appointed by the Minister of Transport and Road Safety and the Minister of Finance in consultation with the Committee for Examining Appointments in the Public Service. The following parameters are examined in the appointment process: gender, equality and occupational diversity, professional qualifications and accounting and financial skills required of a government company director, as well as the remuneration determination process. The Chairman of the Board is elected by the Board members, and his appointment is subject to the approval of the aforementioned ministers after consulting with the Committee for Examining Government Company Appointments. The appointment of external directors is also subject to the specific statutory provisions applicable to them. In accordance with the Government Companies Authority's circular on the scope of activity of a chairman of the board of directors in a company, in January 2021 the Board of Directors resolved that the Chairman of the Board would serve as an active chairman and that the scope of office of the Chairman of the Board would be 50%. The term of office of the Chairman of the Board was extended in 2023.

The Company's Board of Directors includes public directors, civil-servant directors, a representative of the Government Companies Authority, who has the status of a director in all respects except for quorum and voting right, and representatives of the Company's employees. In accordance with a resolution of the Board of Directors, a discussion on the field of corporate responsibility and sustainable development is held at Netivei Israel once a quarter, at which the Director of Corporate Responsibility and Sustainable Development reports on the progress of the Company's multiannual plan and on the development of economic, social and environmental trends in Israel and around the world that relate to the Company's activities.

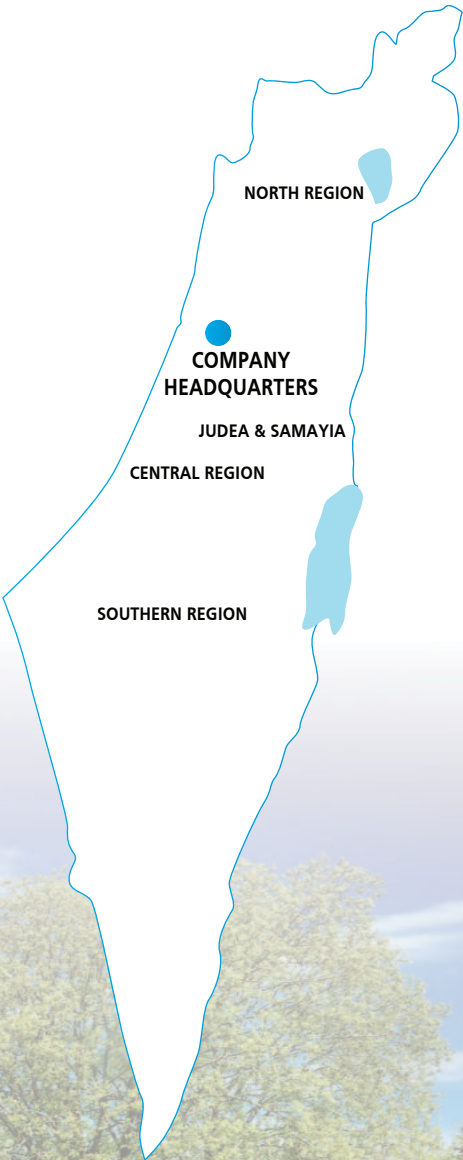
On October 12, 2020, the Board of Directors resolved unanimously to elect Mr. Yigal Amedi as the Chairman of the Board of the Company, in view of his vast experience as chairman of the board and senior manager of numerous companies and one of the founders of the Second Authority for Television and Radio and the Ministry of Environmental Protection. He also served as deputy mayor of Jerusalem for 16 years. On taking up the position of Chairman of the Board, the activity of the risk management supervision committee, the finance, planning and development committee and the personnel committee was renewed. In addition, the Board of Directors decided to establish a business and investor relations development committee, as well as a strategic development committee.

The guidelines for formulating the multiannual work plan, as established by the Board of Directors for the 2023-2027 multiannual work plan, included several main topics.

Company headquarters - Or Yehuda

Operation and maintenance spaces

- North area - Nazareth Elite
- Central area - control center, road 431 (changes the reader's eye)
- Yosh area - Mishor Adumim
- Southern area - Be'er Sheva



with traffic lights

meter **1,591** - 2022
meter **1,615** - 2023



Intersections

num **3,002** - 2022
num **3,034** - 2023



Road length

km **8,475** - 2022
km **8,513** - 2023



Length of railings

num **104,945** - 2022
num **107,045** - 2022



Road structures

num **292** - 2022
num **371** - 2023



Interchanges

num **151** - 2022
num **151** - 2023



Landscaping area

donam **30,039** - 2022
donam **30,732** - 2023



Bridges

num **110,631** - 2022
num **113,049** - 2023



Length of railings

meter **6,834** - 2022
meter **7,040** - 2023



Road signs

num **4** - 2022
num **4** - 2023



Traffic cameras

num **6,625** - 2022
num **6,824** - 2023



Light fixtures

num **648** - 2022
num **697** - 2023

Financial Performance

Netivei Israel, the national company for transportation infrastructure, plays a key role in the development and upgrading of Israel's transportation infrastructure. The Company manages each year tenders in the billions of shekels, and it has a significant influence on the country's economy and employment. Investments in transportation infrastructure improve accessibility between different geographical areas, reduce travel time and strengthen the periphery, all of which increases economic efficiency and creates growth in the economy.

Beyond their general economic benefit, the huge tenders issued by Netei Israel contribute to direct and indirect employment in the construction, engineering and technology sectors and impact tens of thousands of employees in the different spheres of the projects, through collaborations with local and international companies, while promoting innovation.

Below is the multiannual segmenting of the main items of the Company's financial performance (NIS in thousands):

Profit and loss	2021	2022	2023
Revenue	5,642,044	5,582,082	5,914,941
Cost of work	5,354,019	5,278,481	5,584,932
General and administrative expenses	270,539	288,052	309,790
Profit before financial items	17,486	15,549	20,219
Financial income	-2,073	16	7099
Profit after financial income	15,413	15,565	27,318
(Other income expenses)	6288	-10,279	5,177
Net profit	21,701	5,286	32,495

	2021	2022	2023
Development	3,386	3202	3428
Railway	1,345	1153	977
Airport construction	14	12	101
Terminal, bicycle path and priority lane projects	0	4	52
Maintenance	949	1439	1377
Traffic control	62	59	88
Organizational	274	301	320
Total	6,030	6,170	6,343

Domains	2021	2022	2023
Operating costs	5,354,019	5,278,481	5,584,932
Employees' salaries	182,121	184,035	192,772
Accrued profits	163,206	172,718	205,959

Corporate Governance

Good corporate governance in government companies is a critical element in ensuring their proper and reliable operation, particularly in the case of companies that deal with national infrastructure. Their activity involves varied and sometimes conflicting interests – such as responsibility for advancing large national projects contrasted with the need for meticulous and transparent management of public funds. Corporate governance calls for setting clear rules for the management of the company, including control, supervision and reporting mechanisms designed to ensure the decisions that are made serve first and foremost the public interest rather than private interests. The proper functioning of corporate governance is based on the principles of accountability, transparency, responsibility and fairness, which instill in the public trust and certainty that a government company is operating in an appropriate and skilled manner. The application of these principles enables government companies to maintain their financial stability, prevent corruption and conflicts of interest and foster an organizational culture in which the emphasis is on service, professionalism and commitment to the public interest.

Principles of corporate governance at Netivei Israel

Netivei Israel is committed to the principles of good corporate governance within the framework of the law and complies with the provisions of the law wherever it operates. As part of its activity, Netivei Israel carries out collaborations with other companies and ensures that its business partners also commit to fair and appropriate rules in their corporate and business conduct.

Government Companies Authority Circular No. 93/2-15 from March 4, 1993 prohibits government companies to engage in donations and sponsorships, thus the Company does not donate to any activity. The Company is working to consolidate the field of risk management, with special emphasis on proper governance and personal integrity of its employees, and it is acting to implement a risk mitigation plan for each risk according to its severity and impact.

Netivei Israel considers bribery, corruption and any activity that presents a conflict of interest to be totally unacceptable. Accordingly, the Company has adopted a policy of zero tolerance for acts involving bribery or corruption. Netivei Israel employees may not offer or accept bribes or any other illegal incentive, whether directly, indirectly or through the intermediation of a third party. To realize its corporate responsibility, the Company works to promote an ethical organizational climate through its institutions and with the help of the ethics supervisor, the ethics committee, the company auditor and the compliance officer. The Company works to promote dialogue with its stakeholders and its implementation in procurement policies in the supply chain, environment and in matters related to the environment, the work environment, community investment and involvement and the assimilation of relevant procedures and work processes.



Ethics

In government companies that focus on transport infrastructure, ethics are not only a question of values but also an essential component of establishing public trust..

The government through its companies manages public resources on a large scale, and it is responsible for expending them wisely and also transparently, fairly and in keeping with the public interest. The challenges are numerous: On the one hand, the companies are tasked with the execution of large and innovative projects that benefit the public and improve accessibility and transportation services, while, on the other hand, the huge budgets for these projects give rise to temptation and involve complex economic interests. Ethics provide a clear and guiding framework that places boundaries and limitations on decisions and their implementation, thus building public trust in government companies and creating a social partnership that reduces opposition and enables the smooth advancement of projects. Moreover, ethics obligate the personnel of these companies to comply with high standards of professionalism, fairness and service and help to prevent corruption and conflicts of interest that could affect the quality of the projects and the services offered to the public. Establishing a strong ethical culture ensures the economic efficiency of the projects while also engendering public trust and conferring legitimacy on the actions of the government companies.

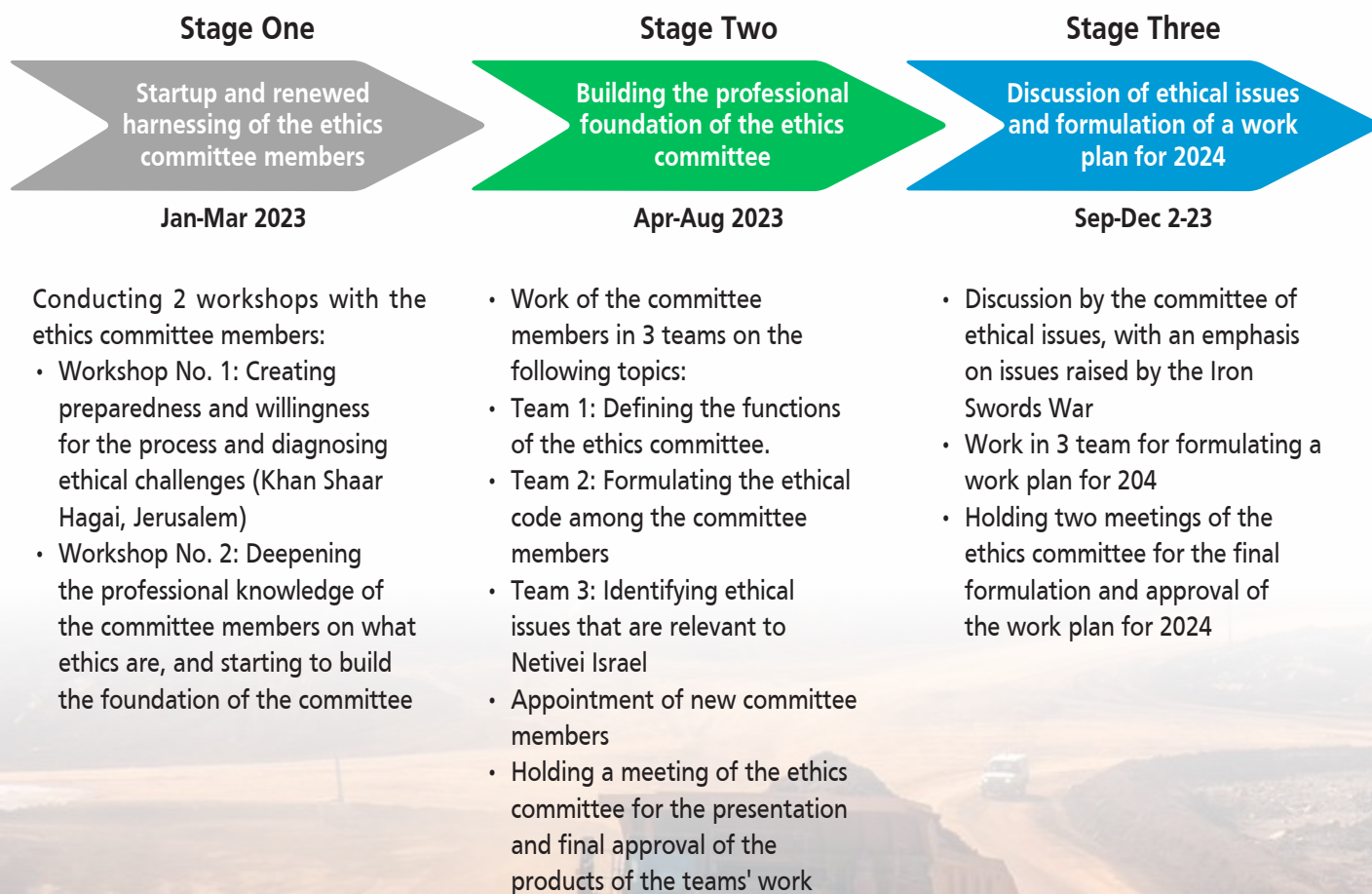
Netivei Israel's management considers ethics to be an important component of its corporate governance and the ability to best realize its purpose. Ethics at Netivei Israel deal with dilemmas vis-à-vis all the Company's stakeholders and with the creation of a continuous dialogue that improves the work interfaces and protects the values designated by the Company as the most important in these interfaces. The Company's ethics committee consists of representatives of all the divisions as well as relevant officers, such as those in charge of preventing abuse and racism and promoting gender equality, the commissioner of ethics, the internal auditor, etc., enabling it to integrate all the aspects over which it can exercise influence in the most effective manner. As a rule, the ethics committee meets once in a quarter. In 2023, work was carried out on the formulation of a multiannual plan for instilling ethics in the Company, and therefore the committee met more frequently.



Corporate Governance

The "Solelim Derech Eretz" ethics plan is a multiannual plan drafted by the members of the ethics committee.

Activity in 2023 was conducted under the slogan "Restarting – Blazing a Path" and included three stages:



Details of Stage One

- In the wake of differences of opinion that arose among the committee members over the perception of the committee's role, the degree of attention to the subject of ethics and the ability to exercise influence, rethinking was done on how the ethics issue should be dealt with in the Company.
- It was decided to conduct a workshop for the members of the committee at Khan Shaar Hagai in Jerusalem, for the purpose of restarting the committee's activity and allowing space for open dialogue among its members regarding ethics-related challenges.
- The choice of Khan Shaar Hagai as the venue for the workshop was not coincidental. In the course of the workshop the members visited the "Road to Jerusalem" exhibit that tells the story of the breakthrough to Jerusalem during the War of Independence, which was seen as a metaphor for the desire to achieve a "breakthrough" also in the field of ethics and to create a value-based platform enabling harnessing, connection and restarting.
- The workshop achieved its goals. During the workshop the members of the committee exhibited leadership and a willingness to restart their work in the field of ethics, based on the understanding that "even if it's hard – it's not hopeless," in the words of General (res.) Amos Horev, who was among the fighters who broke through the road to Jerusalem and whose words reverberated as part of the exhibit visited by the members at Khan Shaar Hagai.
- In the framework of the workshop, the ethical challenges were mapped out at the level of the organization and the committee and a range of actions was suggested for implementation and restarting of ethics-related activities.

Details of Stage Two

- Mapping of the disparities at the level of the committee underscored the need for building its professional foundation to enable it to fulfill its role.
- To this end, the committee members attended a professional lecture that dealt with understanding the concept of "ethics" and how it is expressed in various organs:
- In addition, the committee members were divided into three work teams tasked with providing solutions for the professionals challenges that were identified:
- Team 1 – dealt with updating the ethic committee's procedure and refining the definition of its duties, powers and role boundaries.
- Team 2 – dealt with formulating a "code of ethics" among the committee members, which defined the values and rules of conduct expected of the members of the committee by virtue of their capacity.
- Team 3 – dealt with the defining the ethical issues relevant to Netivei Israel.
- Each team met for three focus group discussions addressing the topics under its responsibility.
- The discussions of the work teams enabled a professional, in-depth and focused exchange on the different topics, which yielded significant products.
- The discourse also strengthened the committee members' professional understanding of the nature of their role and enabled them to begin discussions on ethical issues, in which they practiced ethical thinking and explored the boundaries of their role.

