

SUSTAINABILITY REPORT 2025



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Reporting period and cycle

This report presents the Israel Aerospace Industries (IAI) performance on Environmental, Social, and Governance (ESG) issues, as of December 31st, 2025. This is the company's 11th consecutive annual report, published on March 31st, 2026. In some cases, previous years were considered for the sake of comparison, trend analysis, and future goal setting. When such cases appear in the report, this fact is explicitly noted. Parts of the report were audited for limited assurance by BDO Ziv Haft (see pages 88-91), and professional consultation on the report was provided by KPMG Somekh Chaikin.

Reporting in accordance with the GRI Standards



UN SDG targets: 12.6

This report has been prepared in accordance with the GRI Standards. These reporting standards are available at the GRI website: www.globalreporting.org. This level of reporting is in line with the company's resources and the requirements of its stakeholders.

For the GRI Content Index – Essentials Service, GRI Services reviewed that the GRI content index has been presented in a way consistent with the requirements for reporting in accordance with the GRI Standards, and that the information in the index is clearly presented and accessible to the stakeholders.

The GRI Content Index is located at the end of this report, on pages 82-87.

Reporting scope

IAI conducts global business and financial activity, with the majority of its management and manufacturing activities taking place in Israel. The relevant financial data detailed in this report is aligned with IAI's 2025 financial statement period, from January 1st to December 31st, and relates to IAI's global activities.

Unless otherwise stated, all sustainability data (excluding financial data) included in this report applies solely to IAI's activities and operational located in Israel alone, and reflect the consolidated data from these sites. In certain cases, relevant information is provided for specific sites only. When such cases appear in the report, this fact is explicitly noted.

ELTA Systems Ltd., which is included in this report, has a dual status, by virtue of its operations both as a division and as a subsidiary.

This report is written in English. A full version is also available in Hebrew. These reports are available on IAI's website.

Restatements

Change in the measurement or in the definitions: None.

Significant changes in reporting

There were no material changes compared to previous reports.



From the CEO

2-22

I am pleased to present IAI's 2025 Sustainability Report, which reflects the company's performance and its ongoing commitment to corporate responsibility.

Even in a complex and challenging year, IAI continued to play a central role in safeguarding the security of the State of Israel while leading technological innovation on a global scale. Alongside significant achievements in the development of advanced systems and expansion of the company's business growth, we continued to deepen the integration of sustainability principles across all areas of our operations.

The 2025 Sustainability Report reflects the way we combine technological excellence with environmental responsibility and social commitment. Continuous investment in human capital, development of innovative solutions, and reduction of environmental impact are key factors that help us maintain a strong, responsible, and resilient company over time.

IAI is deeply committed to national missions. The technological solutions we provide continue to demonstrate impressive achievements in the air, at sea, on land, and in space. At the same time, we are investing in the development of next-generation systems to address the evolving battlefield. Even during this challenging year, the company maintained operational continuity and continued to make a highly significant contribution to the security of the State of Israel. The groundbreaking systems developed by IAI stand at the forefront of global technology and innovation and strengthen the confidence of our customers in Israel and around the world in our capabilities. The growth in the company's order backlog and overall business activity reflects this trust.

During 2025, we continued to advance the company's ESG activities as part of the implementation of the Sustainability 2030 five-year strategic plan. Within this framework, ambitious targets aligned with the company's material topics were updated, the scope of reporting was expanded, and preparedness for regulatory requirements was further strengthened.

In the environmental domain, we continue to act consistently to reduce greenhouse gas emissions and minimize our carbon footprint. We are currently preparing to launch one of Israel's largest natural gas generation facilities, which will enable electricity production.

In the social sphere, the company serves as a model in the recruitment of wounded IDF soldiers and members of the security forces, of which I am very proud. The proportion of women in the company's management continues to grow and has already surpassed 20%, alongside broad initiatives to promote workforce diversity and inclusion of employees with disabilities. The company

continues to invest in volunteer initiatives and community engagement, with a significant increase in volunteer hours recorded over the past year as well.

