



ESG Follow-up Report and Data
Update for 2022

Foreword by the Co-CEOs

As a leading business group, commitment to the advancement and development of the principles of corporate responsibility (Environmental, Social and Governance - ESG) is rooted in the Elco Group. In this capacity, Elco published the 2021 ESG Report and is pleased to publish this follow-up report and update of ESG data for 2022, which lists the key findings. ESG Publications as well as publications on other company aspects are available to stakeholders on Elco's website. Elco's ESG reports review its ESG activities and include a brief review of the activities of its main Investee Companies – Electra, Electra Consumer Products, Electra Real Estate, and Electra Power (hereinafter: the "Public Subsidiaries"). Elco is the first public company in its field of activity on the Tel Aviv Stock Exchange to publish ESG reports. To this date, Elco and Electra, - its subsidiary, are the only ones in the industry to do so.

As a public company, Elco considers it important to maintain strict standards and to act in accordance with the principles of proper corporate governance and in compliance with the legislative and regulatory environment in which it operates. The Elco Group makes sure to always uphold a business culture based on clear rules of ethics and considers fair and ethical conduct, including towards their employees, suppliers, customers, and business partners, to be of utmost importance. In recent years, Elco and the companies in the group have acquired additional activities and expanded and strengthened their workforce. As of the publishing of this ESG update report, the Elco Group has approximately 21,000 employees in Israel and around the world. Since the previous ESG report, there was a 3.6% increase in the group's workforce.

The Elco Group is actively working to reduce the impact on the environment by acquiring and developing activities that promote a green environment, by using renewable energies, and by implementing energy efficiency processes in an attempt to reduce air pollutant emissions. Furthermore, within the framework of its operations, Elco regularly monitors the ESG data of the companies in the group, including their environmental data, carbon footprint, safety incidents, human resources, gender diversity, training, corporate governance, and so forth. As part of its investment activity, an American subsidiary of Electra Real Estate has joined the Principles for Responsible Investment (PRI) organization. The United Nations supports the principles of this organization and plays a role therein. Members of the organization declare that they will uphold 6 principles for responsible investing that also take into account ESG risks and considerations as part of the decision-making process pertaining to their investments.

Yours sincerely,

Michael Salkind, Co-CEO and Director

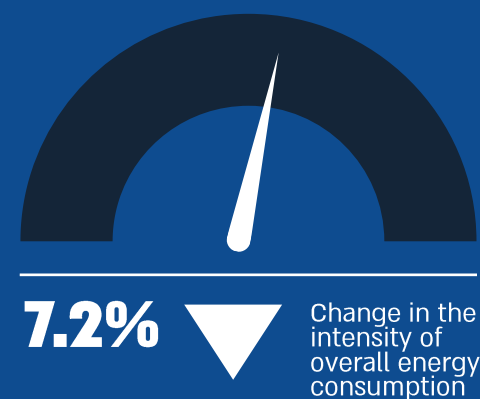
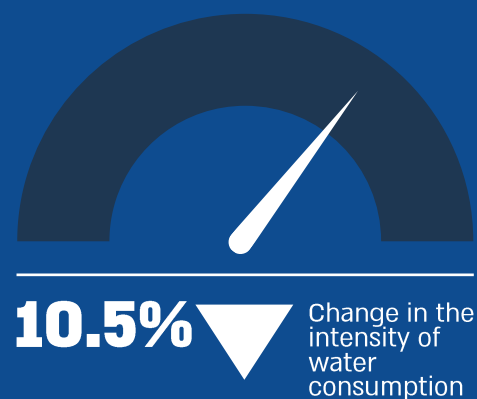
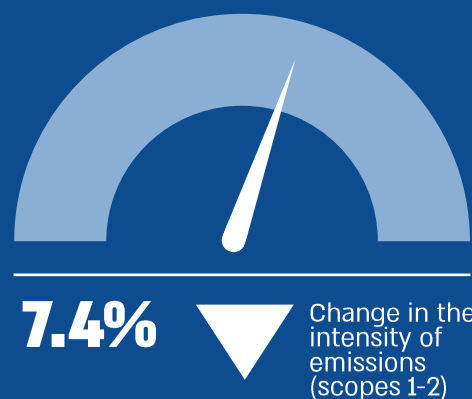
Daniel Salkind, Co-CEO and Director



— ENVIRONMENTAL DATA —

BELOW ARE THE HIGHLIGHTS OF THE ESG DATA IN THE GROUP FOR 2022: ENVIRONMENTAL DATA

The public Subsidiaries monitor and measure environmental data on an ongoing basis. Elco, as a group, performed a comprehensive analysis of their overall energy consumption (converted to the customary unit of energy for reporting – the megajoule MJ), water consumption, and calculated the carbon footprint emissions for scope 1 and 2 according to the reported activities. Below are the group's intensity indicators showing the differences between 2021 and 2022:



It can be seen that there was an improvement in the intensity ratios of the environmental data (energy, water, and carbon footprint) of the group in 2022. Data on energy consumption, water consumption, and carbon emissions can be found in Appendix A to this report.