Details of Stage Three

- As part of its duties, the ethics committee conducted three ethics discussions during 2023, in addition to the committee members' discussions in the framework of the work teams, which, as mentioned, also dealt with ethical issues.
- The committee's first discussion took place in July 2023, and included the presentation of the updated ethics committee procedure, as formulated by the work team. During the meeting the committee's duties, powers and boundaries were more clearly defined and comments and additional updates were received from all the members of the committee and incorporated in the updated procedure.
- The second discussion took place in November 2023 under the impact of the Iron Swords War. One of the ethical issues that arose during the war relates to situations where employees/suppliers made pro-Palestinian statements on the social networks. One of the Company's employees was fired on these grounds. The chairman of the ethics committee recommended to the CEO to disseminate a message to the employees and suppliers addressing Netivei Israel's policy and organizational value of zero tolerance for abusive behavior, incitement and polarization. The CEO adopted the recommendation.
- During the discussion the committee dealt at length with this subject, since it involves a significant ethical dilemma: Where to draw the borderline between incitement and freedom of expression? And what is the difference between unity and uniformity?

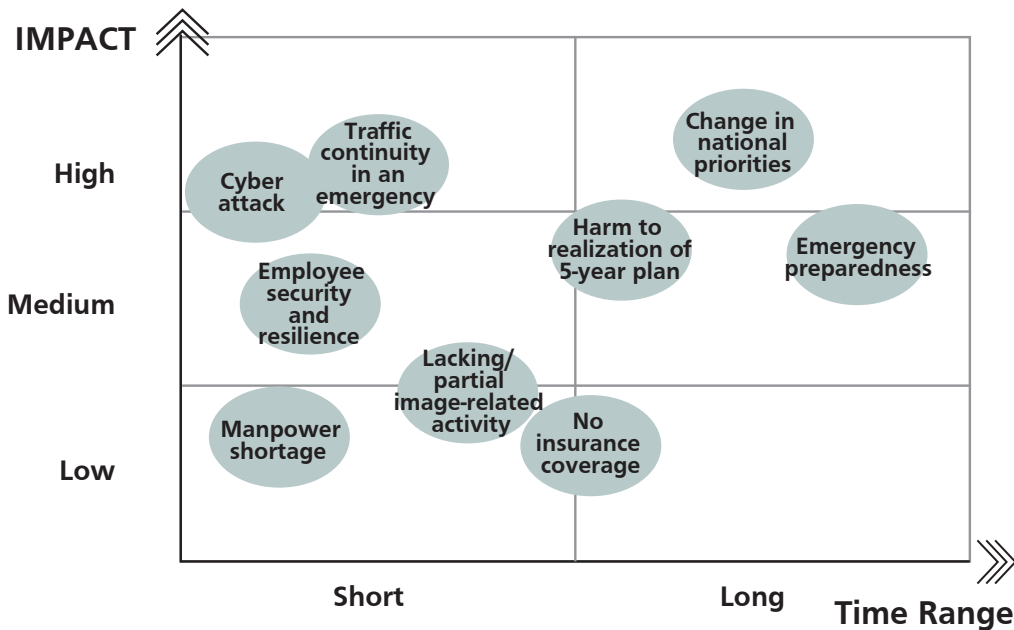
Risk management

The year 2023 was marked by uncertainty and a lack of clarity. The high rate of changes and multiple challenges with which the Company had to contend resulted in a complex work environment that necessitated dynamic application of risk management processes in a changing reality, with emphasis on an immediate, proactive response to changes, threats and also potential opportunities, to create added value supporting the realization of the Company's strategy and goals.

The Iron Swords War

On October 7, 2023, the Iron Swords War broke out following a surprise attack on Israel launched from the Gaza Strip by the Hamas terrorist organization. One of Netivei Israel's strategic goals has been to maintain functional and traffic continuity in all the areas under its responsibility, for the duration of the war, while applying Government Decision No. 2973 which requires operating according to an **emergency routine**. This includes conducting situation assessments, engaging in collaborations and applying an expansive approach that includes all the transport infrastructure companies, with the aim of ensuring optimal functional and traffic continuity.

The rate and intensity of the changes brought on by the war require the Company to have a **rapid response capability** and to provide an answer for the needs of the security forces and civilians. In light of the foregoing and in order to support the achievement of this main goal of the Company, following the outbreak of the Iron Swords War Netivei Israel carried out a process of mapping the war-related risks that could affect the Company and ways of contending with them, based on a long-term view of changes in the Company's strategy as well as post-war changes and adjustments to the work plans. This mapping was done taking into account three time dimensions: immediate and short term, medium term and long term. The chart below shows the mapping of risks and material impacts on the Company:



Internal auditing

Today more than ever, regulators and lawmakers in Israel and the world see the necessity of internal auditing as a function tasked with determining whether a company's activities are appropriate in terms of proper management, ethical behavior, economy and efficiency, and whether they are useful for achieving the goals set for the company.

Internal auditing is meant to contribute to organizational quality and excellence and to inculcate in the organization the highest ethical and professional standards in working towards the company's goals and objectives and in all its actions vis-à-vis the stakeholders. It is also meant to help the organization's management to identify faults in processes, in order to reduce the future costs of such faults and to recommend improvements in processes with the aim of improving the organization's performance.

The internal audit function operates in accordance with the Internal Auditing Law, 5752-1922, the Companies Law, 5759-1999, accepted professional standards of the Institute of Internal Auditors and circulars of the Government Companies Authority on matters relevant to the internal auditor's work.

Internal auditing services operate in cooperation with all the Company's divisions, to generate value from the risk hotspots.

In 2023, the internal audit function acted in accordance with a risk-based multiannual audit plan.

The Company's internal audit function is responsible for handling complaints, as well as collating and responding to inquiries of the State Comptroller.

The internal audit reports are discussed by the audit committee and the board of directors, and implementation of the recommendations in the audit reports is examined once in a quarter.

In 2024, the internal audit function will act in accordance with a risk-based multiannual audit plan and, among other things, will conduct comprehensive audits on the Company's operational divisions, with the aim of generating value among the divisions.

The internal audit function sees added value in the promotion of innovation, collaborations inside and outside the Company and digitization of company operations.

Corporate and project risk management

Netivei Israel strives to assimilate and implement advanced management methods as part of its day-to-day management processes. Accordingly, in-depth surveys are carried out regularly to identify potential effects on the Company's core operations and areas of business.

Risk management is an integral part of the Company's strategy and a supporting tool for complying with the Company's goals and work plans while continuously improving its work processes and reducing the inherent exposures in the work processes.

The Company operates in accordance with the directives of the Government Companies Authority's circular on corporate risk management from 2020, and in accordance with the COSO methodology, which is an international risk management methodology accepted in Israel that enables the Company to manage all risks and events likely to cause damage.

Netivei Israel's organizational structure is designed to support the risk management processes, making it possible to adopt informed managerial decisions while ensuring a proper level of supervision and control, and to implement

organization-wide and cross-organization processes, with a view to continuous improvement of the Company's ability to meet its goals.

The risk management system includes the chief risk officer and divisional risk management custodians, at VP level, as professional functions for the actual management and implementation of the risk management process in the divisions. The chief risk officer reports the organization's exposures and changes in the mix of risks to the Company's management and board of directors, according to a set policy.

In addition, it is important to note that the world of risk management is undergoing a fundamental change, with an increase in the importance of corporate responsibility which has become an accepted standard in numerous organizations.

Through corporate responsibility the organization manages its impacts on its stakeholders, creating value for them and strengthening the relations of trust with them, thereby improving the quality of risk management and turning threats into opportunities.

Environmental risk surveys

During 2022-2023, a mapping process was carried out on the Company's environmental risks and preparations were made for the management of risks of climate change, including identification and assessment of risks and mitigation of their negative impact on the Company. This process is expected to be completed during 2024 and to be submitted for approval by the CEO and the board of directors.

Environmental risk survey – In recent years, we are witness to a growing awareness of the issue of the environmental impacts of organizations and companies. The emerging trend in Israel is that the regulators are beginning to align with what is being done around the world, to show interest and even to impose various duties in connection with environmental risks.

Accordingly, it was decided at Netivei Israel to conduct an environmental risk survey, in the framework of which the Company mapped and surveyed the environmental risks to which it is exposed and also analyzed the primary causes of each risk. As part of the process, risks associated with the Company's physical activity and the supply chain were identified, as well as risks associated with compliance with environmental laws and regulations.

Climate risk survey – In recent years, there is increasing awareness of the issue of the effects of climate change, including floods and flooding, heat and cold waves, drought and rising sea levels. Extreme weather events occurring in Israel due to climate change could affect Netivei Israel's activity in the short and long term, in operational, financial and regulatory terms and in terms of its image. In addition, climate change could affect the Company's supply chain in a range of aspects, including restrictions on trade routes, delays in procurement orders, shortage of raw materials, price rises, etc. Accordingly, and in order to deal with the effects of climate change, the Company carried out a comprehensive mapping of the two main types of risk, taking into account climate-related regulatory that could affect its activity as well as climate change scenarios that could affect the Company's activity and functional continuity:

- Risks arising from extreme and prolonged climate events that cause physical damage to person and/or property.
- Transition risks arising from the transition of the world to a low-carbon economy, including policy changes that are being promoted by countries for reducing carbon and greenhouse gas emissions in the economy.

It is likewise noted that the Company is leading together with the Ministry of Transport the ministry's preparations for claim change.

Risk management in projects

Netivei Israel implements risk management processes in all its projects, in accordance with an international methodology for project risk management and with an emphasis on complex, high-budget projects for which a differential project risk management methodology was defined. The division of the differential methodology is as follows:

- Projects from NIS 600 million up to NIS 1 billion
- Projects above NIS 1 billion

By means of this methodology, a high-quality, uniform and effective standard is implemented and applied in the management of project risks, including a requirement to appoint a dedicated "risk manager" on behalf of the project manager's team, as well as reporting routines, a risk management system and additional requirements establishing appropriate foundations for risk management in projects.

The risk management oversight process in projects, based on a risk management system, includes thinking workshops with the stakeholders and project managers for mapping and assessing the main risks and formulating a risk mitigation plan, with the aim of increasing the project's chances of success and avoiding or preparing for future failures.

As part of project risk management at the Company, a generic risk bank has been generated for project risks, the purpose of the risk bank being to serve the project manager as a useful, dedicated tool, uniform in structure, that is based on risk management methodology, for mapping the common risks and preserving knowledge from past events that occurred in projects. In order to provide a response to environmental risks, the risks generated in this risk bank include, among others, environmental risks that have the potential to impact the environment in the framework of the project.

Corporate risk management

In 2023, the Company made significant advances in the implementation and application of risk management in all the Company's processes, with an emphasis on its core process. Below are the main activities carried out in the risk management system in 2023:

- Management and maintenance of the organizational risks map – processes of implementation, system development, oversight and regular reviewing of the risk map were carried out:
 - Quarterly meetings with members of the management and the supreme steering committee regarding the identification of material and developing risks with a view to the future.
 - Quarterly reporting to the management and the board of directors in the quarterly exposures report.
 - Regular oversight of the divisional risk management representatives, with a focus on the implementation and effectiveness of the divisions' reduction plans.
 - Monitoring and measurement of the KRI metrics defined based on the key risks that were mapped.
 - Updating and approval of the Company's risk management policy, which defines the risk appetite, as well as the risk management procedure.
 - Dedicated training courses to promote knowledge in the field of risk management among the Company's employee's and the supply chain parties.
 - Optimization and improvement of the user experience and the dashboard in the risk management system.
- Integration of risk management in the Company's strategy, work plans and goals – combined risk management as an integral part of the presentation of the divisional work plans and their goals and in the strategic process.
- Reporting of failure events and material failure events – a model was developed in the risk management system for reporting and investigating failure events and for drawing lessons, and the criteria for reporting such failure events were updated. The process was integrated in the organization's divisions and a lesson-drawing process is being implemented across the organization.
- Mapping of sensitive functions – In the framework of the fraud and embezzlement risk management at the Company, a process of mapping of the sensitive functions was carried out in terms of fraud and embezzlement risks. The mapping was performed on all the organization's job positions for the purpose of rating their exposure to fraud and embezzlement risks, including the classification of the job holders in order to examine the effectiveness of the existing control over those jobs and to strengthen it if necessary by means of a dedicated work plan.

- Risk management in new activities and/or innovative projects – work according to an orderly methodology that defines the identification, mapping and risk assessment process before a Go-No-Go decision is made by the management and the board of directors.
- Business continuity – In accordance with the requirements of the Risk Management Circular, in 2023, and as a direct continuation of activities in recent years, work was carried out on the formulation and approval of a manual dealing with the perception of the functioning of Netivei Israel in an event that could lead to a business disaster, including: framing of business continuity scenarios, designation of the crisis management team, definition of levels of activity according to the duration of the shutdown, mapping of processes and systems that are critical for functional continuity and definition of the recovery time, etc.
- Cyber and information security risk management – oversight of a process for evaluating the viability of cyber insurance, including the performance of an in-depth cyber survey on several systems and receipt of a report on the survey findings, infrastructure/application penetration tests, comparative examinations in the insurance market and the provision of a professional opinion based on the findings as to whether the Company should take out cyber insurance for its assets.

Below are the goals of the risk management system for 2024:

- Regular review of risks and impacts arising from the Iron Swords War.
- Risk management combining strategy and targets – comprehensive corporate risk survey (ERM) and examination of the KRIs.
- Continued inculcation and consolidation of a culture of risk management – reporting and monitoring of failure events, organizational training, risk management forum.
- Follow-up of implementation of the recommendations of the mapping process conducted on key functions.
- Oversight of risk management in projects – focus on risk quality and identification of system-wide risks.
- Reports in accordance with the Government Companies Authority's circular – presentation of a quarterly exposure report to the management and board of directors.
- Risk management system – optimization of risk management module and increasing user activity.
- Climate change survey – completion of climate risks survey, approval of the work plan and follow-up of implementation of the recommendations.



Supply Chain

An efficient, safe and high-quality chain supply is the foundation for success of companies in the area of transportation infrastructures. Based on these values and the required capabilities, companies can ensure smooth and efficient operation, improve customer relations, and achieve significant competitive advantages. As a national transportation infrastructure company, the supply chain constitutes a complex process comprising multiple stages and sub-processes. To enhance its efficiency and ensure its good functioning, it is imperative to understand and focus on each stage of the supply chain. The process starts out with identifying and selecting reliable and credible suppliers, that will supply equipment and services of a high standard and excellent quality.

Collaboration as a basis for economic values and financial advantages in supply chains of infrastructure companies:

In government infrastructure companies such as Netivei Israel, project activities largely rely on a broad network of external suppliers that carry out the planning, execution and maintenance of long-term, complex projects. This configuration of work with an external supply chain requires coordinated collaboration with all the involved entities, where government company teams act as mediators and managers that supervise processes, but do not perform the physical activity themselves. This work model, which combines control and central management with decentralized execution, allows the government company clear economic advantages, which drive efficiency, innovation and compliance with high regulatory standards.

Efficient collaboration in the supply chain constitutes a critical tier in economic values that derive from correct resource management and shared strategies. Synchronization between the company and suppliers leads to improved resources utilization, better coordination in complex projects, and more efficient tackling of regulatory challenges. These aspects translate directly into financial advantages: reduced operating costs, shorter execution times, and increased quality over time. Moreover, work with external suppliers bolsters the organization's flexibility in dealing with changes in the market or in work conditions, enables it to maintain financial robustness and to respond quickly to on-the-ground needs.

In government companies, which are not direct profit-oriented, but seek to improve public infrastructures and citizen services, the supply chain collaboration model allows them to sustain their commitment to the public benefit, while maintaining economic balance and efficiency. Consequently, effective management of supply chains not

only contributes to the bottom line, but also strengthens the sense of public responsibility, credibility and professionalism – values that are vital to a government company.

The Contracts & Engagements Division manages some 3,000 engagements with different suppliers, by virtue of being the engagements division of the largest infrastructure company in Israel.

The Division views these engagements as driving all the projects under the Company's responsibility, and as such, sees its interactions with the suppliers under its responsibility as a decisive factor in realizing the Company's vision and goals.

In view of this, the Division ensures that all ongoing contracting processes are managed with emphasis placed on equality, fairness, efficiency and on maintaining rigorous and proper contracting processes, while relying mainly on local suppliers.