In the areas of occupational health and safety, the company has achieved significant progress while setting ambitious goals for the future. This year, the company successfully completed a compliance assessment for the CMMC standard – one of the world's leading regulatory standards for cybersecurity in organizations and supply chains. IAI is the first company in Israel to be certified under the CMMC standard and among the first outside the United States. These achievements are also reflected in the BDI ranking, in which the company was ranked eighth among the 100 best companies to work for. This ranking reflects employee satisfaction, a positive organizational culture, and our employees' commitment to excellence.

The era of AI and the technological revolution in autonomous systems require us to adapt our solutions to the evolving needs of our customers. IAI stands at the forefront of development, serving as a key growth engine that provides advanced solutions for both the present and the future.

In 2025, IAI continued to strengthen its position as Israel's leading research and development company. During the year, the company received the Israel Defense Prize, launched the national communications satellite Dror-1 and the Ofek-19 satellite, and obtained STC certification for the conversion of Boeing 777-300 passenger aircraft into cargo aircraft. These achievements join significant operational successes in the deployment of advanced defense and offensive systems. In the field of innovation, new innovation centers were established in Israel and abroad, and new partnerships were formed in the fields of energy and the environment. Sustainable Aviation Fuel (SAF) has become a central topic in the global aviation industry, and IAI is also taking part in advancing solutions in this field.

The past year continued the company's growth trend, recording the best business performance in its history. These achievements reflect the trust placed in Israel Aerospace Industries, which in 2025 maintained its Platinum Plus rating in the Maala Corporate Responsibility Index and was ranked first in the sector of defense companies.

Meeting our commitments and the timelines for our customers and partners in Israel and around the world remains our highest priority, despite the ongoing challenges posed by global conditions and disruptions to supply chains.

IAI remains determined to continue investing in long-term growth, research and development, and in strengthening its technological and business advantages.

The Purim holiday, which this year was observed against the backdrop of Operation Roaring Lion, reminds us that remembering the past is not enough in itself – it also requires action for the future. The Book of Esther states: "And these days should be remembered and observed in every generation", a phrase that aptly reflects this idea. In light of evolving security threats and changes in the global geopolitical landscape, IAI is already developing responses to tomorrow's threats today, while integrating sustainability as an integral part of ensuring the company's resilience and stability – for the benefit of the State of Israel and future generations.

Sincerely,

Boaz Levy
President and CEO, IAI



Statement of the EVP COO

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The year 2025 was characterized by intensive activity at IAI against the backdrop of the security challenges facing the State of Israel. The company's defense systems and groundbreaking technologies played a significant role in the effort to safeguard national security while fulfilling their operational purpose. During the year, the company operated under emergency conditions and at an accelerated pace in order to supply advanced systems and solutions to Israel's defense establishment. At the same time, the company ensured operational continuity and continued to meet its commitments to customers in Israel and around the world.

I would like to highlight the unwavering commitment and dedication of our employees, who did everything required to sustain the company's operations under highly challenging conditions and constraints.

Managing ESG aspects during this period presented significant challenges. Among other issues, we were required to address complexities in supply chain management and to continue managing human capital during a period of uncertainty and heavy operational demands. Despite these challenges, we continued to advance sustainability across the company and to integrate ESG considerations into management processes and ongoing day-to-day operations, as part of our approach to responsible and sustainable organizational management.

The Vice Presidents' Steering Committee, which I chair, convenes quarterly to review progress in achieving the company's goals and performance indicators in the areas of environmental, social, and corporate governance. In addition, we report quarterly to the Board of Directors' Corporate Governance, Sustainability, Women's Advancement, and Diversity Committee. This governance structure supports continuous monitoring and oversight of progress toward ESG objectives and enables ongoing dialogue with our stakeholders.

In 2025, we continued to advance the company's emissions reduction goals while improving our energy mix. In this context, we are preparing to launch a natural gas generation facility, a step that will also strengthen the company's energy resilience as a critical defense industry facility. At the same time, we launched an efficiency program in waste management aimed at reducing landfill rates.