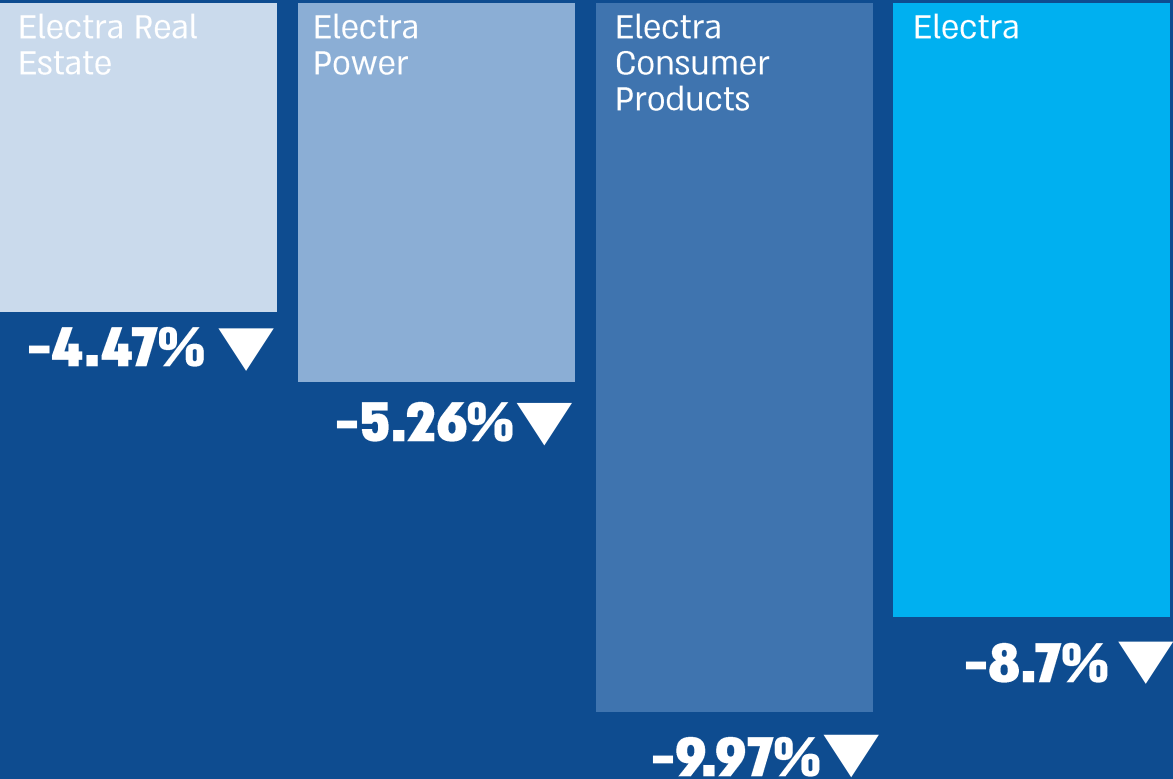
ENVIRONMENTAL DATA

CHANGES IN ENERGY CONSUMPTION

The overall absolute energy consumption for the group increased at a lower rate than the increase in the operational/business indicators that were used to calculate the intensity for each company in the group (increase in revenues, change in work hours, or change in area – square meters).



7.2% ▼ The group change between 21 - 22



Scope 1 represents the overall direct emissions of the organizations, i.e., emissions from operations that the organization itself carries out, including emissions emitted during production processes in the factory owned by the organization, the vehicles of the organization, and emissions of cooling and air conditioning gases from cooling systems owned by the organization (air conditioning gases are received from Electra Consumer Products only). The data shows the intra-organizational activity of the Public Subsidiaries companies Scope 2 represents the organization's overall indirect emissions related to the consumption of energy from an external third party, for example, electricity consumption produced by the Israel Electric Corporation. The intensity ratio is calculated for each company according to operational/business data relevant to its activity. This includes changes in revenues, changes in the work hours of the company's employees, and changes in square meters in the property portfolio.