We, at the Division, believe that the supply chain has the power to communicate, clearly delineate, and find an attentive ear at each stage for the purpose of streamlining the company's processes, and therefore we do our utmost to improve the methods of contracting with suppliers.

Coupled with this, to ensure that the projects we are responsible for are carried out to the highest level, the Division makes sure to verify that the suppliers run their businesses responsibly, conform to all generally accepted standards, maintain a high standard and professionalism, adhere to ethical rules, and strictly comply with the law's requirements.

In such manner, the Division ensures interactions that are based on trust and mutual responsibility as a basis for realizing the Company's goals.

Performance of Contracts and Engagements Division for 2023

Administrative Committees

Holding of 250 administrative committee sessions

Specialist Tenders Committee

Holding of 80 specialist tenders committee sessions, and 420 automated appointments

Supreme Tenders Committee

Holding of 52 supreme tenders committee sessions, and 1,100 records of minutes during the round

Supplier Databases

Refresh of 20 supplier databases, creation of 7 framework tenders, and setup and refresh of 660 suppliers

Partners on the Road

Holding of online knowledge-sharing and instruction sessions, online public reception, and newsletter distribution

Conflict of Interest

Processing of 486 supplier declarations, and holding of 30 conflict-of-interest committee meetings

Contracts Department

Relaxations for Contractors Due to the Iron Swords War

In view of the Iron Swords War, it was decided to advance a series of relaxations for contractors, out of an understanding that the war is expected to go on for a while. These include:

1. Advancing the payment dates – Contractors' invoices that were approved and for which payment was to be made by the end of 2023, were submitted immediately to the Ministry of Transport, so that they should be paid at a near date, the purpose being to help the supply chain with the cash flow.
2. Payment of partial milestones in DB projects –Instead of full payment for a milestone upon its completion, the Company will allow contractors to submit invoices for 25%, 50% or 75% of an as-yet incomplete milestone. The invoices will be approved by the project manager and projects department manager, based on the proportion of the respective milestone they believe was actually executed.
3. Advance payments in bill of quantities projects –In bill of quantities projects, a contractor that has not drawn

an advance payment at the start of work, will be given a possibility to draw an advance payment up to a rate of 15% of the contract balance, against provision of a bank guarantee for 50% of the requested advance payment. A contractor that has drawn an advance payment at the start of work at a rate of up to 10%, will be given the possibility to draw an additional advance payment of up to 20%, with the additional advance payment to be calculated from the contract balance, against provision of a bank guarantee for 50% of the requested advance payment.

In addition, the following additional steps were advanced to make it easier for contractors: addition of a bracket for reduction of the performance bond to 3% after payment of 85% of the consideration and opening of the road to traffic; advancing the date for receiving the advance payment in DB tenders; shortening the inspection period to 12 months in concessionaire tenders; widening the range of financial entities from which a guarantee may be obtained; payment of half the amount of the lien in DB projects that completed the execution stage; and adjustment of the insurance requirements to the insurance conditions existing in the market

Activity after the Corona period and before the "Iron Swords" relief

Acceptance of guarantees

Expanding the list of financial entities from which a guarantee can be obtained

Advance in DB

Advancement of the date of receipt of the advance payment in DB tenders

Reduction of performance guarantee

Adding a step to reduce the guarantee
Execution-reduction to 3% after payment of 85% of the proceeds and opening for traffic

Reducing the test period

Reducing the inspection period to 12 months in the old contracts in the franchise tender

Contracts Department:

A requirement of the annual work plan is completion of the smart contract for hourly contracts, project managers, and HR managers. Likewise, the introduction of additional work procedures into the Company required the creation of automatic output for delivery of a task in timetable control to the project manager and lead spatial planner. The completion of the output process and the contract was carried out during 2023, including the performance of acceptance tests.

Planning Department:

The Planning Department in the Contracts and Engagements Division is responsible for the division's work plans, for synchronizing and integrating the different units of the division, for managing horizontal processes and for leading special divisional projects.

The Contracts and Engagements Division promoted in 2023 some 2,800 different engagements that include public tenders, the appointment of contractors for availability promotion from a framework tender, price bidding processes, individual requests, appointments by loads, commitments, approval of professional fee sheets, and instructions for modifying existing contracts. In addition, the Invoice Control Department inspects some 30,000 invoices a year.

To manage the significant scopes and many types of engagement processes and the stations through which the engagements pass, the Planning Department created, in collaboration with the Information Systems Department, several models in the Company's systems. The models that were developed enable the Company's employees, both in and outside the Engagements and Contracts Division and the Company's partners to the engagement processes (project manager, surveyors and planners) to monitor the different engagements and identify at any time where the engagements are at the different stations.

- Service charter model – As part of the constant desire to improve and the aspiration to provide quick and high-quality service, standard times have been set for key core processes that are being promoted by the Division. This model enables the personnel of the Contracts and Engagements Division to identify most of the engagements in the core processes and to measure the duration of handling the requests in the Division, for purposes of compliance with the service charter goals, identification of bottlenecks, and execution of prioritization.
- End-to-end model – Enables the Company's employee and the project manager to monitor and measure the rate of progress of the various core processes in the field of content of the planners and surveyors. This model also enables the Division to manage the scope of the engagement processes from start to finish and to measure the performance of the planners, project managers, consultants in the Engineering Division, the Division's employees at the different stations, and the persons authorized to sign contracts and minutes, and to identify barriers or delays at both the process level and human factor level. In 2023, the Division improved the model, adding to its capabilities a report that enables monitoring projects where there is no final settlement of accounts with the planning team for "B" stages that are complete, but payment is yet to be made. This way the Division identifies the projects requiring intervention vis-à-vis the project manager and

the project operator at the Engineering Division, so that it can try to push for the conclusion of a final settlement of accounts and release of the monies to the suppliers.

Steering team for examining barriers in the planning process:

At the suppliers' conference held in 2022, the CEO announced the establishment of a steering team headed by VP Engineering and VP Contracts & Engagement, aimed at reviewing the planning process with all its facets. In 2023, the team began its activity through 4 sub-teams: Team 1 – For reviewing the engineering planning process – led by the Engineering Division.

Team 2 – For reviewing the consideration mechanisms – led by the Finance Division.

Team 3 – For reviewing the planning control processes – led by the Engineering Division.

Team 4 – For reviewing the contract initiation process – led by the Contracts & Engagements Division.

The Planning Unit manager in conjunction with the Planning Department in the Contracts & Engagements Division led the administrative groundwork carried out by Team 4, which consisted of workers from the Division's three departments, Company employees from the different execution divisions engaged in the setup, promotion and management of engagements, and representatives from the Information Systems Department, Legal Department and Budget Department, as well as project managers and planners.

The work team convened several times during the first half-year of 2023, and completed the required administrative groundwork, which comprised several stages:

- Mapping the contract initiation process.
- Analyzing the barriers at each stage and their effects
- Devising solutions and ranking them based on their extent of influence on the contract initiation process and their practicability.
- Formulating recommendations and outline plans.

The team's tasks were presented at the conference summarizing the administrative groundwork, and were approved for execution by the Company's CEO. Likewise, already prior to the approval of the teams' recommendations at the summarizing conference, the Division formulated a new outline plan for the appointment of teams for statutory projects, and also approved the outline plan at the Company's tenders committee. The outline plan was incorporated and is already used today by the Division in appointing teams for statutory projects.

Besides the activities carried out by Team 4, the Division's employees participated in the administrative groundwork of the other teams, with the Division serving as an active integrator in coordinating and synchronizing the teams' work.

To summarize the tasks of the sub-teams and the work of the complete team, the Planning Unit, in conjunction with a summarizing meeting, produced a synchronized display of all the sub-teams' works at a full forum meeting headed by the CEO.

Professional Fees Department

In 2023, the Department continued promoting rates for all the disciplines requiring a rate update, adjusting the rate to the state of the economy and ensuring the payment of fair rates to the Company's suppliers.

Additionally, the Department promoted improvement of the monitoring and alerting processes for handling professional fee sheets.

In the last year, the Company's invoice control process was reviewed, with a view to streamlining the process and reducing the number of invoices deferred for correction by the professional entities, in order to advance our payments to suppliers.

An action plan was defined, delineating actions in several directions and channels to shorten process times, strictly maintaining fundamental control principles, and conforming to the law and provisions of payment morality. Major focus is on the intra-organizational information policy system explaining the control requirements and manner of submitting proper invoices, as well as readjustment

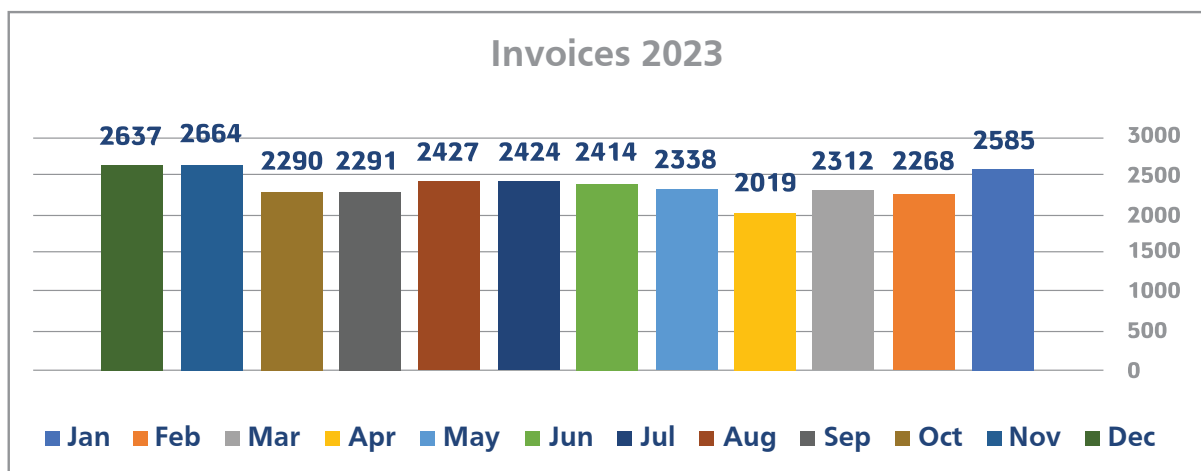
of new and existing systems to the control process and requirements.

At the end of the year, an analysis was made of the second half-year for years 2022-2023, which showed a significant decrease of 29% in the number of deferred invoices.

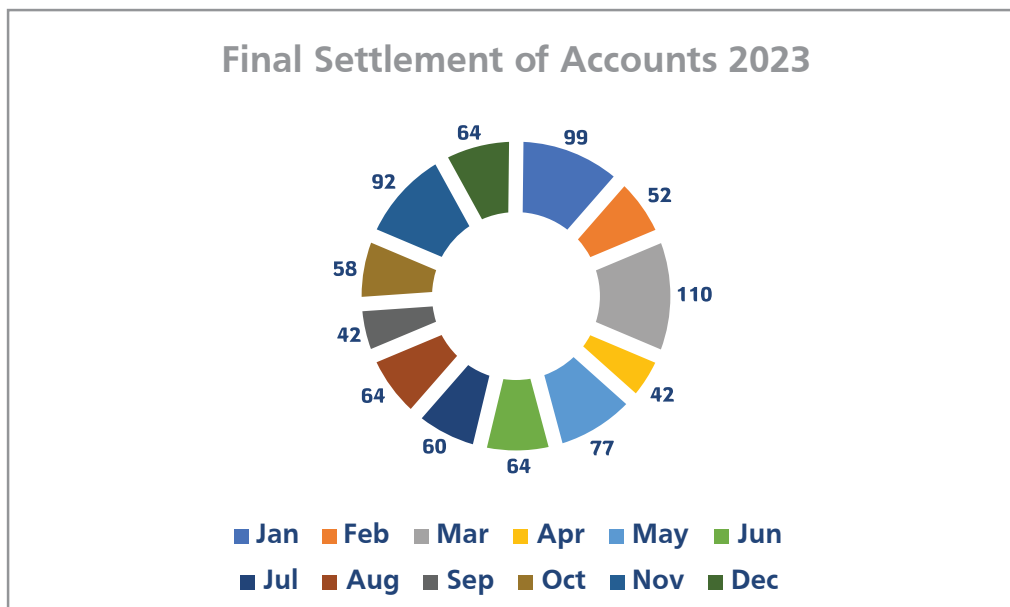
The Invoice Control Department continues to work to create additional guidance channels on the Company's platforms regarding the submission of proper invoices, aimed at shortening invoice handling times, and reducing standard waiting periods until suppliers payment date, while encouraging the transition to technological resources.

Invoice Control Department

In 2023, a total of 28,669 invoices were submitted for payment as detailed below:



Of these, 824 are a final settlement of accounts for ending an engagement/contract:



* The data do not include invoices converted from partial to final settlement and expropriation payments.

Conflict of interest (COI) management system:

- Netivei Israel attaches great importance to its relationship with suppliers and does its utmost to ensure the absence of any conflict of interest.
- Once a year, the Company sends out a request to its suppliers to complete a Conflict of Interest Declaration form. The Company, which espouses transparency, sets out in its request to the suppliers the Company's conflict of interest policy, defining the principles that underpin its review of the suppliers' declarations and reports concerning conflict of interest.
- In 2023, the COI management system turned to 485 suppliers, analyzed their declarations based on the Company's policy and presented its decisions to the suppliers and to the experts committee as well, so that the latter should be aware of the restrictions, if any, on the appointment of the suppliers.
- Since this concerns the management of hundreds of suppliers and thousands of contacts, we developed tools enabling the management and control of the COI system's decisions. The tool-aided system displays various alerts that assist in the management and control of the COI system, and enable synchronization and transparency of the data vis-à-vis the various departments in the Contracts and Engagements Division.
- Examination of a suspected conflict of interest in the Company's active projects – Completion of the process handling active projects in the Company, using the control model that allows cross-referencing system data with WBS data in the Company's existing projects.

Supplier Database Department

Main activities of the Supplier Database Department in 2023:

- Publication and updating of Netivei Israel databases based on the annual work plan – improvement and validation of threshold conditions, communication to the public via the website and the press, handling of bidders' requests, hearings at committees, inclusion of new suppliers, and execution of a load balancing process among the database suppliers.
- Setup of Company suppliers and customers, including new suppliers – hundreds of suppliers and workers on their behalf were set up during the year.
- Requests for load updates by virtue of framework tenders – handling of requests for update, change, load reduction in the Company's framework tenders, and in accordance with the decisions of the Company's tenders committee.
- Creation of new tender databases – supplier setup, load infrastructure report for new tenders.
- Management and operation of the services catalogue – Creation of hundreds of new master groups/subgroups/catalogue items, in the framework of expansion of an existing catalogue; creation of a new tender catalogue; a catalogue for service items management for HaMe'itz project terminals.
- Processing of requests for change of name and change of business entity – processing of suppliers' requests for entity changes and conversions in the system, and processing of name change requests.
- Follow-up and control of suppliers' ISO standards –

ISO standards management of 190 suppliers across 21 Company databases and framework tenders.

- Update of suppliers' history – receipt and inclusion of information, committee minutes and hearings on the supplier management portal as a supporting tool of supplier management at Netivei Israel. The Information includes a record of professional hearings and clarifications, in-principle decisions concerning suppliers, a history of refusals and lawsuits, etc.
- The Supplier Database Department leads the "Partners on the Road" vision, which forms part of the strategic conception of the Division in the framework of the "Future Contract." Following are the tasks:
- Supplier Management Portal (SMP) project – the Division's flagship project in terms of information systems; a portal for the management and concentration of all the data existing in the Company on a supplier, based on a holistic outlook.
- Positioning of the SMP system – positioning of the system among the suppliers throughout the year via various channels, to maximize the capabilities and use of the system. An in-depth data analysis of the SMP, to suit future tasks to suppliers' needs as reflected by the nature of their activities in the system, and this, inter alia, using a system for monitoring logins to the SMP.
- Distribution of communications and notifications to suppliers – the Supplier Databases Department is responsible for the distribution of the Company's official communications to its suppliers. Over the past year, communications have been distributed to all the Company's suppliers regarding matters of insurance, professional fees, payments, and load mechanisms; notifications to the Company's contractors and more, via the SMP portal, concerning diverse matters and specifically suited to the target population.
- Displaying invoices on the SMP – during the second half-year we went live with the model for displaying invoices to suppliers on the SMP. All the invoices of the respective supplier are displayed under this tab, according to the station the invoice is in. Displaying the invoices allows the supplier to know in real time the number and breakdown of invoices in process, the station the invoice is in, and thus to advance the invoice vis-à-vis the relevant entity.
- (Invoices of specialists/project managers/planners/consultants/contractors).