We expanded our innovation activities and collaborations with startups and academic institutions, and established innovation centers promoting solutions in the fields of renewable energy and fuels. In 2025, the company successfully

completed the certification process for the international CMMC cybersecurity standard, which is required to meet regulatory and customer requirements in international markets.

During 2025, we also continued to develop the company's human capital, meeting our targets for promoting women to management positions and integrating diverse populations into the workforce. In addition, further improvements were recorded in safety and occupational health indicators, and our targets in these areas were reviewed and refined. Volunteer hours and community engagement also increased, all alongside the significant growth in the company's business activity.

The company's activity in the field of passenger-to-freighter aircraft conversions also continues to expand. This year, the company received STC certification from the Israeli Civil Aviation Authority (CAA) and the FAA for conversion of the Boeing 777-300 aircraft – an achievement that positions the company at the global forefront in this field. This activity represents a significant growth engine for the company's civil aviation operations and also contributes to environmental aspects through the conservation of resources, materials, and energy.

These achievements are also reflected in improvements in the company's ESG ratings, including receiving the Platinum Plus rating in the Maala Corporate Responsibility Index (for the sixth consecutive year) and ranking first in the sector of defense companies, alongside continued improvement in the company's CDP rating in the area of greenhouse gas emissions.

The company acted with determination during the Twelve Day War, and Operation Roaring Lion, which took place during the Purim holiday, reminding us all that decisive action in the present is intended to secure the future. In this spirit, we continue to combine technological and business excellence with a commitment to sustainability and to strengthening the resilience of IAI and the Israeli society.

Sincerely,

Menashe Ben Haim
EVP & COO, IAI

- Strategy & Value Creation
- Governance
- Employees & Communities
- Environment
- GRI Content Index