ENVIRONMENTAL DATA

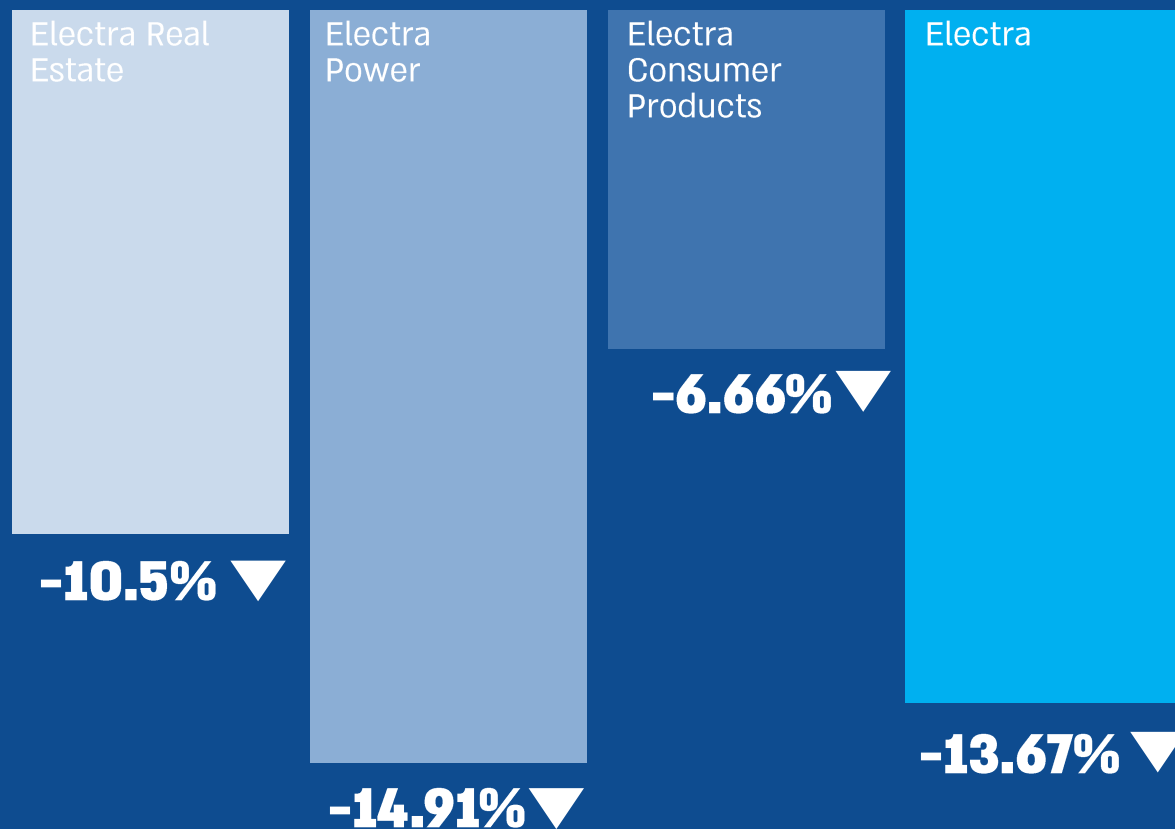
CHANGES IN WATER CONSUMPTION

The water consumption data, shows a decrease in the absolute consumption for some of the companies in this group resulting from, inter alia, the different actions taken to streamline consumption or a certain business change in some of the Public Subsidiaries.



10.5% ▼

The group
change
between 21-22



ENVIRONMENTAL DATA

CHANGES IN TOTAL CARBON EMISSIONS

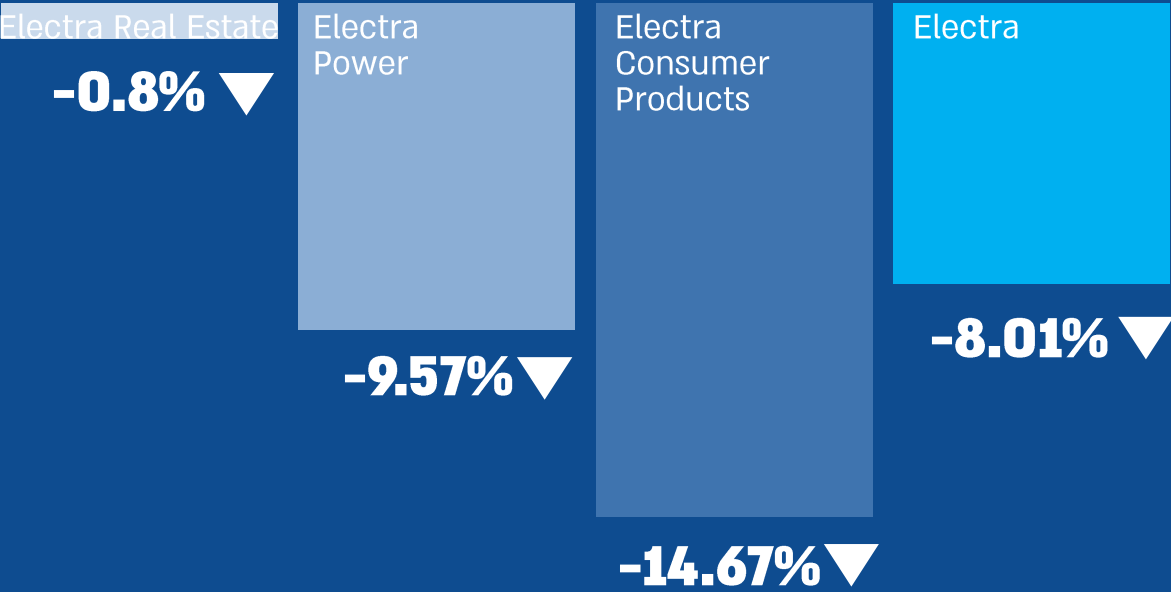
Elco calculated scope 1 for intra-organizational activity and scope 2 from the group perspective . Despite the increase in the group's absolute emissions between 2021 and 2022, which is attributed to growth, the merging of business activities, and to an increase in the workforce, in terms of emission.