Department projects:

- "Talking with You" project – Activities led by the Supplier Database Department, consisting of online meetings with suppliers (public reception) over ZOOM. Taking part in the meetings are representatives of the Contracts and Engagements Division from various fields. During these meetings, suppliers ask questions, raise basic issues and problems, and receive answers from the Division's representatives in real time.
- System for monitoring logins into the Supplier Management Portal (SMP) – A model that monitors the quantity of logins and the quantity of suppliers using the system, thereby enabling to distill what is needed by suppliers and the system's response while things are in progress.

- Professional knowledge management meetings with suppliers – The Supplier Database Department leads online meetings with suppliers which deal with professional matters. The meeting was held in July for all the expert suppliers and included a lecture by the Budget Department's manager on the topic of "The Multiyear Plan, the Company's Projected Plans."
 - Issuing a newsletter for the suppliers – An information booklet for the suppliers, containing information on projects promoted by the Division for the suppliers, concerning various aspects, in the framework of "Partners to the Path," and the activities of the Supplier Database Department for promoting the shared discourse and strengthening the relationship with suppliers. The information booklet was distributed to the suppliers via the SMP at the end of both the first and second half-years.
- These projects are of great importance in rendering the fields in the Division accessible to suppliers, and in increasing the transparency and availability that the Division contributes to the promotion of the Company's and suppliers' shared goals. There is also great importance to the continued communication and marketing of activities to the suppliers, aimed at narrowing the gaps and strengthening the relationship.

Tenders Division

Tenders Department:

In 2023, the Company issued 66 public tenders, of which 8 were public tenders:

A public tender for providing architecture services and planning of train station, integrated transportation centers, structures and railway facilities; structure architecture services; landscaping architecture services; planning services for water and sewage lines and pumping stations; structure design planning services; planning, bolstering and bracing services; planning of communications and systems supporting traffic control; planning services for electricity, lighting and traffic light electronics.

In framework tenders whose inspection was completed, those selected, among others, were new suppliers that had not previously provided services to the Company.

Execution tenders

The Company issued 202,319 different execution tenders. It should be noted that the Company split the project on Highway 65 into three separate sections and issued three different tenders for the execution of works on Highway 65:

1. Tender No. 52/23 Highway 65 - Kfar Tavor bypass section;
2. Tender No. 53/23 Highway 65 - northern section: Beit Keshet Junction – Golani Interchange;
3. Tender No. 54/23 Highway 65 - southern section: Dovrat – Umm Al Raneem.





Road Users

The use of advanced technologies and innovation has become a key tool in the ability of infrastructure companies, such as Netivei Israel, to improve the services they offer and to deepen the dialog with road users. In an age where digital technology is changing the face of infrastructure-related fields and public service, the main challenge is to incorporate innovative solutions as a strategic view that can help to strengthen the connection with the various road users, enhance the user experience and ensure safety and optimal accessibility.

Netivei Israel, as a body responsible for developing transportation infrastructures in Israel, serves millions of people daily. Road users are diverse, comprising private drivers, public transportation users, heavy haul vehicle drivers, truck drivers, pedestrians, and bicycle and motorcycle riders. This diversity requires the company to adapt its services and the solutions it offers to the changing and growing needs of the general public. To succeed in this mission, it is of paramount importance to assimilate advanced technologies and use continuous innovation that reflects the integration of information, transparency and interaction.

The new technologies offer tools for improving the field of transportation in diverse ways. Smart management systems, for instance, can display real-time traffic congestion data and suggest alternative routes to improve the driving experience. Likewise, sensors and AI platforms can help to collect and analyze information on road conditions and potential dangers, and to give advance warning of dangerous situations in order to prevent accidents and ensure users' safety. The use of digital solutions, such as road user apps, enables expanding the channels of communication with the public, offering accessible and accurate information, and ensuring a fast, effective response.

An additional advantage of technological innovation lies in the ability to deepen the dialog with the public. Digital tools facilitate collecting focused feedback from road users and using it for continual service improvement. Surveys, real-time feedbacks and the ability to track usage data allow for identifying trends and making necessary changes suited to public needs.

In the modern world, where climate changes and other environmental challenges occupy a central position, innovation and technological solutions are not only a tool to improve transportation efficiency, but also a lever to achieve long-term sustainability. The development of smart infrastructures and green transportation solutions contribute to reduction of the carbon footprint and improvement of life quality of all the users.

National Center for Traffic Management

The Company operates the National Center for Traffic Management (MALNAT) around the clock throughout the year. The Center engages in the management and control of traffic on the intercity roads for which the Company is responsible, and maintains work interfaces with nearby road authorities, and emergency and rescue entities.

The MALNAT responds to road users' inquiries in all pertaining to the Company's activities. Most of the inquiries concern road hazards and traffic congestions. These inquiries are sent from the MALNAT to maintenance crews that are deployed on the ground. To improve on-the-ground response, the Company operates a network of hazard removal vehicles and service cars, with the aim of reducing road user exposure time to hazards, thereby decreasing the potential for accidents and congestions.

Netivei Israel has set a multi-year central target in the field of traffic management to enable the ability to switch from traffic control to proactive traffic management, in respect of traffic incidents that occur in the road network in routine times and in an emergency.

Realization of advanced traffic management capabilities and technologies will contribute to a reduction in traffic congestion and its effects on the road network, improving the traffic flow of road users; to policy-based management of a preference regime for prioritized types of transportation; and to an increase in road user safety.

In 2023, the Company made a cash investment of NIS 88 million (2022 – NIS 59 million).

In 2024, operating activities will focus on the following directions:

- Continued implementation of a multiyear work plan for advanced traffic management.
- Review of the effectiveness of the MALNAT operation conception in focusing traffic management.
- Implementation of systems –command and control system (version 1), public transportation lane enforcement, analytics, traffic light management and control.
- Shaping of a monitoring approach needed for the deployment of different sensors for traffic monitoring. Broad deployment of sensors using different technologies, in accordance with the monitoring approach, such as: cameras, radar detectors, Bluetooth, Lidar, and more.
- Expansion of adaptive traffic light deployment.
- Continued deployment of electronic signs at public transportation stations.
- Continued execution of pilots – network-based management of adaptive traffic lights (dynamic traffic artery), algorithm for camera-based adaptive traffic light, camera as a traffic light sensor, system for identification, monitoring, assessment and response to different scenarios in the intersection space and on pedestrian crossings, a learning camera for transportation.
- Cyber protection –Continued implementation of an information security and cyber protection plan for traffic management systems.
- Writing and issuing of tenders – expressway management system, construction and maintenance of traffic lights, traffic counting services, technological project manager.

Data on Calls to the National Center of Traffic Management	2021	2022	2023
Incoming calls	161,729	177,494	189,029
Outgoing calls	104,916	123,805	134,104
Number of incidents	122,501	123,585	150,867
Listening to traffic reports	138,690	145,606	188,322
Incidents by handling entity	2021	2022	2023
(Dispatch of Yasam (Special Patrol Unit	93,640	89,016	82,679
Dispatch of Police	14,849	12,350	16,857
Multi-year segmentation – mobility incidents	2021	2022	2023
Vehicle awaiting a tow truck	880	1,212	1,950
Abandoned vehicle	327	2,588	4,055
First aid	723	1,054	1,038
Vehicle marking	399	1,175	1,166
Water assistance	413	488	734
Wheel replacement assistance	1,602	1,676	1,996
Fuel assistance	634	717	750
Accident assistance	37	751	730
Cable assistance	325	418	444

Segmentation of number of carcasses removed, by district	2021	2022	2023
Center	2,526	2,105	1,506
North	4,082	2,860	2,337
South	1,939	1,556	1,272
Judea & Samaria	2,510	1,321	1,065
Annual segmentation by type of call	2021	2022	2023
Accidents	7,230	6,529	6,599
Lighting	2,715	2,983	3,393
Traffic lights	15,108	13,652	17,134
Faulty timing	13,004	5,261	4,872
Safety breakdown	21,859	22,720	22,232
Work site disaster	3,436	3,199	3,286
Work sites	3,822	12,509	14,098
Patrol and service	5,102	10,114	5,594
Service and information inquiries	2,506	3,436	1,004
Recordings	1,909	1,866	2,111
Cameras	1,238	1,401	1,285
PFI	2,225	1,073	2,405

In 2023, a total of 10 significant projects were opened to traffic, namely: Highway 25 – Netivot-Tekuma – western section; public transportation lane Highway 5 – eastern section – Kesem-Morasha; Route 264 – from the Gerar river to Mishmar HaNegev – southern section; Route 264 – from Beit Kama to the Gerar river – northern section; Route 411- between kilometers 10-11; Highway 60 – public transportation lane Hativat HaNegev – Omer Industrial Zone; Highway 65 – Afula eastern bypass (without the Balfouria interchange); Route 444 – between kilometers 38-40 (Trans-Tayibe); Highway 2 – Havatzelet Hasharon-Olga interchange; Highway 60 – Lev Yehuda (Al Aroub).

In 2024, a total of 24 significant projects are expected to be opened to traffic:

Metronit [bus rapid transit (BRT) system] in Akko (Acre) DP4; Metronit Akko DP3; Route 232 – Nir Yitzhak-Mivtachim; Highway 2 – Olga-Caesarea; Highway 60 – Hawara bypass – from Yitzhar to Beta; Route 333 – between Highway 34 and the Ben Gurion neighborhood, western section; Highway 4 – Tirat HaCarmel (Herzl St.) to HaHotrim; Highway 40 – Adanim-Segula – arrangement of public transportation priority; Highway 5; Highway 4 – public transportation lane Morasha interchange; Highway 2 public transportation lane – on-ramp priority, Shmaryahu; Highway 60 –Kiryat HaModi'in interchange (Umm Batin); Highway 4 –public transportation lane Geha – Hadarim – southbound lane in southern section; Highway 65 –Afula eastern bypass, including the Balfouria interchange; Highway 4 –public transportation lane Pardesiya – Hadarim; Highway 85 – Carmiel – Hananya; Highway 1 – Adumim interchange ramp; Highway 2 public transportation lane – on-ramp priority, HaSira; Highway 4 – Ashdod – Ad Halom; Highway 55 – Alfei Menashe – Tzofim; Route 471 – public transportation lane Bar Ilan interchange – Nachshonim interchange; Highway 71 –Issachar-Beit She'an; Route 781 – widening of section between kilometers 6.3-8 Kikar Begin; Highway 40 –public transportation lane Ganim – Sha'ariya.

In 2024, the Company will continue to execute the projects on which work began in previous years. Of these, a total of 24 significant projects are expected to be opened to traffic in 2024.

In 2023, NIS 3.4 billion were allocated for funding road development projects (2022 – NIS 3.0 billion).

5.1.1 Road development projects

Road development projects include the following:

- **New road development projects** for the development of road infrastructures by virtue of the Company's new multiyear plan for 2023-2027, as well as new projects that will be received during the plan period and in the framework of signed budget agreements from the same time. In 2024, the new road development projects will be allocated NIS 1,222 million as specified in the Company's work plan.
- **Follow-on development projects** – Projects that were promoted by virtue of previous multiyear plans of the Company. These include primarily projects by virtue of the multiyear plan for 2017-2021, and projects from previous five-year plans of the Company, whose execution has been completed. Also included are housing projects by virtue of the "Path to an Apartment" agreement, in respect of which agreements were signed in 2013 and 2014. In 2024, the follow-on road development projects will be allocated NIS 471 million. In 2023, the Company invested in road development projects a total of NIS 2.6 billion (in 2022, the Company invested NIS 2.2 billion).
The Company is working to construct and upgrade roads throughout the country. Following are the main projects being planned and executed.

Significant projects being planned and executed:

- **Highway 71 – Issachar Beit She'an**–The project extends from the Issachar Junction to the first roundabout at the entrance to the city of Beit She'an. The project includes widening of the road to a two-way, two-lane road. Additionally, all the intersections along a 12-kilometer stretch will be eliminated and replaced by interchanges, with a view to improving traffic flow without traffic lights between Afula and Beit She'an, improving the level of safety, and reducing traffic congestions. The content of the project includes: road dividers, arrangement of the drainage, widening of the highway to a two-way, two-lane road, an ecological crossing, landscape development, a bicycle path, and lighting for the entire length. The project, which is currently under execution, has an approved budget of NIS 567 million.
- **Highway 41 – Bnei Brit – Nir Galim**–Widening of the highway to a two-way, three-lane road; construction of interchanges at the Nir Galim and Bnei Brit junctions and provision of interchange access points; as well as relocation and handling of infrastructures. Aim of the project: improving and upgrading the access to the Port of Ashdod; strengthening the transportation connection between the city of Ashdod and the expressway network/main road network; arranging an interchange at the Bnei Brit Junction and providing interchange access points; increasing road capacity and improving traffic on Highway 41. The project, which has a budget of NIS 1.2 billion, is slated to be opened for traffic in July 2027.
- **Public transportation lane Highway 5** – The purpose of the project is to create a public transportation lane along Highway 5, to improve the public transportation system. The project, which is divided into several sections, is in different stages of execution. The budget approved for these public transportation lanes is NIS 892 million, and the lanes are expected to be opened for traffic on different dates, with the last public transportation lane expected to be opened in August 2026.

- **Yavne East – Sorek** – The purpose of the project is to develop intercity infrastructures in the framework of Plan TTL/1049 for construction of a new neighborhood in the eastern part of the city of Yavne and to the south of Highway 42. The project includes construction of interchanges and grade separations; upgrading of Routes 410 and 4102 to a two-lane, two-way road; doubling and electrification of an active railway; in the sunken part, construction of a train station on an upper level that is integrated into the urban area and 4 platforms on a lower level. In addition, a massive infrastructure relocation will be carried out (Trans-Israel Pipeline, Petroleum & Energy Infrastructures, Mekorot, and IEC). Additional budgeting has yet to be received for advancement of availability and relocation of infrastructures. An up-to-date estimate stands at NIS 3.3 billion. The project status is currently in the stage of detailed planning.
- **Highway 44 – Beit Dagan – Nir Tzvi – Ramal** – The project comprises three sections:
 - Beit Dagan Interchange** – The project includes construction of an interchange that integrates private and public transportation; construction of an integrated transit center for a mass rapid transit system (MRTS) and public transportation; and creation of accessibility for existing land uses in the area. The project estimate is NIS 951 million.
 - Beit Dagan – Nir Tzvi** – Upgrading of Highway 44 in the section between the Beit Dagan interchange and Nir Tzvi, to a main road with an interchange, and without traffic lights, aimed at increasing the capacity of the road and the junctions along its length, and to provide adequate transit solutions, including public transport lanes/routes for existing and planned uses. The project estimate is NIS 680 million.
 - Nir Tzvi – Ramla** – Upgrading of Highway 44 in the section between Nir Tzvi and Ramla, to a main road with an interchange, and without traffic lights, aimed at increasing the capacity of the road and the junctions along its length, and to provide adequate transit solutions, including public transport lanes/routes for existing and planned uses. The project estimate is NIS 175 million.
- **Highway 66 – Tishbi Megiddo** – Widening of Highway 66 to a two-lane, two-way road, 15 km long; execution of an interchange in place of the Megiddo Junction and a compact junction at the entrance to Yogev; arrangement of the drainage, lighting, and solutions to agricultural passages along the alignment. Handling of the relocation of infrastructures and archeological excavations for the purpose of paving a new road. The project estimate is NIS 1.6 billion, and detailed planning permission is expected for the fourth quarter of 2025.
- **Highway 60** – The project comprises two sections:
 - Highway 60, Al Aroub** – Bani Naim– Widening of Highway 60 to a two-lane, two-way cross-section at the interface with the Al Aroub (Lev Yehuda) bypass road, with preparatory work in place for public transportation in accordance with the master plans and traffic projections. The widening includes: connecting traffic-light intersections and a road divider (Beit Anon). The project estimate is NIS 490 million. Project status: completion of detailed planning and close to issuing a tender.
 - Highway 60, Adam Divider** – British Police Junction – Widening of Highway 60 to a two-lane, two-way cross-section. The widening includes: connecting traffic-light intersections, accessibility to communities, access roads to agricultural roads, relocation of electricity and communications infrastructures, and execution of new water infrastructure. The project estimate is NIS 940 million. Project status: completion of detailed planning and close to issuing a tender.
- **Kfar Chabad Intersection** – Construction of an interchange on Highway 1, including ramps and underpasses. Construction of 2 bridges (between Kfar Chabad and Tzafria, over Highway 1, and between Tzafria and Beit Rivka, over the ramps entering Ben Gurion Airport; both include a bicycle path and sidewalk). Construction of a pedestrian bridge over the railway track, including a bicycle path, and its connection to the bridge over Highway 1. Relocation of the exit ramp from the "park and ride" carpark of the fast lane in the direction of Jerusalem and the Shabbat Wall. Execution of the following works: rehabilitation landscaping, lighting, drainage, arrangement of infrastructures, acoustic shielding. The project estimate is NIS 493 million.
- **Highway 65** – Golani Dovrat – Paving of an 18-km long, two-lane, two-way stretch along the Dovrat Golani section of Highway 65. Execution of an interchange with 6 intersections (Na'ura, Daburiyya, Shibli, Kadoorie, Beit Keshet, Ilaniya), increasing the design speed, increasing safety through the construction of a rigid separation and lighting along the length of the project, deployment of agricultural roads/passes, arrangement of drainage systems, landscaping. Project estimate – NIS 1,085 million.
- **Public transportation lane Highway 40** – Brenner Junction – Lod Interchange – The project comprises 3 segments for the creation of a HOV lane from Kfar Saba to Kiryat Malachi.
- **Public transportation lane from Route 431 to the Givat Brenner Junction** – This section includes widening of a public transportation lane (HOV lane) from Route 431 to the Givat Brenner Junction in both directions and widening of existing intersections. The project estimate is NIS 365 million.