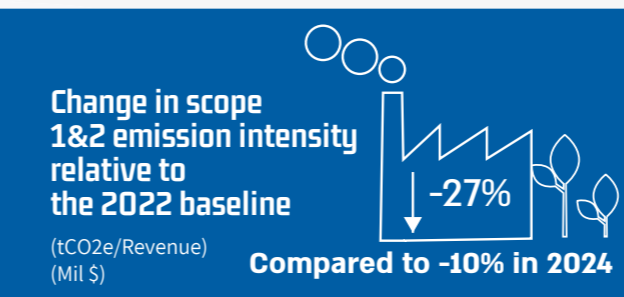
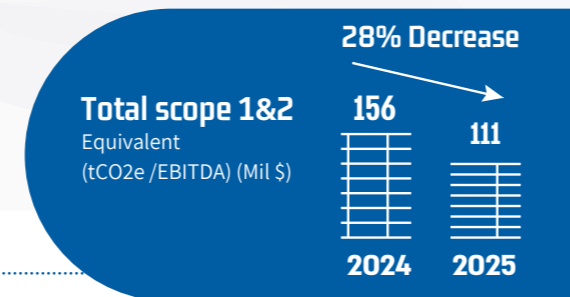
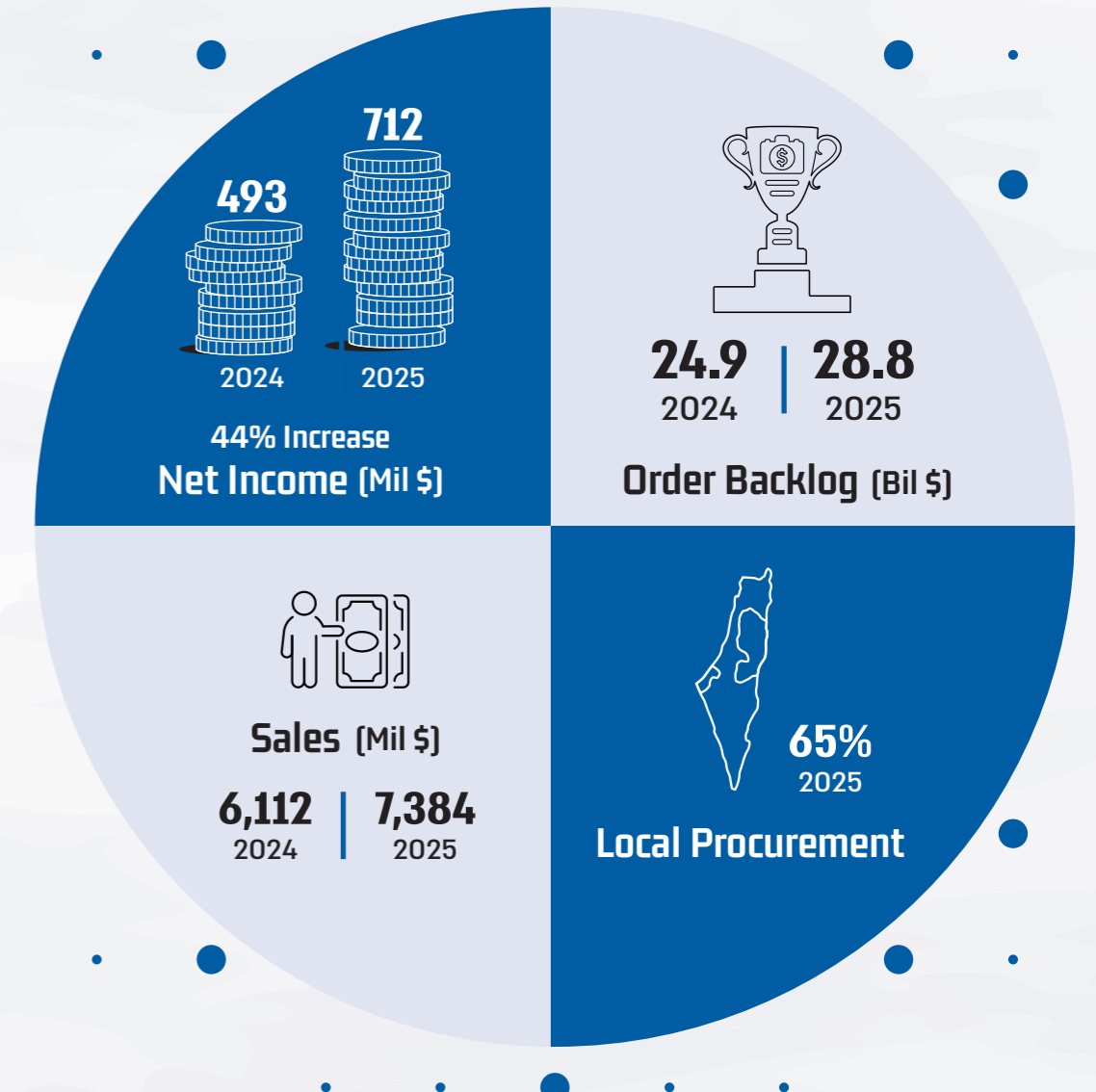
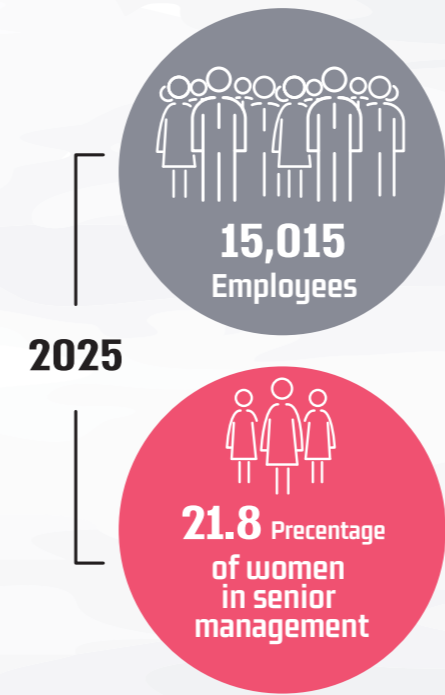
Our business

2-1 | 2-2 | 2-6

Israel Aerospace Industries (IAI) is a global Aerospace and Defense (A&D) company, and the largest R&D company in Israel, delivering state-of-the-art technologies and systems in all domains: sea, air, land, space, and cyber for defense and commercial markets.