7.1%



The group change between 21-22



Furthermore, as part of environmental procedures, in recent years, the group has been advancing replacing the group's vehicles with hybrid vehicles. As of 2022, approximately 21% of the group's vehicle fleet are hybrids. The Public Subsidiaries companies are continuing to transition to hybrid vehicles.

Scope 1-2 emissions for 2021 51,541 (tCO₂) and for 2022, 55,276 (tCO₂) . The data is based on the group's intra-organizational activity in terms of the group's consumption of electricity, gasoline, diesel, air-conditioning gases, generators, and so forth. In addition, the environmental data mostly includes the activity of the headquarters. The group plans to continue making the calculations and to extend them to carbon emissions from all activities.

ENVIRONMENTAL ACTIVITIES OF THE COMPANIES IN THE GROUP FOR 2022 IN A NUTSHELL:



Electra has various projects in renewable energy sectors such as the pumped storage powerplant project in Manara and in Ma'ale Gilboa (which was completed in 2022), the construction of photovoltaic (PV) electricity production systems, the construction of gas-based electricity production facilities on the distribution network, the planning and construction of two electricity production facilities using generators fueled by biogas, a byproduct of wastewater treatment process, and so forth. The Electra companies employ diverse technologies in their projects that promote environmental protection and sustainability, which alongside smart planning that contributes to promoting these issues amongst its customers.



Electra FM performs extensive activities for its customers in fields such as having a dedicated company conduct an energy efficiency survey for the customer, COP energy efficiency testing of cooling systems (chillers), the testing of the facilities by an energy supervisor to ensure the capacity meets the legal requirement testing energy efficiency, preventative maintenance for the air conditioning systems to increase their energy efficiency, preventative maintenance for the building control system lighting control systems, air conditioning system, or shading system to ensure controlled use; thus streamlining the systems energy efficiency, and so forth. Additionally, Electra FM provides a wide range of cleaning services through the "Tavas" company that provides environmentally friendly ecological cleaning materials and operates under a green standard while separating and recycling waste at the source. The company also ensures the safety and health of approximately 3,500 cleaning workers while, at the same time, reducing the carbon footprint in more than 1,850 service sites.



Electra M&E has many projects in which energy-saving technologies are implemented, such as the use of cooling units with environmentally-friendly gas – installation of highly efficient chillers, the partial or full upgrading of energy centers at the various sites, within the framework of which, old wasteful cooling units that have old coolers are replaced with new with efficient cooling systems that are economical and use environmentally-friendly gases and substances that have the Standard Institute mark (insulation materials, sealing materials, plastic piping, etc.), advanced control systems for saving energy, water systems, LED lighting fixtures, electricity efficient systems, and so forth.



Greentech – a company engaged in the treatment and operation of wastewater facilities and the recycling of wastewater into irrigation water.

ENVIRONMENTAL ACTIVITIES OF THE COMPANIES IN THE GROUP FOR 2022 IN A NUTSHELL:



Electra Consumer Products has built a recycling plant that is initially focusing on recycling air conditioners and refrigerators and will later expand its activity to recycling all electrical products, which shall have a positive impact on greenhouse gas emissions. The plant works according to the leading European standard in the field of electronic waste recycling.



Electra Consumer Products is building a factory for the production of climate-control systems (air conditioners and heating systems) in accordance with green building standards. Electra Consumer Products estimates that the cost of investment for building the new factory will be approximately NIS 150-100 million, yet prices are subject to changes due to the fluctuations in the cost of raw materials. In its current air conditioner factory Electra Consumer Products , develops products that are adapted for use with R32, an environmentally-friendly gas that reduces HFC gas emissions in accordance with the European regulatory requirements, which should be implemented in the near future also in Israel.



Electra Real Estate examines ESG factors when making investment decisions regarding platforms (in accordance with its membership in the PRI organization). These decisions are reflected in the betterment and ongoing operation plan implemented in the properties it manages. Within this framework, it has installed more than 20 thousand energy efficient led bulbs, approximately 16 thousand economical faucets with a low water flow rate, energy efficient fans, charging stations for electric vehicles, and solar panels on the roofs of several housing complexes.