The project is currently in the detailed planning stage and expected to go into execution in the fourth quarter of 2024.

- Lod Interchange to Klausner Interchange - This section includes widening of a public transportation lane (HOV lane) between the Lod Interchange and Klausner Interchange in both directions and widening of existing intersections. The project estimate is NIS 393 million. The project is currently in the detailed planning stage and expected to go into execution in the second quarter of 2025.
- Klausner Interchange to Route 431 - This section includes widening of a public transportation lane (HOV lane) from the Klausner Interchange to Route 431 in both directions and widening of existing intersections. The project estimate is NIS 185 million. The project is currently in the detailed planning stage and expected to go into execution in the third quarter of 2025.

5.1.2 Route 431

- Route 431 is a fast suburban road in the south of the Tel Aviv metropolitan area, connecting Highway 20 in the west to Highway 1 in the east. The route is a 20 km long, two-way two-lane road.
- This project is being executed in collaboration with the private sector (PFI). The Company was appointed by the Ministry of Transport as a supervising body in the project. In 2023, a total of NIS 198 million was received from the Ministry of Transport and paid to the concessionaire (in 2022 – a total of NIS 188 million). These sums were not included in the revenue and cost from the execution of works, in the Company's financial statements.

5.1.3 Statutory planning, promotion of availability and software for recording purposes

Given the long periods of time required for planning projects, and in order to formulate a follow-on plan for the multiyear plan being promoted today, the Company needs to create an inventory of statutory plans that will be available for execution in preparation for future multiyear plans of the Company. In addition, the Company is promoting the availability of existing projects, to bring them to maturity for execution in the framework of the upcoming multiyear plan. In 2023, the Company made a cash investment of NIS 272 million in the planning and promotion of availability (in 2022 – NIS 203 million).

In December 2022, the Company received a budget of a billion shekels to promote the availability of 13 existing projects, which are prioritized in the Road Strategic Plan for 2030. Additionally, the Company received a dedicated budget of NIS 250 million for statutory promotion of new projects, of which 17 projects have already been approved for development with a budget of NIS 114 million. At the end of 2023, the Company approved 18 additional projects for development with a budget of an additional NIS 136 million, and also approved a basket of statutory projects in

the framework of the Ma'ale Hachomesh plan estimated at NIS 250 million, of which NIS 50 million were received for the development of 15 projects.

In 2024, the Company will invest NIS 671 million for planning and promoting availability of the projects, and for financing various actions related to planning activity, including assurance of planning quality, supporting systems, plus the writing and updating of planning guidelines and directives in different fields. This item also includes the costs for launching the Company's newly approved projects.

5.1.4 Small projects, cross-community roads and risk hotspots

5.1.4.1 Safety projects and risk hotspots

5.1.4.1.1 Safety projects – Road accidents are a national problem, and preventing them is a top national priority. In 2023, there were 358 fatalities on Israel's roads (a 2% increase over the previous year), 197 of them on intercity roads.

One of the Company's central goals is raising the safety level of using the intercity road system. The Company invests many budgets in improving the safety level of the road network under its responsibility through three primary tiers:

1. In the framework of the development budget for 2024, NIS 747 million will be allocated in cash for the execution of development projects integrated with safety elements on hazardous national roads.
2. In the framework of the development budget for 2024, NIS 400 million will be allocated in cash for the execution of safety improvements for risk hotspots, cross-community roads, and road-network failure points in rural areas. In this framework, points and sections in the intercity road network identified as having safety problems will be handled as well.
3. In the framework of the maintenance budget for 2024, NIS 139 million will be allocated in cash for the improvement of road marking quality, road safety railings and guardrails for two-wheeled vehicles, illumination of intersections and road sections, operation of a service patrol car network for assisting road users, arrangement of slopes and rocks, and seismic reinforcement of bridges against earthquakes.

It should be noted that the five-year plan sets significant scopes for the "baskets" dealing with safety.

Additionally, the Company has recommended continuing the execution of additional safe road segments that have been executed in the framework of development in recent years or that are required for safety arrangement. These include: additional segments on Highway 90 – the Arava Road, Route 232 (Otef Aza), Highway 40 stretching from the Bahadim City to Mitzpe Ramon, Highway 60 along its entire length, and other roads. All the needs that have arisen will be discussed with the Transport and Finance Ministries in the framework of 2025 budget discussions.

5.1.4.1.2 Risk hotspots – The Company manages a multiyear budget for treating risk hotspots – sites where an unusual number of accidents due to infrastructure factors has been recorded. Pursuant to the policy of the Transport and Road

Safety Ministry for reducing the number of road accidents in general, and in the intercity road network in particular, the Company has prepared an overall plan for the identification of risk hotspots in the intercity road network and for the provision of immediate solutions to safety problems in these risk hotspots. In this framework, two project lists are approved each year:

1. Inventory of new risk hotspots for planning—This list, which is determined according to a methodology established by a joint committee of the Company, Ministry of Transport, the Israel Police, and the Israel National Road Safety Authority, is mainly a survey of the entire intercity road network using a system for safety management and identification of sites where an unusual number of accidents due to infrastructure factors has been recorded. This list also includes projects of up to NIS 15 million in scope that are required according to a Police report or a Safety Supervisor report, following the occurrence of a fatal accident in the last three years.
2. Risk hotspots for execution out of the existing planning inventory—This list is determined according to a prioritization model whose aim is to prevent to a maximum extent possible the number of accidents, fatalities and injured, as determined by the given budget limitation.

In 2024, NIS 212 million will be allocated for the planning and execution of risk hotspot projects, based on the Company's existing budgets, and accordingly, all the cash in 2023 for planning and executing projects in the risk hotspot "basket" is for follow-on projects. The Company aims to secure budget additions in the framework of 2023 budget

discussions for additional risk hotspots that are ready for execution, and to the extent these are approved, the work plan will be revised accordingly.

5.1.4.2 Cross-community roads, small projects, road network failure points, and congestion projects

5.1.4.2.1 Cross-community roads—The Company manages a multiyear budget of NIS 700 million for the arrangement of transportation infrastructures in minority sectors, as part of the government's policy for the economic development of these populations. The plan is intended to handle intercity roads that pass through the community, and includes the arrangement of service roads, roundabouts, traffic lights, lighting and sidewalks.

In 2024, NIS 88 million will be allocated for the planning and execution of cross-community road projects.

5.1.4.2.2 Small projects and road network failure points—The Company manages a multiyear budget intended to handle various small projects and failure points in the intercity road network.

In 2024, NIS 84 million will be allocated for the planning and execution of small projects and road network failure points. Most of the budget will be invested in follow-on projects, and in addition, work will begin on a handful of new projects, most of them by virtue of dedicated government decisions.

5.1.4.2.3 Congestion projects—Targeted handling of traffic congestion hotspots based on a periodic survey of the road network under the Company's responsibility. This survey, which is carried out by advanced technological means, is used to identify and prioritize all the traffic failure points based on an economic viability model. In 2024, NIS 12 million will be allocated for these projects.



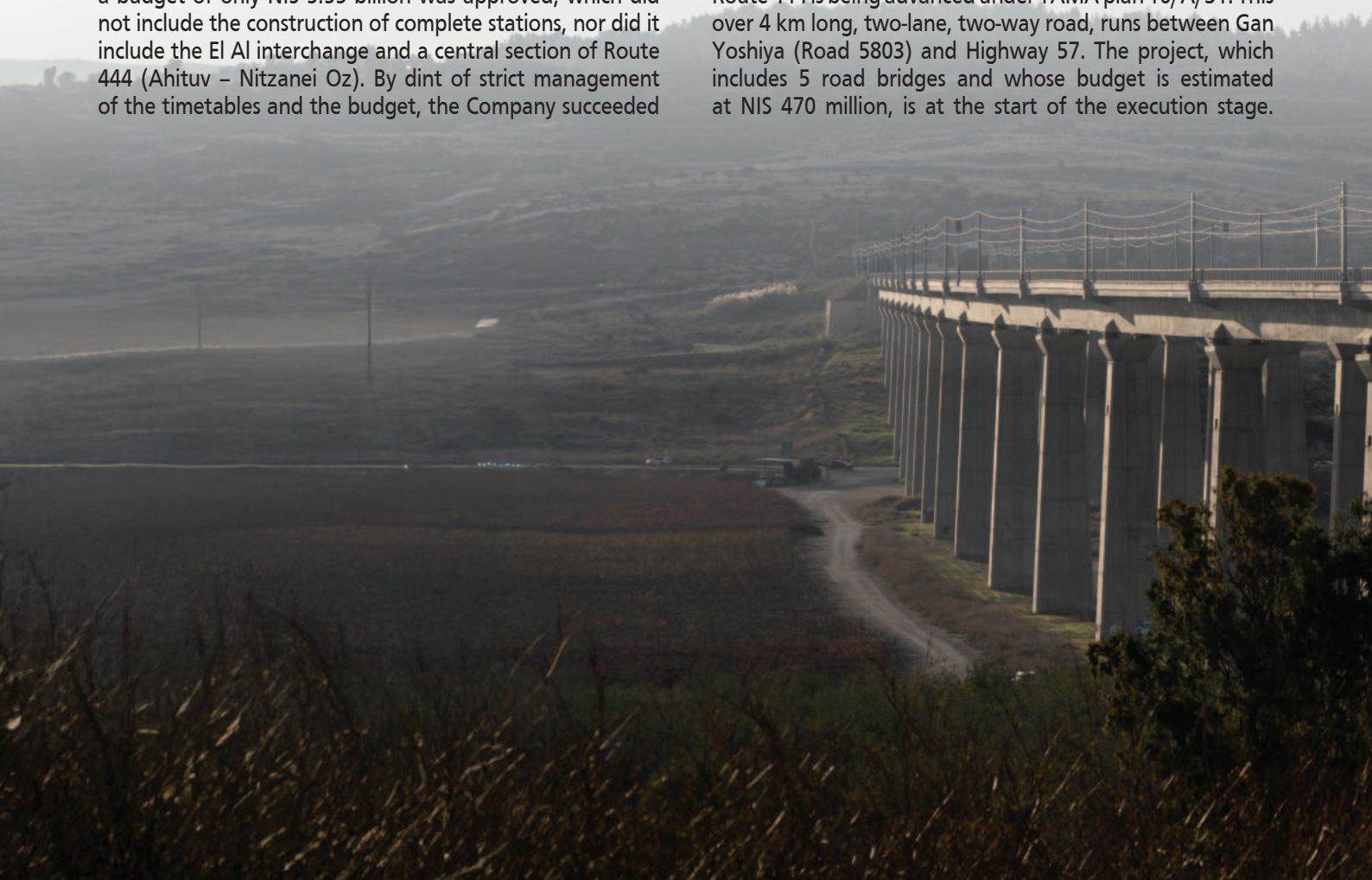
Development of Railway Infrastructures

Railway Infrastructures Division is the Company's engineering arm that is responsible for the planning, execution and handover for operation of the central projects in the national railway network, and for the advancement and approval of the plan for future projects in this realm. This division is the strategic arm of the Company and will serve as a lever for continued development of advanced transportation systems and for construction of mass transit infrastructure, these constituting the biggest challenge in the coming decades in the field of transportation in Israel.

Significant projects under execution:

- **Eastern Railway** – The Eastern Railway project is a national project for the construction of a new railroad line in the east of Israel, running from Hadera to Lod. The Eastern Railway will bring about a strategic revolution in the national railway network and create a railway system that connects the north and south of Israel, while bypassing Gush Dan and the bottleneck formed by railroad tracks in the Ayalon Corridor. Likewise, it will create a major transportation artery for goods, which will increase the transport capacity from the Haifa and Ashdod ports to all parts of the country. In its decision from August 2016, the government approved construction of the project, allocating it a budget of NIS 8.1 billion. Execution of the project is split between the Company (sections A and B) and Israel Railways (sections C and D). The project under the responsibility of Netivei Israel stretches from the connection to the Coastal Railway at the Remez Junction (Pardes Hanna area) to the Sharon Railway in the south (Route 531) – a 40 km long railroad track including a lower structure, an upper structure, grade separations, road bridges crossing the track, railway bridges passing over rivers, a longitudinal drainage system, 4 train stations based on the prioritization model of Israel Railways, and more. The part of the project under the Company's responsibility is estimated at NIS 7.5 billion. However, at the start of 2019, a budget of only NIS 5.55 billion was approved, which did not include the construction of complete stations, nor did it include the El Al interchange and a central section of Route 444 (Ahituv – Nitzanei Oz). By dint of strict management of the timetables and the budget, the Company succeeded

in showing significant savings in the project's costs, which enabled inclusion of the Tayibe – Shomron station and the Hadera station in the framework of the budget approved for the project. Additionally, in the framework of the budget summary 2021-2022, a budget of NIS 410 million was approved for the execution of the El Al interchange, as well as a budget of NIS 150 million for the Tira – Kochav Ya'ir station (this station was approved subject to the prioritization of stations in the railway network). Likewise, a budget was approved, and accordingly a tender was issued by the Company for the execution of a road section on Route 444 (Route 581 = Gan Yoshiya). The Company will continue to stringently manage the project's budget, with the aim of finding additional ways of streamlining that will allow for the inclusion of additional scopes of work within the framework of the approved budget. The budget approved for the project is NIS 6.89 billion, with project delivery to Israel Railways expected at the end of 2025, including preparations for electrification, immediately after the signaling phase finalized by the Transport Ministry for August 2025. Operation under Israel Railways and the Ministry of Transport is planned for the year 2026. In addition, a budget was approved, and accordingly a tender was issued by the Company for execution of a road section of Route 444 (Route 581 – Gan Yoshiya). Central Route 444 is being advanced under TAMA plan 16/A/31. This over 4 km long, two-lane, two-way road, runs between Gan Yoshiya (Road 5803) and Highway 57. The project, which includes 5 road bridges and whose budget is estimated at NIS 470 million, is at the start of the execution stage.