The company has been developing and supplying comprehensive solutions and services for customers around the world for over seven decades, allowing them to meet their unique security and commercial objectives. IAI was founded in Lod, Israel in 1966. Prior to its establishment, it operated as a supporting unit in the Ministry of Defense, established in 1953. Its name changed to Israel Aerospace Industries Ltd. in 2007.

IAI's headquarters is located near Ben-Gurion Airport, Lod. Overseeing multiple distributed operational sites across Israel, IAI is the largest employer of engineers in Israel. 24.6% of the company's workforce are women, and 23.2% of its engineers are women. The company sustains over 30,000 households nationwide, across all circles of employment.



Sustainability Management

2-9 | 2-12 | 2-13 | Limited assurance

Sustainability management at IAI is implemented through a cross-organizational approach and is integrated across all divisions, facilities, as well as all research, development, and production processes. The framework is managed within an orderly hierarchical structure that ensures accountability, oversight, and effective implementation.

At the top is the Board of Directors' Corporate Governance, Sustainability, Women's Advancement, and Diversity Committee, which guides the Executive Sustainability Steering Committee of the company's management, chaired by the EVP for Operations, Procurement, and Logistics. Within this framework, the Sustainability and Corporate Responsibility Administration leads the monitoring and coordination of cross-organizational activities in these areas.

The Board committee is responsible, among other duties, for approving the company's sustainability reports. These mechanisms support the development of measurable work plans, establishment of targets and control mechanisms, and the strategic leadership of sustainability issues that are material to the company. The company's sustainability management plan derives from its Sustainability Policy, which reflects the issues material to its operations (see p. 16). This policy defines priorities for senior management, guides the strategic activities of the Sustainability and Corporate Responsibility Administration, and shapes the goals and objectives of all organizational units operating in this field, including Human Capital, Finance, Procurement and Logistics, and the Tnufa Division.

The Sustainability and Corporate Responsibility Administration serves as the integrator of the company's sustainability activities. It is responsible for monitoring the implementation of work plans, compiling progress reports from organizational units, and reporting quarterly to the Senior Sustainability Steering Committee of management and the Corporate Governance, Sustainability, Advancement of Women and Diverse Populations Committee of the Board of Directors.

The program supports the company's long-term business objectives and is reviewed annually by company management and by the Board's Sustainability Committee in order to ensure its completeness, relevance, and effective implementation.

To achieve its goals, and in accordance with the principles of transparency and information accessibility, the program is based on a broad framework of topics and quantitative

indicators that are systematically measured throughout the year. In line with the objectives set in the 2030 Sustainability Strategic Plan, the company continues to advance areas that have matured through internal monitoring and control processes, set ambitious subsequent follow-on targets, and consistently expand the scope of its public reporting.

As of the publication date of this report, additional reporting initiatives and frameworks include: reporting under CDP on climate, participation in the voluntary greenhouse gas emissions reporting framework of the Ministry of Environmental Protection, participation in the Maala ESG ranking of the Tel Aviv Stock Exchange, and support for the United Nations Sustainable Development Goals (SDGs) for 2030.



Our stakeholders

2-29 | Limited assurance

We work proactively to develop trust-based relationships with our internal and external stakeholders, including our employees, customers, business partners, suppliers, contractors, regulatory authorities, civic organizations, and communities in which we operate. We seek engagement with our stakeholders through various processes and approaches. In 2025, we continued to expand existing communication channels and develop new dialogue platforms, while strengthening processes established in previous years. These efforts were designed to deepen collaboration, promote organizational learning, and enable continuous improvement, based on value-driven insights regarding our material topics and performance.