Electra Power began operating solar facilities on top of both commercial and private roofs. In 2021-2022. Production was at 4,093,584 kWh, which constitutes approximately 4% and 6% (respectively) of the total consumption, and a reduction of approximately 10% in Electra Power's carbon emissions for 2022. Furthermore, Electra Power has increased its activity in the electricity and thermal energy supply sector, amongst other things, through cogeneration facilities. Within this framework, it has entered into agreements with a number of other consumers for the establishment and operation of cogeneration and generation facilities. Starting in 2023, Electra Power is working to create collaborations through agreements to purchase electricity for the purpose of selling electricity produced from renewable energy (green electricity) to be used by tens of thousands of households. Additionally , Electra Power has increased its activities in the field of supplying compressed natural gas to fleets of dedicated buses, garbage trucks, and heavy trucks throughout the country.



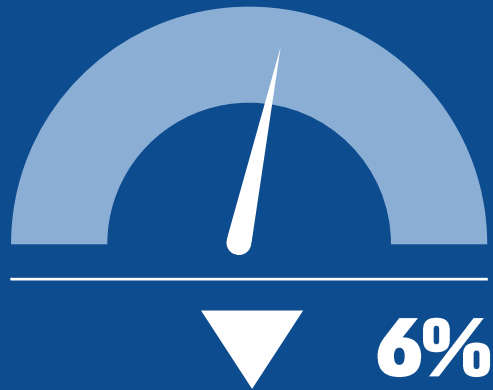
SAFETY DATA

SAFETY DATA

There is a decrease in the number of safety incidents, from 3.4% to 3.2% representing a decrease of approximately 6% with respect to the number of employees in the group involved in various safety incidents, including near-miss incidents.

According to the Investee Company's policy for preventing serious safety incidents, no incidents were classified as serious accidents in the group.

Alongside the decrease in the number of safety incidents, there is an increase in the number of safety training sessions.



SAFETY COLLEGES IN THE GROUP

Electra operates a safety college aimed at expanding the knowledge and training of all Electra Construction employees and that of all its subcontractors as part of a program to maintain a high standard of work safety. Within the framework of the program, extensive training sessions are provided to Electra Construction employees and to the employees of its subcontractors. Training sessions are also provided to all employees in the group's companies, and to the employees of their respective contractors. Electra Consumer Products also operates a training college that provides safety training sessions. Some of the companies in the group work according to international safety standards, such as the ISO45001 standard and the Israeli ISO9001 standard.

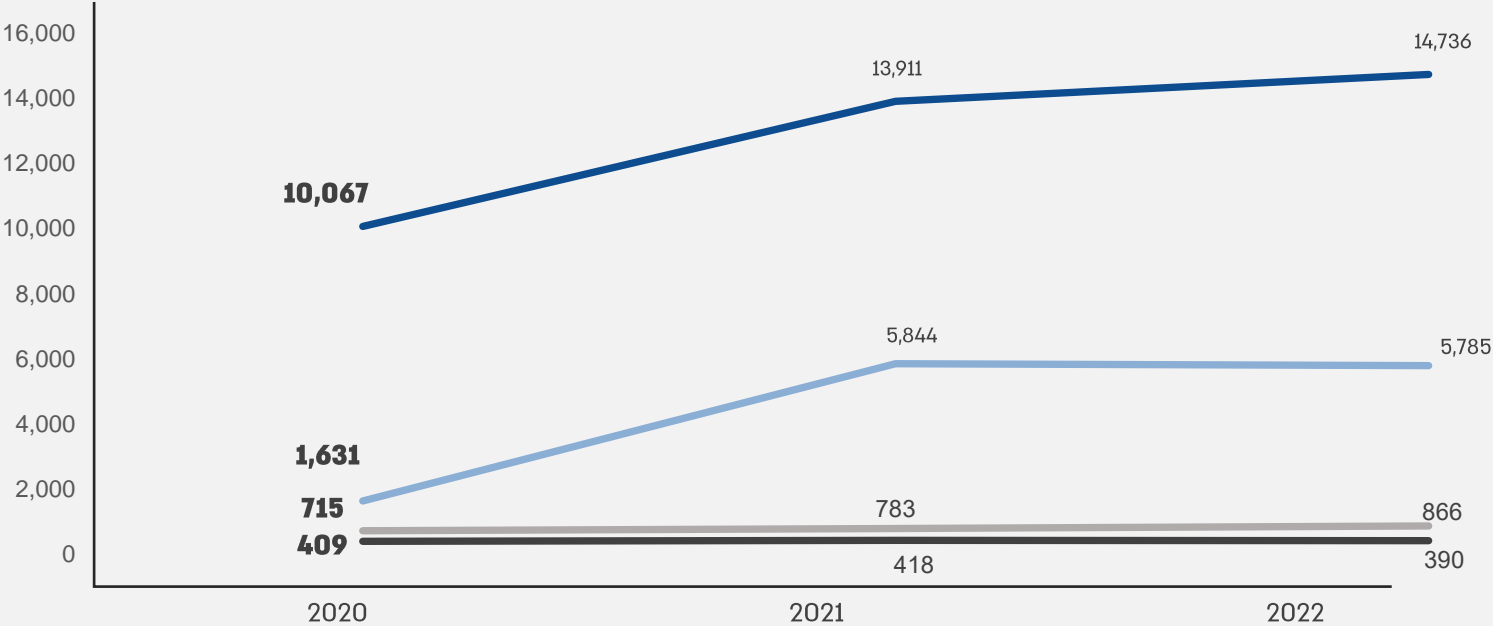


A hand holding a smartphone against a blurred city background at night. Floating above the phone are several social media icons: a heart with '81', a speech bubble with '59', a blue message bubble with three horizontal lines, and two smaller grey speech bubbles with three dots. The text 'SOCIAL DATA' is centered over the phone.