Fourth Ayalon railway track– The fourth Ayalon railway track project is a national project with an impact on the entire national railway system. In the framework of this project, a fourth railway track will be added to the Ayalon railway tracks, enabling a significant increase in the railway network's capacity and release of the national bottleneck in the Ayalon Corridor. The plan, spanning 22 km, aims to add a fourth track, powered by overhead electrical propulsion, in the Ayalon section between the Tel Aviv Savidor Center train station and Tel Aviv – South train station. Also included in the plan is the addition of a third and fourth track from the Tel Aviv South train station to Lod and to the Ganot fork interchange, coupled with changes to the alignments of existing railway arteries, as well as improvements to track geometry. The central section of the track requires expansion of the entire transportation strip, including the moving of the Highway 1 route northwards, along with the fast lane, and paving of a public transportation lane from the Kibbutz Galuyot interchange, eastwards, to the Shappirim interchange. In order to enable construction of the fourth track along the Ayalon River, a complementary project is currently underway to put up a drainage facility and carry out

landscaping of the Ariel Sharon metropolitan park, spanning an area of 4,000 dunams, which includes earthworks of over 10 million cubic meters, the aim being to retard overhead runoff and prevent flooding down the slope of the Ayalon River. Construction of the project was originally assigned to the Company; however, train traffic and railway network maintenance is the responsibility of Israel Railways. Since the Ayalon Corridor is characterized by heavy train traffic, in July 2021 the Ministry of Transport decided that the project would be divided into two geographic sections, and that responsibility for execution of the sections would also be split between the companies. Pursuant to this decision, the Company today is responsible for and promotes the project along the Hahagana – Shappirim section. The project budget will also be divided accordingly. This matter is currently being discussed with the Ministry of Transport. A survey of the project risks, covering all the project's sections, was completed at the end of 2022. Project status:

Approved budget – NIS 4.9 billion (including the section under the responsibility of Israel Railways).
Projected start of railway track operation –year 2027.



Significant Projects in the Planning Stage

Railway lines being planned:

Be'er Sheva – Likit light rail project – A mass transit system along Highway 60 from Be'er Sheva (University) through Kiryat HaModi'in, which includes some 9 stations. This is a 28 km line, of which 13 km are urban and 15 km are interurban. The project estimate is NIS 8 billion and is set for discussion for publication under Sections 77 + 78.

Ayalon railway tracks 5 and 6 – Addition of two railway tracks running from Shefayim to the Ben Gurion Airport station (30 km long), as part of the vision to construct a fast railway line between the north and south of Israel. This project joins the fourth Ayalon railway track project. The project estimate is NIS 22 billion. Project status: A

macro alternatives report has been submitted ahead of a discussion for publication under Sections 77 + 78.

Karmiel – Kiryat Shmona railway line– Connecting the city of Kiryat Shmona and the Upper Galilee to the national railway network, by laying an electrified double track railway for passengers and cargo, from Karmiel to Kiryat Shmona. The 60 km route includes 3 new passenger stations: Karmiel-Nahf, Tzahar (acronym of 3 cities it contains: Safed (Tzfat), Hazor Haglilit and Rosh Pina), Kiryat Shmona, and a two-way tunnel extending 22 km in each direction, beneath the Safed mountains. The project estimate is NIS 15 billion, and the project is currently in the objections stage. f alternatives.



Menashe railway lines

- **Northern section** – Connecting of the HaEmek Railway and Eastern Railway, shifting of the freight traffic away from the Coastal Railway, and construction of Route 444 (from Highway 65 to Route 653). The railway track route is 26 km long. The project estimate is NIS 11 billion. Project status: A review of Chapters A + B has been submitted, and the project is currently at the stage of preparation of an environmental impact assessment, Chapters C-E. There is no decision yet from the National Council regarding an alternative for the Harish section.
- **Southern section** – Harish transportation corridor – Construction of 16 kilometers of railway track, 11 kilometers between Ahituv and Iron. The project estimate is NIS 4.5 billion. A review of Chapters A + B has been submitted. There is no decision yet from the National Council regarding an alternative for the Harish section.
- **Railway to Eilat** – Construction of a fast electrified railway line from Be'er Sheva to Eilat, 280 km long, that includes five passenger stations, freight terminals and a depot, for

the purpose of connecting the Gulf of Eilat to the center of Israel and transporting freight and passengers. The plan was split into two sections that are being advanced in parallel:

- **Northern section:** Be'er Sheva – Dimona
 - **Southern section:** Dimona – Eilat
- The project estimate is NIS 35 billion and the project status is as follows:
- **Northern section** – Completion of the detailed preliminary planning at the time of receiving the budget.
 - **Southern section** – Setting in motion of a statutory process at the National Infrastructure Committee
 - **Menashe railway line Tiberias** – Tzahar: Connecting of Tiberias and the Lower Galilee to the railway network, including to Haifa, Gush Dan and additional destinations in the Upper Galilee, based on Government Decision "Netivei Israel" 1421. The project estimate is NIS 15 billion (initial assessment). Project status: project is in the initial planning stage – completion of appointment of teams and initial evaluation of alternatives.



Water Consumption

In order to deal with the growing shortage of water, several steps are being taken in Israel: Increasing the supply of desalinated water through the construction of desalination facilities is one of the key steps taken. Since the government decided in the late 90s of the last century on the need to prepare for seawater desalination, five facilities were established, but during their construction there were many delays and deviations from the set schedules, and this had economic and environmental consequences.

According to the Water Authority's website, the current production capacity of the desalination facilities stands at about 660 million cubic meters of water per year. In 2016, 604 million cubic meters of desalinated water were produced in Israel

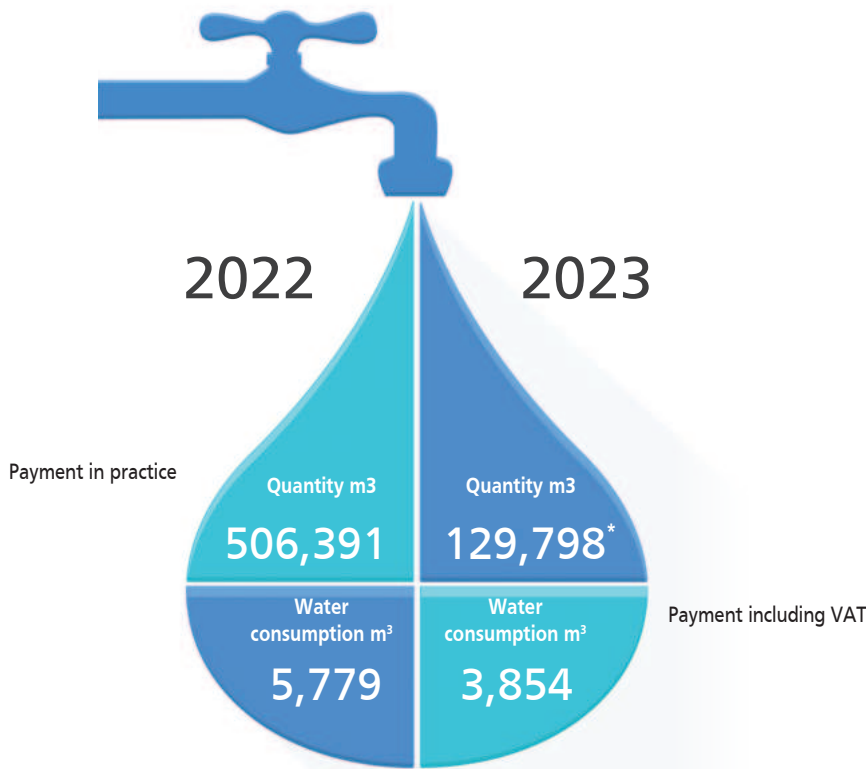
One of the UN's goals for sustainable development is to ensure full and equal access of the population to adequate drinking water at an equal price per capita, and to ensure adequate sanitation and hygiene conditions. Although most Israeli citizens enjoy a regular water supply through a direct connection to the national water system, certain populations (in particular the Bedouin in unrecognized settlements in the Negev) do not have such accessibility. Moreover, the expected increase in population and the diminishing supply of water from natural sources may make

it difficult to maintain the existing accessibility.

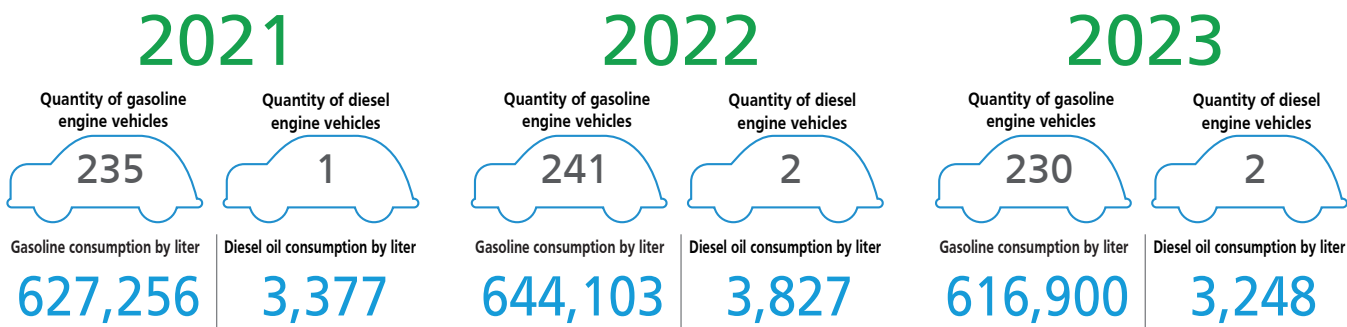
Another goal is to implement plans to protect and rehabilitate ecosystems as well as marine and humid habitats. In this context, it should be noted that in Israel's response to the water crisis, many resources are directed to continue and supply the demand for water for human needs - such as agriculture, industry, and domestic use. However, the condition of the water sources in Israel is deteriorating, and although water is returning to nature, wet and moist habitats are in danger.

* The gap in water consumption is due to the reduction of gardening areas, the existence of old vegetation that does not require irrigation, as well as water interruptions initiated in certain areas following cases of vandalism and theft.

Water consumption in by the Maintenance Division

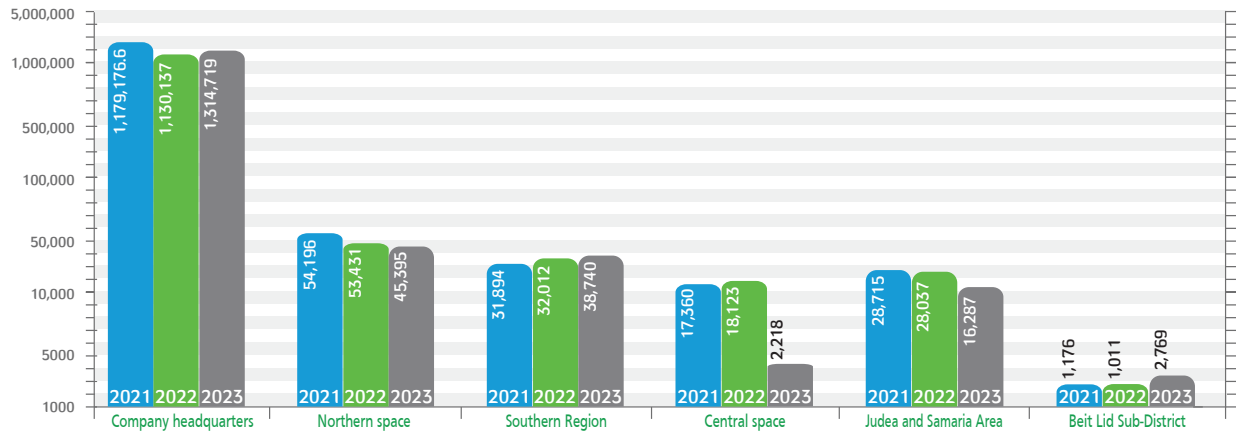


Fuel consumption

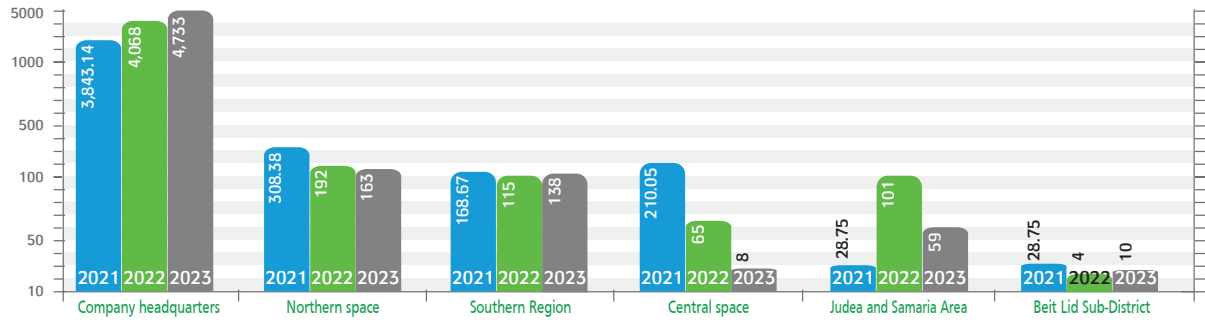


Power Consumption In Company Buildings

Kw/h

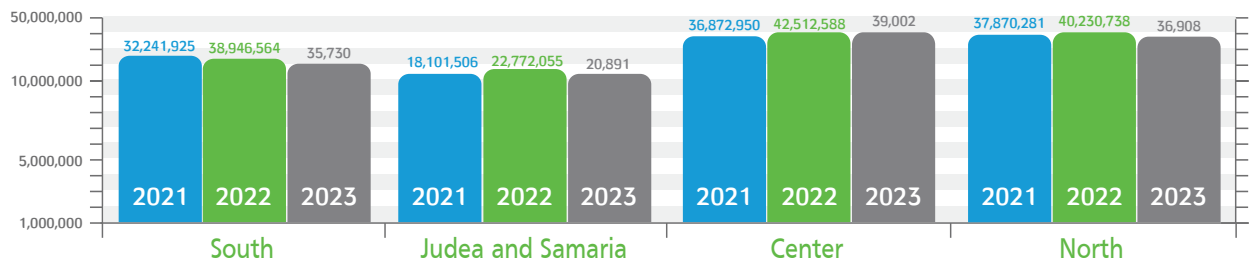


GJ

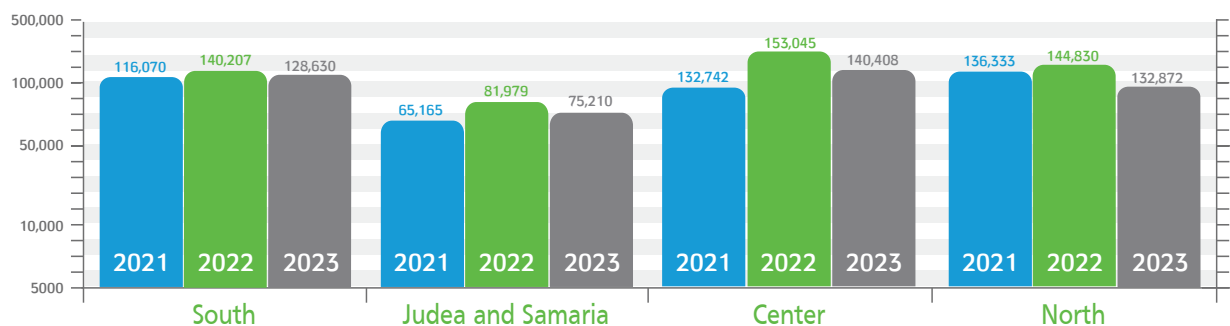


Total Electricity Consumption Of The Organization

Kw/h



GJ





Environmental Protection

The topic of environmental protection has become a fundamental and key issue in the business world. Companies in the field of infrastructure understand that they constitute a central part in the sustainability system of the economic and environmental society, and engage proactively and continually in improving and preserving the environmental quality.

As the national transportation infrastructure company, we grapple with environmental challenges, searching for green solutions that help us to impact the environment positively. In parallel with technological development and the requirements of stringent environmental standards, the companies in the field of infrastructure are required, whether through the use of green technologies, implementation of a sustainability policy, or development of innovative solutions to environmental problems, to get involved in environmental protection, which has become a key component in business strategy and in their ESG reports.

We invest continual efforts in reducing waste, improving environmental supervision in the Company's projects, while placing emphasis on the preservation of natural resources and biodiversity. An outlook that espouses societal and environmental value, forms an integral part of the business strategy and range of activities of Netivei Israel, as a government company in today's age.

A company operates in several ways to promote the environmental issue in projects under its responsibility, specifically:

Through the implementation of green technologies: investment in the development and implementation of green and environment-friendly technologies such as innovative energy, supervision and use of smart and efficient systems for resources management.

Management of waste and treatment of emissions: development and implementation of an efficient waste management policy, treatment of emissions, and prevention of different types of waste through promotion of reuse and recycling.

Improvement of energy efficiency and preservation of resources: promotion of the use of alternative and renewable energy such as solar and wind, improvement of energy efficiency in production and operating processes, and reduced consumption of natural resources.