Stakeholders	Internal/ External	Proposed material topics for engagement	Engagement approach
Israel's government (owners)	External	All materials topics (see page 16)	Annual reports; Meetings, Participation of a representative of the Companies Authority as an observer in the Board meetings and its committees
Regulatory Authorities (including environmental and social compliance)	External	All materials topics (see page 16)	Annual reports; Meetings; Joint seminars and workshops; Site visits and audits at the company's facilities; Professional forums.
Employees, employees' families, retirees	Internal	All materials topics (see page 16)	Intranet; Internet; Mobile app #weareIAI; Social media; Forums and gatherings; Company events; Surveys; Round tables
Board of directors and senior management	Internal	All materials topics (see page 16)	Management surveys; Professional training; Steering committees; Surveys; Round tables
Customers	External	Corporate governance ; Ethics and prevention of corruption and bribery; Product and service safety and quality; Innovation and technological leadership; Activities related to climate change; Resource management and environmental efficiency; Supply chain responsibility; Cybersecurity and information security.	Annual reports; Technical exhibitions and conferences; Site visits and audits at Company sites; Surveys; Meetings; Joint seminars and workshops; Social media; External website

Strategic alliances and memberships

2-28 | Limited assurance

Stakeholders	Internal/ External	Proposed material topics for engagement	Engagement approach
Suppliers and contractors	External	Supply chain responsibility; Corporate governance; Ethics and prevention of corruption and bribery; Resource management and environmental efficiency; Occupational health; and safety; cyber defense and information security	External website; Site reviews; Meetings; Joint seminars and workshops; Audits; Supplier training; Surveys
Investors and financial stakeholders	External	All material topics (see page 16)	Annual reports; Meetings; External website
Local Communities	External	Social impact and community engagement; Resource management and environmental efficiency; Climate change related activities	External website; Partnerships; Volunteering and local initiatives; Meetings; Round tables; Surveys; Social media
Local and international partnerships and industry associations	External	Innovation and technological leadership; Resource management and environmental efficiency; Climate change related activities; Social impact and community engagement; Corporate governance Ethics and prevention of corruption and bribery; Cyber defense and information security	Partnerships; Professional and technical forums and committees; Joint seminars and workshops; External website
Civil organizations	External	Social impact and community engagement; Supply chain responsibility; Corporate governance; Ethics and prevention of corruption and bribery; Resource management and environmental efficiency; Climate change related activities; Innovation and technological leadership; Diversity, inclusion and gender equality	Surveys; Meetings; Joint conferences and workshops; Social media; External website; Round tables
Academia	External	Innovation and technological leadership	Partnerships; Technical conferences; Academic specializations and advanced degrees; Joint R&D projects
Future generations	Internal/ External	Innovation and technological leadership; Human capital management; Social impact	National forums for long-term planning; Social impact projects; Partnerships

IAI an active member and partner in various associations, forums, and initiatives, both local and international, which promote collaboration and knowledge sharing around our material topics. These important connections assist us in the formulation and implementation of policy documents and responsible business processes.

During 2025, we continued to strengthen these partnerships as an integral part of the company's sustainability management and business continuity processes.

In Israel

As the largest government-owned employer in Israel, we take part in, and in some cases lead, important efforts to advance both environmental and social projects.

Among our partners are: The Manufacturers Association of Israel (professional and sustainability groups); the Standards Institute of Israel; The Israeli Association of Systems Engineering; The Association of Engineers, Architects and Graduates in Technological Sciences in Israel (AEAI); the joint government and business forum for a competitive low-carbon economy; the forum for corporate responsibility of the Government Companies Authority; the forum for corporate responsibility of the Israel-America Chamber of Commerce; the socio-economic forum of the Israeli directorate of business organizations; the voluntary GHG emissions reporting scheme of Israel's Ministry of Environmental protection, and more.

Maala

Maala is the umbrella organization for companies in Israel, promoting corporate social responsibility in Israel, and established the Maala Index at the Tel Aviv Stock Exchange. In 2025, IAI maintained its "Platinum Plus" rating in the Maala Index, the highest rating awarded within this benchmark, and ranked first in the defense sector.

International Aerospace Environmental Group (IAEG)

An international trade association founded by the world's largest aerospace and defense companies focuses on compliance with future regulatory requirements regarding the environment. The association advances mutual efforts to aid the industry's value chain in becoming more sustainable, reduce potential risks, and to make companies' products more environmentally friendly. As sole Israeli participant in this association since 2013, IAI is involved in various working groups, such as materials reporting in the supply chain, advancement of substitutes, ESG management aspects and, more recently, participation in a group addressing Sustainable Aviation Fuel (SAF).