SOCIAL DATA

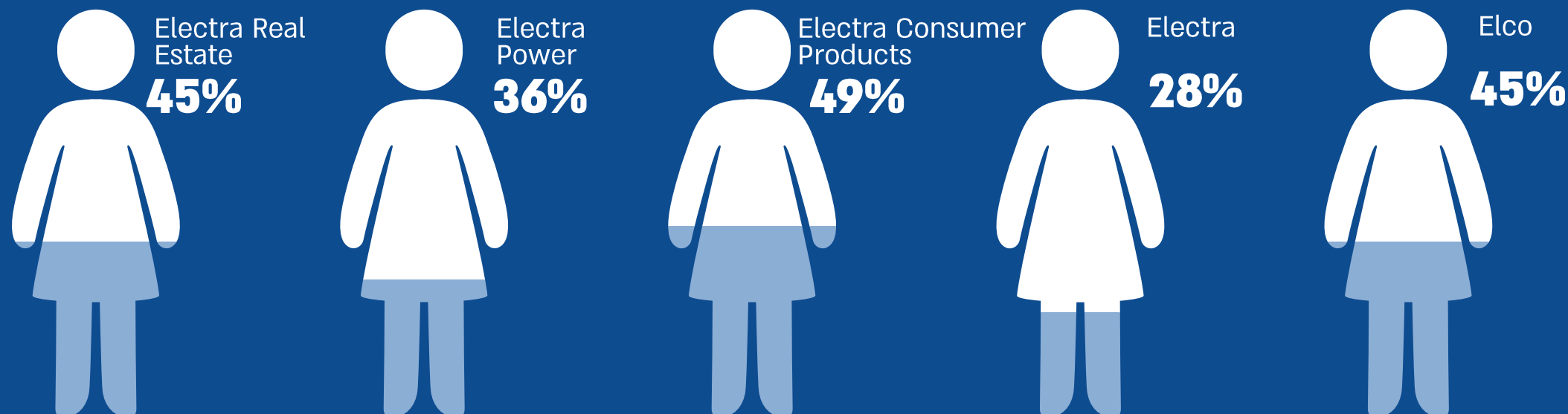
MANPOWER AND GENDER DIVERSITY

The Elco Group continues to implement its policy in all the group companies. The policy views employees as the key to the success of the various companies. Consequently, the group, as well as its Investee Companies, operate according to a policy of constant dialogue with the employees, an open-door policy, listening and acceptance while cultivating and developing the employees professionally and personally, expressing concern for their health and well-being; this with the intention of providing them with a suitable, responsible, and pleasant employment environment. Elco Group's commitment to its employees is reflected in the development of an appropriate, responsible, and pleasant work environment, observance of fair employment terms, and compliance with all legal provisions. The Elco Group makes sure to uphold the rights of the contractor employees and temporary workers employed from time to time in the Elco Group companies.



Some of the Elco Group employees are employed through collective agreements and others through personal employment agreements. The employee data is as of 31.12.2022.

GENDER DIVERSITY IN THE GROUP



Electra and Electra Power are characterized by activity which was initially biased towards men (contractors, technicians, and construction workers); However, they are attempting, to the extent possible, to increase gender diversity based on a long-term vision.

*The diagram presents the ratio of women in Elco and in the Public Subsidiaries.

THE GERSHON SALKIND STRIVING FOR EXCELLENCE SCHOLARSHIP FUND

The Group established the Gershon Salkind Striving for Excellence Scholarship Fund As part of the its activities in benefit of the community as a whole . Through the fund, the company, together with its subsidiaries, awards scholarships for a total amount of up to approximately NIS 3 million per year. These scholarships go towards financing university tuition fees for the advancement of undergraduate and graduate studies in recognized higher education institutions, mainly for science-related subjects and various engineering studies as well as in areas of study that are relevant to the activities of the companies in the group. The fund is intended for both Elco Group employees and their immediate family members, who meet the criteria for receiving the scholarships, and the general public (mainly for students from disadvantaged socioeconomic backgrounds). Further to the foregoing, in 2022, the group's companies in Israel and abroad donated approximately NIS 6,125 thousand to non-profit institutions.