Transportation and mobility management: development of infrastructure for green and smart public transportation, promotion of green mobility, promotion of infrastructure for use in public transportation and infrastructure for electric trains.

Risk and air quality management: development of plans for improvement of air quality in areas where the infrastructure company operates, and supervision of toxic emissions and air-polluting waste.

Planning and management of environmental assets: development of planning policy; construction and management of environmental assets, including generation of sustainable and green environmental value.

Promotion of community relations and social influence: creation of partnerships with local communities, support of local environmental projects, and promotion of improvement of residents' quality of life in areas where the Company operates.

Hydrogen

Technologies for the use of green hydrogen generated from renewable energy and blue hydrogen generated through gas, in combination with technologies for the capture of greenhouse gas emissions, are currently in the stages of development. Countries investing in the field hope that hydrogen will have the potential to be used by heavy industry, serve as fuel for transportation and operation of power stations, and provide solutions for long-term energy storage.

Netivei Israel serves the Ministry of Transport as an administration for a goods and freight management plan. Netivei Israel oversees 8,500 km of roads in Israel and is responsible for the planning, construction and maintenance of 97% of intercity roads in Israel.

Likewise, it plans and constructs public transportation terminals in collaboration with Netivei Ayalon.

As part of the Company's strategic activity, we are examining three major points:

1. Examination of a range of solutions in the field of transport and storage of hydrogen for the different means of transportation, thanks to the road on the roadsides.
2. Combination of solutions already in the planning stages of public transportation based on hydrogen in the terminals.
3. Examination of hydrogen-based solutions that are integrated in the complementary airport to Ben Gurion Airport (Ramat David or Nevatim).

Concurrently, the Company has commenced strategic work involving examination and adoption of carbon-capture technologies in the field of transportation infrastructure, and solutions for reduction of greenhouse gas emissions in its activities, also vis-à-vis the supply chain.

Sussita Project

The North District promoted planning and execution of the widening and paving of an access road to the Sussita archeological site, stretching from the Ein Gev Junction in the west (on Highway 92) to the carpark at the entrance to the site on the Golan slopes, with an overall length of 4 km. The project is located in a unique nature reserve, which is landscape- and environment-sensitive.

In the framework of the project, it was necessary to provide a solution to the chalk, limestone and basalt rocks situated unsafely above the road.

In a collaboration with the Israel Nature and Parks Authority (a geologist on its behalf), constraints were established for work processes in a way that would minimize harm to natural values and wild animals, and prevent the creation of new hazards.

For example:

1. Reducing to a minimum works using heavy equipment; executing a surgical controlled detonation using dedicated explosives
2. Very limited time windows for execution of the work, such as prohibition against night work, due to lack of possibility to use lighting in order to prevent harm to wildlife population.
3. Prohibition against the execution of works for a set period of time when the bee-eater (rare bird) population is nesting.
4. A detailed tree survey was carried out, and in coordination with the Forestry Officer and the JNF, all the actions required for the relocation, pruning and preservation of the trees on-site were carried out.

Highway 44 – Arrangement of the entrance to Tel Gezer

In May 2023, the Israel Nature and Parks Authority (INPA) turned to Netivei Israel for the arrangement of the entrance to Tel Gezer, Highway 44.

Following INPA's request, a professional tour was made of the area together with maintenance officials and INPA people to study the matter. To this end, a spatial planner was commissioned, and a plan was drawn up for temporary changes in traffic arrangements on this road, which was approved by Israel Police officials.

This concerns a safety arrangement for the entrance to the INPA site for the benefit of those coming from the INPA site, and for the purpose of ensuring safe travel for the road users.

Left turns were cancelled for those coming from west to east to the entrance to Tel Gezer, by Traffic Sign 806 "dashed line next to a solid line in white." Those leaving Tel Gezer can turn to the left, eastward.

The change provided a solution for road users and for those entering the INPA site, specifically: hikers, education groups, buses, etc.

Preventive maintenance actions on Highway 1

The eastern part and Highway 90, northern Dead Sea, through the rehabilitation of drainage systems and slopes, to maintain the flow in the rivers and the natural geological structure.

The eastern part of Israel is chock full of rivers and ravines and natural biological features that are unique to this area. Topographically, it is the lowest place in the country (and in the entire world) where the rain and snow in the winter drain into during the winter months from the Jerusalem mountains, creating a stronger flow in the rivers that results in flooding and damage to drainage systems and harm to the stability of the structure of slopes at the road's edges, leading to rockfalls and landslides.

The Judea and Samaria district invests considerable efforts in this matter through special projects aimed at preventing blockage of the natural flow in river channels, and through preservation of the natural geographical structure of the area.

Presented below are several projects on the matter:

Highway 1, kilometer 86.9, Wadi Kuttayyef

The purpose of the project is arrangement of the flow of the Kuttayyef River, in order to create ongoing natural flow of the river and prevent erosion of and damage to the slopes of Highway 1. Arrangement of the flow and routing of the water will sustain the stability of the road.

Highway 90, kilometer 261.4

Flow of rainwater from the Ha'hetekim Cliff to the Dead Sea and waterfall to the abyss below and slopes on the eastern part of the highway. Through the positioning and arrangement of the eastern slope, the road structure and slope stability will be preserved.

Highway 1, kilometer 94

Construction of a culvert to remove the rainwater from the pavement slopes on the treated segment, in order to prevent erosion and damage to the road, and at the same time, to keep up the continuity of the river's natural flow.

Highway 1, kilometer 75.8, Mahaneh Yishai Junction

In the last decade, there were no reports of floods and inundations at the Mahaneh Yishai Junction, Highway 1, kilometer 75.8. During a stormy weather event last year the junction was flooded; therefore, the district is working to advance a new drainage plan adapted to the needs of the junction and the natural flow of the river, so as to prevent the recurrence of these cases in the future.

Kidron culvert – Highway 90

The Kidron River flows from the Jerusalem mountains to the Dead Sea. Several years ago, at the time of construction of the box culvert, the road collapsed during a stormy weather event.

Following preventive maintenance activity by the district, the culvert is working and functioning efficiently, and routing the water safely to the Dead Sea.

Highway 90, kilometers 281-282 – Og River

The Og River drains most of the northern basins and the rains coming from Jerusalem.

As with every year during the rainy season, the Og River drains to a point on the road, causing flooding and the deposit of sediment on the road.

Currently, a plan is being advanced for the construction of a box culvert that will absorb the water flow optimally and allow natural flow in the river.

Highway 65 Golani Dovrat

In order to deal with the growing shortage of water, several steps are being taken in Israel: Increasing the supply of desalinated water through the construction of desalination facilities is one of the key steps taken. Since the government decided in the late 90s of the last century on the need to prepare for seawater desalination, five facilities were established, but during their construction there were many delays and deviations from the set schedules, and this had economic and environmental consequences.

Project goals:

Highway 65 along the Golani Dovrat section is defined as a red road with a history of many accidents. In addition, the road suffers from heavy traffic congestions due to the large use of private vehicles and trucks.

The project's goals are:

1. Reducing road accidents and increasing travel safety.
2. Decreasing traffic congestions and moving the massive traffic out of the moshava of Kfar Tavor.
3. Improving public transportation and making it accessible, including stations for road users.

Widening the road along its entire length will improve safety and increase the capacity of Highway 65, and reduce traffic congestions.

Project description

Widening of Highway 65 to a two-lane, two-way road along the section between the Dovrat Junction and Golani Junction, 18 km in length, at a cost of NIS 1,300 million. The project entered execution as a continuation to the project for the construction of the Afula eastern bypass, 6 km in length, along the section between Highway 60 and the Dovrat Junction (the road was opened to traffic in the third quarter of 2023).

The project includes 6 grade-separations by means of compact junctions: Na'ura, Daburiyya, Shibli, Kadoorie, Beit Keshet, Ilaniya/Havat Hashomer), arrangement of agricultural roads/passes, landscape development, arrangement of drainage systems, continuous lighting along the entire length, and a rigid separation as a means of preventing head-on collisions, making bus stations accessible to users.

The project is divided into 3 sections:

- **Dovrat Junction – Umm Al Ranem** – section based on the existing road. Includes 2 compact junctions (Na'ura and Daburriya).
- **Umm Al Ranem – Beit Keshet (Kfar Tavor bypass)** – new segment that bypasses Kfar Tavor to the west, includes 2 compact junctions (Shibli, Kadoorie).
- **Beit Keshet – Golani** – Section based on the existing road. Includes 2 compact junctions (Beit Keshet and Ilaniya/Havat Hashomer).

Environmental Risks at the Company

The Company is a management company and none of its core activities is likely to directly lead to an environmental risk. Likewise, the Company makes sure that in its engagements with service providers, emphasis is placed on compliance with all the laws and regulations concerning environmental protection. It should be emphasized that owing to the Company's large influence on the standards in the infrastructure industry, the Company devotes many efforts to sustainable development in all the stages of planning and execution. In these actions, environmental considerations carry great weight in all pertaining to the planning processes, to contracting with the road execution, supervision and maintenance bodies, and to research and development in this field.

As part of project risk management at the Company, a generic risk bank has been generated for project risks, the purpose of the risk bank being to serve the project manager as a useful, dedicated tool, uniform in structure, that is based on risk management methodology, for mapping the common risks and preserving knowledge from past events that occurred in projects. In order to provide a response to environmental risks, the risks generated in this risk bank include, among others, environmental risks that have the potential to impact the environment in the framework of the project.

Risk management

During 2022-2023, a mapping process was carried out on the Company's environmental risks and preparations were made for the management of risks of climate change, including identification and assessment of risks and mitigation of their negative impact on the Company. This process is expected to be completed during 2024 and to be submitted for approval by the CEO and the board of directors.

- **Environmental risk survey** – In recent years, we are witness to a growing awareness of the issue of the environmental impacts of organizations and companies. The emerging trend in Israel is that the regulators are

beginning to align with what is being done around the world, to show interest and even to impose various duties in connection with environmental risks.

Accordingly, it was decided at Netivei Israel to conduct an environmental risk survey, in the framework of which the Company mapped and surveyed the environmental risks to which it is exposed and also analyzed the primary causes of each risk. As part of the process, risks associated with the Company's physical activity and the supply chain were identified, as well as risks associated with compliance with environmental laws and regulations.

Climate risk survey – In recent years, there is increasing awareness of the issue of the effects of climate change, including floods and flooding, heat and cold waves, drought and rising sea levels. Extreme weather events occurring in Israel due to climate change could affect Netivei Israel's activity in the short and long term, in operational, financial and regulatory terms and in terms of its image. In addition, climate change could affect the Company's supply chain in a range of aspects, including restrictions on trade routes, delays in procurement orders, shortage of raw materials, price rises, etc. Accordingly, and in order to deal with the effects of climate change, the Company carried out a comprehensive mapping of the two main types of risk:

- Risks arising from extreme and prolonged climate events that cause physical damage to person and/or property.
- Transition risks arising from the transition of the world to a low-carbon economy, including policy changes that are being promoted by countries for reducing carbon and greenhouse gas emissions in the economy.

These risks were formulated relating to the following factors:

- Regulatory changes in the domain of climate, which are likely to impact the Company's activity.
- Climate change scenarios that are likely to harm the Company's activities and functional continuity.

It should be further noted that the Company takes part in the Transport Ministry's team for preparations for climate change.



Renewable energy

The corporate responsibility manager and business development manager of the Company began in 2016 to explore the integration of renewable energy in trapped areas in interchanges. In 2020, the regulation changed, with TAMA 10 D10 allowing the erection of solar panels in trapped interchanges. The Company issued a tender for the erection of panels at several interchanges for generating renewable energy and reducing the negative impact on the environment arising from the generation of electricity from fossil fuels or gas. In view of the disparities that emerged between the tender's requirements and the regulatory provisions, this tender was cancelled with the consent of the parties involved. The Company is currently making necessary adjustments and preparing for a new tender.

As part of the Company's activities for reducing the environmental impact, it is promoting, in collaboration with the Ministry of Transport, bicycle paths along the sides of the roads for which it is responsible, as well as bicycle paths in local authorities, pursuant to the national plan of the Ministry of Transport. As of the report date, the Company is responsible for 162 bicycle paths, of which 111 are interurban paths and 51 are urban paths in six different cities. The meta-goals of these projects besides their environmental impact are:

- Changing the lifestyle in Israel.
- A real alternative to private vehicles.
- Changing the thinking on achieving the goal –

"Home, bicycle, public transportation, work."

Further, as part of the execution of these paths, the Corporate Responsibility Manager and the Manager of the Projects Department in the Maintenance Division are considering the integration of solar panels for the creation of renewable energy on these paths, as well as the addition of tire debris to improve the engineering value of the asphalt.

Events of environmental damage/rehabilitation

As mentioned, the Company is a management company that carries out projects by contracting with external suppliers. These suppliers are under obligation by the State's laws and the directives anchored in the contracts signed

with them, to fulfill all the provisions of the law regarding environmental protection. Based on a check carried out by the Company, and as far as it knows, there were no events of environmental damage/rehabilitation in 2023.

Claims

Contingent claims – The Company is involved in contingent claims in the ordinary course of business (see notes to the financial statements). Under the agreement between the Company and the State, amounts that the Company will be ordered to pay in respect of legal actions connected with the projects will be financed from the budgets of the projects in the work plans, and when this concerns projects that have ended or legal actions that cannot be attributed to the project, the competent body will determine, based on the recommendation of the Company, from which budget item these will be paid. Expenses in respect of these claims are included in the projects' cost.

- Class action Highway 16 – On February 21, 2022, an action was filed against various defendants, among them, the Company, in the matter of environmental hazards, plus a class certification motion, this in respect of allegations of noise and air pollution (including dust) damage, allegedly caused during the works for construction of the Highway 16 project – the new entrance to Jerusalem.
- The action was filed against the concessionaire, the construction contractor, Shapir Engineering, and against Netivei Israel that serves as the supervising authority on behalf of the State in the project. The class certification motion requests to define the class of plaintiffs as "residents of all the neighborhoods in Jerusalem and in the Mateh Yehuda Regional Council," which it is claimed number over 75,000 people, plus others staying in the place who are not residents of the area, the assessment being that if the court certifies the class definition, the aggregate value of the action will total NIS 1.5 billion. See also Note 20(B)(2)(e) to the financial statements.
- Claim in respect of noise hazard – In the framework of the Coastal Highway Kfar Shmaryahu Interchange project, a claim arose dealing with a noise hazard, with a demand for construction of an acoustic wall.





Our Commitment to the Employment Environment

Netivei Israel is working to foster a supportive work environment and a teamwork-oriented organizational culture, out of a commitment to preserve human dignity and equal opportunity anywhere and anytime, and bring about a positive change in employees' lives that will empower them and augment their contribution to success. The Company believes that the employees are its key and main resource, and therefore attaches great importance to their development and retention, through the creation of a compassionate workplace, alongside investment in personal and professional development, in health and quality of life and in ensuring a lively, open and caring dialogue. The Company strives to implement an organizational culture that engenders employee identification with organizational values, among them, dignity and fairness, management of responsible and sustainable business, and activity that surpasses expectations, with a view to bringing the best results for all the stakeholders.

Employment Policy

Fair employment – Netivei Israel protects the human rights and privacy of all its employees, treating employees of any ilk fairly and with dignity. The Company encourages its employees to achieve a proper balance between work and family life. We maintain fair employment practices and safeguard our employees' rights as required by law and agreements. We encourage our employees to demonstrate initiative, originality and creativity for the benefit of the Company and for the achievement of its goals and objectives. Furthermore, the Company's management is committed to carrying out its activities with an understanding of the needs of the employees and to communicate regularly with them, in order to match expectations and build effective communication channels. Starting from 2017, the lowest salary paid at Netivei Israel is approximately 30% higher than the minimum wage in Israel.

Working environment free of harassment and violence –

Netivei Israel's policy is to provide employees of both genders with a protective and pleasant working environment that is free of violence, threats, and sexual or other forms of harassment, to prevent the abuse of authority and to promote equality at work between the genders. Sexual harassment demeans the victim and violates their privacy, harms gender equality, workplace relations and the working environment and is contrary to the Company's policy. Apart from the damage it causes to the working environment, sexual harassment is a criminal offense. Employees are required to adhere to the Company's policy, as dictated by

the existing laws and regulations.