International Forum on Business Ethical Conduct (IFBEC)

An international forum for companies in the aerospace and defense sector, focusing on the promotion of global principles and standards, as well as sharing best practices on ethical business conduct. IAI joined the forum in 2021.



ESG risk management

2-12

Environmental, social, and governance (ESG) risks and their impacts are included in the company's periodic risk review (see page 45) and tracked regularly by the Senior Management Sustainability Steering Committee and by the Board of Directors' Committee on Corporate Governance, Sustainability, and the Advancement of Women and Diverse Populations. The Sustainability and Corporate Responsibility Directorate carries out ongoing monitoring and evaluation of all of the impacts that derive from the material topics with respect to the company's business activity, and leads processes to improve preparedness among group and division managers with respect to internal and external stakeholders.

Information on all key corporate risks is located in Section 30 of the First chapter (Description of the corporation's business) of the 2025. Periodic report of the Company (in Hebrew), pages 130-140. The table below outlines the main ESG risks that could potentially affect our business activity.

Risk area	Potential impact	Organizational mechanisms for managing and reducing impact
Coping with crises and emergency events	Harm to people and equipment, disruption of business activity, failure to meet objectives and deliveries, loss of opportunities	Risk management (see page 45) and business continuity (see page 34)
Cyber defense and information security	Disruption of business activity, shutdown of systems, loss of information, security breach, information leakage including sensitive commercial and personal information	Cyber defense and information security (see page 46)
ESG-related regulatory developments (local and international)	Infrastructure investment for meeting regulatory requirements, prohibition or limitation on the use of specific raw materials in the company's products	Compliance with laws and regulations on environmental issues (see page 69) and socioeconomic issues (see page 51)
Human capital management in relation to current and evolving labor market trends	Competitiveness in recruiting and maintaining human capital in accordance with the company's needs	Career at IAI (see page 51)
Climate-related risks (transition and physical)	Mid to long-term potential impact on operations and supply chain due to resource price and taxation changes and due to severe weather trends	GHG emissions (see page 75), business continuity (see page 34) and Environmental R&D (see page 76)