ABOUT THE REPORT AND LEGAL CLARIFICATION

This ESG Follow-up Report and Data Update reviews Elco's activities on environmental and social issues for the years 2021 and 2022 (Aspects of corporate governance are described in the Financial Report published along with this report). This report does not constitute an offering of Elco's securities to the public, nor does it constitute a report under the Securities Law 5728-1968 and the regulations promulgated thereunder. The report focuses on integrating the principles of sustainability in the business activity, on the economic, social, and environmental values that these principles contribute to the group and to Elco Group's interactions with its stakeholders – workers, suppliers, customers, authorities, business partners, local communities, and so forth. The report was approved by Elco's Board of Directors and was written in full collaboration with the companies in the Elco Group – Electra, Electra Consumer Products, Electra Real Estate, and Electra Power. The report was drafted with the assistance of Entropy Corporate Governance, without an external ratification process. This document reflects Elco's "go beyond compliance with the provisions of the law" policy. As such, it reflects the objectives, goals, and milestones that Elco has set for itself and that it strives to achieve but is under no way legally required to meet. Elco has made efforts to ensure that this document is correct and accurate and, to the best of Elco's knowledge, it is indeed correct and accurate as of the aforesaid date. However, as any document, it might contain generalizations, inaccuracies, errors, and omissions. Consequently, Elco assumes no responsibility in terms of the report's accuracy or completeness, and it does not allow any person whatsoever to use information contained therein or nor rely thereupon. The Elco Group operates in a dynamic and changing environment. Therefore, it enters into new fields of activity, makes adjustments to certain activities, and foregoes other activities. Furthermore, Elco is under no obligation to update the information contained herein. In any case of a contradiction between the information in this document and the information in Elco's public reports published on the Securities Authority's website, the information in the public and official publications on the Israel Securities Authority's website shall prevail. In conclusion, Elco's assessments and estimates included in the document are Elco's alone and all qualitative information reflects assessments and estimates that are subjective in nature and cannot necessarily be measured.

A close-up photograph of a person's hands holding a clump of dark, rich soil. The person is wearing a blue long-sleeved shirt. The background is a soft-focus landscape at sunset or sunrise, with a warm orange and yellow glow. The text 'APPENDIX – ENVIRONMENTAL QUALITY DATA' is centered over the image in white, bold, sans-serif font, flanked by two horizontal lines.

— APPENDIX – ENVIRONMENTAL QUALITY DATA —

Below is the data on energy consumption, water consumption, and scope 1 and 2 carbon emissions. The data is presented both as absolute figures for 2021 and 2022 and for the intensity indices for each company separately. Due to the growth and merging of business activities, the increase in workforce, and the impact of the Coronavirus Pandemic as early as 2021, the calculations were made with relevant units of measurement in order to present the intensity indices for each company separately as well as from the group's perspective (the units of measurement are increase in revenue, change in work hours, and change in the area of housing clusters between 2021 and 2022).

TOTAL ENERGY CONSUMPTION OF THE PUBLIC SUBSIDIARIES:

Company	Energy consumption (MJ) 2021	Energy consumption (MJ) 2022	Absolute change in consumption 21-22	Change in UoM representing operational/business change (revenue/work hours/area) 21-22	Intensity of consumption per UoM (revenue/work hours/area) 2021	Intensity of consumption per UoM (revenue/work hours/area) 2022	Change in intensity of operational consumption to the company 21-22	Weight of consumption of the entire company for calculating the group contribution	Contribution of the change of the entire company to the group
Elco	664,074	570,116	▼14.1%	▲26.2%	0.04	0.03	▼32.0%	0.1%	▼0.03%
Electra	303,677,839	335,250,055	▲10.4%	▲20.9%	33.84	30.89	▼8.7%	49.6%	▼4.32%
Electra Consumer Products	45,425,945	51,100,359	▲12.5%	▲24.9%	34.14	30.74	▼10.0%	7.6%	▼0.75%
Electra Real Estate	140,308,041	132,234,025	▼5.8%	▼-1.3%	59.92	57.25	▼4.5%	19.6%	▼0.87%
Electra Power	130,871,630	156,420,972	▲19.5%	▲26.2%	209.99	198.94	▼5.3%	23.2%	▼1.22%
Group	620,947,530	675,575,527	▲8.8%	▲26.2%	41.91	36.13	N/A	N/A	▼7.2%

*Energy consumption includes consumption of electricity, transportation fuels (diesel and gasoline), and generators. All the energy units were converted to the customary unit of measurement – MJ.

BELOW ARE EXPLANATIONS FOR THE CHANGE IN ENERGY CONSUMPTION BY THE PUBLIC SUBSIDIARIES:

Electra – Between 2021 and 2022, there was an increase in activity ; which alongside the impacts of Coronavirus on the activity in 2021 led to an overall increase in absolute consumption. The data for Electra includes the activities of Electra Ltd., Electra Infrastructure and Energy, Electra FM, Electra Construction, Electra Danco as of 2021 and 2022, as well as Electra Afikim data as of 2022.