Equal employment opportunities – Netivei Israel is a heterogeneous company that employs people from all sectors. It attaches great importance to the creation of an equal and fair society and to the promotion of equal employment opportunities. It is the Company's policy to provide an equal opportunity to all its employees from the moment they are hired, including employees with disabilities and special needs. It guarantees equal terms of employment, such as salary grades, training and development, as well as promotion and other terms of employment. We categorically oppose and condemn any manifestation of discrimination in the employment of workers, based on religion, race, gender, nationality, ethnicity, age, disability, status of military service, gender identity, sexual orientation and the like, and continuously strive to provide equal employment opportunities.

Personal example – Netivei Israel expects the actions and behavior of its managers and employees to reflect the Company's values. One of the elements of the personal code of ethics is the clothing one wears. We believe that proper dress broadcasts professionalism and a serious attitude to one's workplace, but above all it projects the value of respect for the other and contributes to a pleasant working environment. The Company also promotes in various ways amicable, collegial and responsible behavior between coworkers.

Professionalism – Netivei Israel invests substantial resources in the professional and personal development of its employees and managers, and in training employees and managers in core professions and in management skills. Employee and manager empowerment is one of the cornerstones of the Company's development and the foundation for its position of leadership in all areas of knowledge and action. Netivei Israel promotes the development of communication channels that allow the employees access to information about its operations in all areas of its activity, with maximum transparency.

Excellence – We at Netivei Israel strive for excellence as a way of life, both along the way and at the end of the road. We will continue working to realize our full potential and to attain achievements, while learning and striving for constant improvement.

Ethical code – Netivei Israel is committed to managing its business with integrity and fairness, adhering to high standards of ethical and law-abiding behavior. We believe that consistent, uncompromising ethical behavior will lead to long-term relations of trust between the Company and employees, customers, road users, government offices, suppliers and business partners. The code of ethics aims to promote a culture of fairness, integrity and respect for the people we come in contact with in the framework of our work. The ethical code is our compass and conscience, meant to help us choose the right course of action. It sharpens and emphasizes how we are supposed to act when running into a dilemma in the course of work.

Community involvement – Netivei Israel promotes initiatives and activities that involve help provided by the community to the employee and by the employee for the benefit of the community. The Company management encourages its employees to engage in volunteer work, even helping them to go out and volunteer. As part of the relationship with the community, the organization should be a partner to social and community enterprises, and develop a dialogue with various entities that promote community interests.

The manpower roster as of December 31, 2023, totals 473 employees (on December 31, 2022 – 466 employees).

The Company laid the administrative groundwork for the manpower and recruitment outline through the prism of the Company's new five-year plan, as a derivative of the road strategy plan. In the framework of the administrative groundwork, the structure of the project-related divisions

was adapted to the follow-on and new projects, utilizing to the maximum the existing manpower and streamlining the roster of the existing structure, by adapting the structure of the Company's divisions to the scope of the up-to-date tasks and requirements. The administrative groundwork was approved by the Company's Board of Directors.

Collective agreement – The Company operates in accordance with the special collective agreement signed on October 2, 2017 on behalf of the Company's employees with the Company's management, the Histadrut representatives and the workers' committee. This agreement was approved by the Board of Directors on October 1, 2017, and it is for a period of four years from January 1, 2017 to December 31, 2020. It applies to all the Company's employees, except for senior officers from the grade of deputy department manager and up and employees in positions of personal trust. In the absence of another decision, the agreement was extended for a period of three additional years to the end of 2023.

The workers' committee asked to enter negotiations, and chose not to adopt the national framework agreement signed, as worded. The Company began negotiations to formulate a new collective agreement in conjunction with the workers' committee and the Histadrut, in conformity with the goals of the new five-year plan.

Limitation of term of office – In May 2021, the Company's Board of Directors decided to apply the Government Companies Authority circular on the subject, from October 11, 2015, to all the Company's senior officers equally and without exception, further to previous deliberations held on the matter from 2015 onwards.

In its decision from May 2021, the Board of Directors determined that the term of office would be limited for all the Company's senior officers from the level of department manager and higher, with the limitation becoming effective retroactively, as of the date of publication of the Authority's circular from October 11, 2015. In addition, it was determined that the term of office of the Company's gatekeepers – the legal advisor, internal auditor and Compliance and Enforcement Department manager – would be limited to a period of seven years. Additionally, the Board of Directors finalized the outline for implementation of the model in respect of 14 managers for whom a non-fixed term of office was previously finalized. The CEO was required to complete implementation of the outline for three managers for whom the process was not concluded.

HR Department's Activities for 2023:

- Administrative groundwork for reorganization, establishment of manpower slots, and recruitment through the prism of the five-year plan.
- Diverse welfare activities – Purim even for employees and their families, Woman's Day event, raising a toast on Israel's national holidays.
- "Kaitani" (Netivei Israel camp) – For the first time, the Company held a summer camp for the welfare of employees' children.
- Events for retirees – A one-day trip to the north of Israel; raising a toast for Rosh Hashana.
- Ceremonies – Ceremony for Memorial Day for Israel's Fallen Soldiers; Holocaust Remembrance Day ceremony.
- Assimilation of a hybrid work model in the Company.
- Implementation of a fixed-term of office model.
- Characterization and assimilation of a multi-dimensional system for employee performance evaluation.
- Automation and digitization of HR handling mechanisms – consideration of an online recruitment processes mechanism.
- Employer branding – uploading a new and upgraded vacancies webpage.
- Intra-organizational communication – open dialogue with the employees.
- Promotion raises and bonuses for engineers.
- Independent pension consulting for the Company's employees.
- Preparations for collective agreement negotiations.
- Formulation of an expenses reimbursement model for charging electric vehicles.
- Writing an operative work plan for the integration of persons with disabilities.

HR Department's Activities Prompted by the Iron Swords War

- Devising a differential hybrid attendance solution, which conforms to the directives of the Home Command and the Commissioner of Wages.
- Control and management of manpower data.
- Provision of assistance and support to Company employees during an emergency – operation of the Ashchar company's hotline.
- Maintaining contact with employees from special populations – those living within a radius of 40 km and mobilized employees and their families.
- Activities for strengthening and boosting morale (in collaboration with the Procurement and Logistics Department) – delivery of gift packages of sweets to employees' homes, delivery of gift packages of cakes for Shabbat to mobilized employees' families, a Zoom performance for children, rechargeable meal cards.
- Individual benefit plan for the onboarding of reservists returning to work.

Power Consumption In Company Buildings

Metric	Proportionate Weight	Maximum Target (100)	Minimum Target (70)	Achievement of Targets in Previous Years	Normative	Achievement of Target
Completion of characterization of computerized employee evaluation system	30%	Signed characterization document	Formulated characterization document	New target	Characterization signed by manager of HR Department and Information Systems Department	Characterization document was signed, the system is set to go live
Duration of external tender solicitation processes (collective agreement)	30%	33 work days on average	40 work days on average	2019 – 30	Work days from issuance of tender until the decision of the Winner Selection Committee	28 days
				2020-28.1		
				2021-28.7		
				2022 (projected) – 28.8		
Employment diversity	2.50%	Over 9%	Over 7%		Percentage of diverse populations from total Company employees	42 employees from diverse populations out of 470 – 9%
	2.50%	32%	30%		Percentage of women from total management positions Grade 3 and higher (deputy department manager)	41 women in deputy and higher positions out of 128 employees – 32%
Wage management	35%	95%-100%	90%	2019 – 99.6%	Utilization of wage budget from a biennial view and based on the Company's order of priorities for an approved wage budget.	NIS 192,005,865 (actual execution)
				2020 – 99.2%		
				2022 – 98%		

HR Department Targets for 2024:

Metric	Proportionate Weight	Maximum Target (100)	Minimum Target (70)
Assimilation of the Maala computerized employee evaluation system	25%	Completion of the process and payment of promotion raises up to the salary for April 2024	Completion of the process and payment of promotion raises up to the salary for June 2024
Duration of external tender solicitation processes (collective agreement)	30%	32 work days on average	40 work days on average
Employment diversity – promotion of women to management positions	5%	34%	30%
Employment diversity – promotion of integration of diverse populations	10%	9% and over	7%
Wage management	30%	95%-100%	90%

Maternity leave	2023		
	Men	Women	Total
Number of male/female employees who returned from maternity leave	0	17	17
Number of male/female employees in a mother's part-time job	18	103	121
Percentage of women who returned to their job		100%	

Employment of employees by age and gender	2023		
	Men	Women	Total
Up to age 30	8	6	14
Between 30-50	131	163	294
Over 50	88	76	164

Employees by position and gender	2023		
	Men	Women	Total
Clerk = professional employee	4	11	15
Coordinator	12	47	59
Supervisor	35	68	103
Unit manager	27	33	60
Department manager	62	45	107
Deputy division manager	47	24	71
Division manager	30	16	46
Deputy vice president	1	1	2
Vice president	8	0	8

Salary	2023		
Verification that the starting salary in the organization is higher than the minimum salary in every region of activity, and specification of the distribution between men and women at that salary level.	As of 31.12.2023	Women	Men
	Minimum salary	100%	100%
	Headquarters	100%	100%
	South District	100%	100%
	Central District	100%	100%
	Judea & Samaria District	100%	100%
	North District	100%	100%

Segmentation of Company's employees	2023		
	Men	Women	Total
Number of employees at the Company	227	245	472
Number of permanent employees	227	239	466
Number of temporary employees	0	6	6
Number of employees on leave without pay	2	1	3
Number of part-time employees	0	4	4
Number of full-time employees	225	240	465
Number of employees in the Finance Division	13	28	41
Number of employees in the Engineering & Development Division	52	62	114
Number of employees in the Resources & Administration Division	22	24	46
Contracts & Engagements Division	21	51	72
PPP Division	4	5	9
Railway Infrastructures Division	17	5	22
Legal Department	3	12	15
CEO + Board of Directors Headquarters Division	6	8	14
Headquarters and Planning Division (Headquarters and Spokesmanship)	15	16	31
Innovation, Strategy and ESG Division	3	3	6
Number of employees in the Operation & Maintenance Division	71	31	102
Number of employees in the South District	7	4	11
Number of employees in the Judea & Samaria District	7	2	9
Number of employees in the Central District	7	4	11
Number of employees in the North District	11	3	14
Number of employees who joined	21	23	44
Average age of employees who joined	34.5	41	38
Number of employees who left	20	16	36
Average age of employees who left	50	43.5	47
Number of employees who were dismissed	0	0	0
Number of employees who were dismissed due to corruption and/or ethics	0	0	0
Average age of employees who were dismissed	0	0	0

Our commitment to Our Employees

job level	2023		
	Men	Women	Total
Number of internal promotions	16	23	39
Percentage of promotions in the organization	41%	59%	

Collective agreement		
	Men	Women
Number of employees employed under a collective agreement	142	203
Number of employees employed under a personal contract	85	42

Segmentation of employees by education	2023		
	Men	Women	Total
Employees with an academic degree in engineering	105	42	147
Employees with any academic degree (excluding engineering)	78	138	216
Employees with a Master's degree	96	73	169
Employees without academic studies	41	59	100

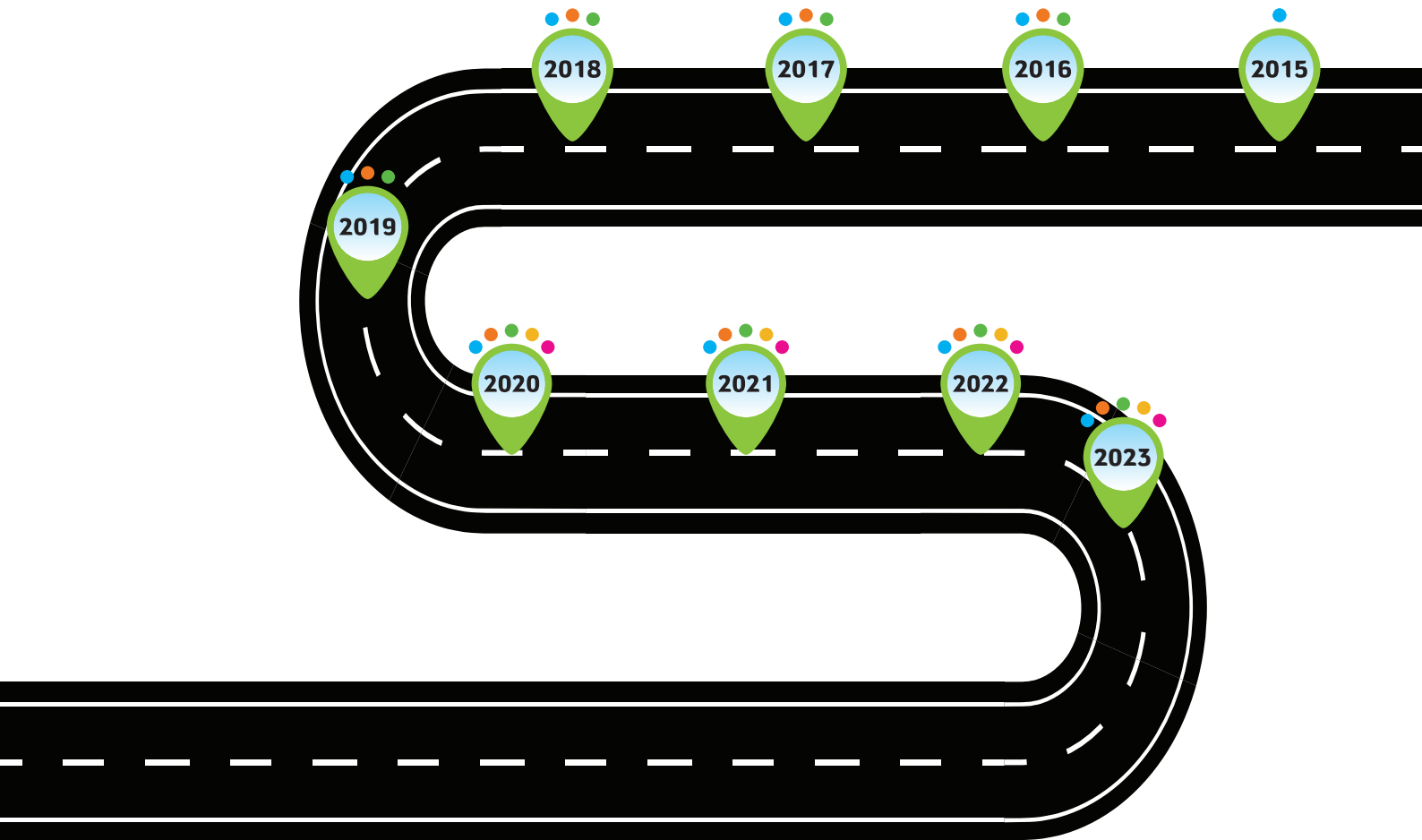
Absences			
	Men	Women	Total
Number of days of absence due to sickness	2,121	4,849	6,970
Number of work accidents involving employees during the activity year	1	0	
Were there cases of death among the Company's employees during their work	0	0	

Performance Evaluation	2023		
	Men	Women	Total
How many employees have received an evaluation and/or structured feedback in a personal conversation / meeting on their performance (at least once) in the past year	220	223	443
Has a percentage of employees been set for receiving an evaluation and/or structured feedback in a personal conversation / meeting on their performance (at least once) in the past year	97%	91%	

Integration of women in management positions	2023		
	Target	Quantity	Percentage
Percentage of women in the top 10% of the top earners		54	12%
Has a percentage been set for women in senior management positions? If so, specify.	Minimum 20%	15	28%
Has a target been set for the percentage of women in senior management positions?		41	33%
Cash or cash equivalent investment in employees' sports activity	NIS 306,958		

Integration of women in management positions	2023		
			Percentage
Top 10% of the top earners	Men – 37	Women - 17	
Percentage of women in the top 10% of the top earners		31%	
Has a percentage been set for women in senior management positions? If so, specify	Target 30%	Actual 32%	Total 42
Cash or cash equivalent investment in employees' sports activity		NIS 355,875	

Employment of employees by seniority	2023		
	Men	Women	Total
Number of employees with a seniority of up to one year	23	26	49
Number of employees with a seniority of over one and up to 5 years	67	52	119
Number of employees with a seniority of over 5 and up to 10 years	55	57	112



● Hebrew ● English ● Arabic ● Audio ● Braille



I thank you for your interest in the report and invite all our stakeholders to contact us to promote new relevant and sustainable ways in the areas in which we operate to the benefit of all the residents of the State of Israel.

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