Electra Consumer Products – The consumption includes electricity in the Rishon LeZion complex, which also includes the air conditioner factory and is in compliance with the ISO standard whereby employees in the complex measure consumption according to work hours. (Yenot Bitan management was also added to the complex).

Electra Real Estate – The energy consumption includes consumption by the portfolio of housing clusters. The calculation was made according to the number of apartments and the average square meters of the apartments.

Electra Power – Energy consumption includes the company's facility in the Alon Tavor Industrial Park ,its offices and branches. The separation of the activities, shows that there is a decrease in energy consumption at the company's facility in the Alon Tavor Industrial Park but, on the other hand, there is an increase in energy consumption in the offices and branches due to the transition into a larger office space in 2022. Furthermore, there is an increase in the consumption of gasoline and diesel fuel by vehicles and trucks due to expansion of distribution lines and the impact of the Coronavirus Pandemic in 2021.



TOTAL WATER CONSUMPTION BY THE PUBLIC SUBSIDIARIES:

Company	Water consumption (m³) 2021	Water consumptions (m³) 2022	Absolute change in water consumption 21-22	Change in UoM representing (revenue/work hours/area 2021	Intensity of consumption per UoM (revenue/work hours/area) 2021	Intensity of consumption per UoM (revenue/work hours/area) 2022	Change in intensity of operational consumption to the company 21-22	Weight of consumption of the entire company for calculating the group contribution	Contribution of the change of the entire company to the group
Elco	N/A	N/A		▲ 26.2%	N/A	N/A	▲ 0.0%	0.0%	▲ 0.0%
Electra	25,650	26,776	▲ 4.4%	▲ 20.9%	0.003	0.002	▼ 13.7%	0.6%	▼ 0.1%
Electra Consumer Products	18,383	21,440	▲ 16.6%	▲ 24.9%	0.013	0.013	▼ 6.7%	0.5%	▼ 0.0%
Electra Real Estate	4,645,000	4,101,179	▼ 11.7%	▼ -1.3%	1.775	1.775	▼ 10.5%	98.5%	▼ 10.3%
Electra Power	12,306	13,210	▲ 7.3%	▲ 26.2%	0.0	0.0	▼ 14.9%	0.3%	▼ 0.0%
Group	4,701,339	4,162,605	▼ 11.5%	▲ 26.2%	0.2	0.3	N/A	N/A	▼ 10.5%

BELOW ARE EXPLANATIONS FOR THE CHANGE IN WATER CONSUMPTION BY THE PUBLIC SUBSIDIARIES:

Electra –there is a minor increase in absolute consumption. See the note on energy consumption.

Electra Consumer Products – According to the method of calculation, there is a positive change in the normalization of work hours; in 2021, the company reported 0.0138 cubic meters per work hour and in 2022, it reported 0.0127 cubic meters per work hour.

Electra Real Estate – Water consumption includes consumption by the portfolio of housing clusters. The calculation was made according to the number of apartments and the average square meters of the apartments. Actions are being taken in this regard, include the installation of approximately 16,000 economical faucets with a low water flow.

Electra Power – In 2022, in compliance with fire extinguishing requirements, a relatively large number of checks and inspections were made at the facility in Alon Tavor Industrial Park compared to 2021, including on the increased use of water compared to 2021.

THE CARBON FOOTPRINT OF THE PUBLIC SUBSIDIARIES:

Calculation of the carbon footprint – carbon emissions were calculated made according to the calculator used by the Ministry of Environmental Protection, as is customary in Israel.

Company	Overall carbon emissions scopes 1+2 for 2021 (tCO2e)	Overall carbon emissions scopes 1+2 for 2022 (tCO2e)	Absolute change in emissions 21-22	Change in UoM (revenue/ work hours/area 21-22	Intensity of emissions per UoM for (for revenue/workhours/ area) 2021	Intensity of emissions per UoM (for revenue/work hours/area) 2022	Change in intensity of emissions 21-22	Weight of the entire company's consumption for calculating the group contribution	The change in the ratio of operational emissions (intensity) weighted for the group 2022
Elco	55	49	▼10.9%	▲26.2%	0.000	0.000	▼29.4%	0.1%	▼0.03%
Electra	21,934	24,399	▲11.2%	▲20.9%	0.002	0.002	▼8.0%	44.1%	▼3.5%
Electra Consumer Products	5,527	5,892	▲6.6%	▲24.9%	0.004	0.004	▼14.7%	10.7%	▼1.6%
Electra Real Estate	15,244	14,918	▼2.1%	▼-1.3%	0.007	0.006	▼0.8%	27.0%	▼0.2%
Electra Power	8,781	10,018	▲14.1%	▲26.2%	0.014	0.013	▼9.6%	18.1%	▼1.7%
Group	51,541	55,276	▲7.2%						▼7.1%