Materiality

2-14 | 3-1 | 3-2 | Limited assurance

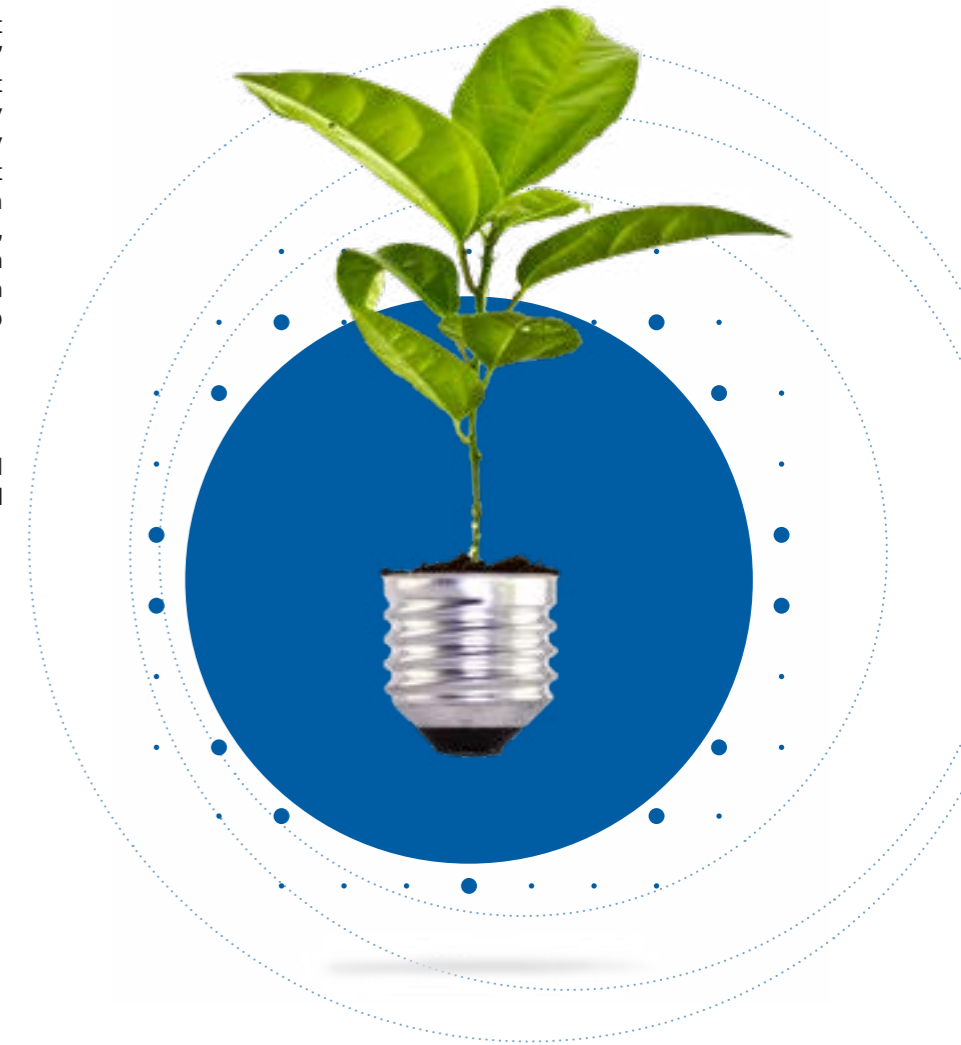
Underlying the 2030 strategic sustainability plan and sustainability policy are Israel Aerospace Industries' material topics, which were found to be important for the company's long-term business growth and reflect the organization's significant economic, environmental and social impacts on stakeholders, including both risks and opportunities.

During 2023, a materiality analysis process was performed using the GRI Standards reporting methodology. The list of material topics also applies to the 2025 activity year.

The topics were approved by the Senior Management Sustainability Steering Committee and the Board of Directors' Corporate Governance, Sustainability, Women's Advancement and Diversity Committee. The process allows for flexibility and future updates, in alignment with evolving regulatory and business developments. The Senior Management Sustainability Committee reviews the company's progress in relation to the objectives of the strategic plan, alongside new, emerging issues requiring impact assessments and decision making. If necessary, a systematic process is undertaken with relevant stakeholders to assess the need to add the issue to its list of material topics.

Look for the MT mark!

This icon stands for "material topic", and is placed throughout this report wherever a strategically managed material topic is discussed.



Materiality



Our Sustainability Roadmap 2030¹

Limited assurance

Sustainability is a significant strategic business driver for IAI. The company continues its commitment to integrate sustainability aspects into its operations, believing that maximizing business value and strengthening environmental and social aspects are intertwined.

During 2025, the company continued to implement the Strategic Sustainability Plan for 2030, while establishing work plans to advance the goals, monitoring and tracking actual performance, and identifying trends throughout the year.

The following are the main actions carried out during the year to achieve the goals:

Goal of reducing greenhouse gas emissions from Scope 1 and Scope 2:

Due to the intensive nature of IAI's activities, ongoing and up-to-date monitoring of energy consumption data is essential for effective operational management. To this end, IAI has developed an advanced internal monitoring system, which displays fuel consumption data from all the company's activities in real time.

This system allows:

- Continuous monitoring of compliance with energy consumption targets.
- Analyzing trends and identifying anomalies in consumption.
- Producing operational insights and accurate management reports.

IAI aims to expand the use of this system and integrate automatic data collection from additional sources.

In 2025, in light of the significant increase in demand and the scale of operations, the intensified activity of development and production processes continued across major production lines.

At the same time, the overall greenhouse gas (GHG) reduction target for Scope 1 and Scope 2 emissions (measured as tons of emissions per million USD in revenue) was revised to a more ambitious level, and the Company successfully met the updated target.

Social Objectives:

The targets have been validated and updated in this report. We continue to demonstrate a steady increase in the representation of women in management positions, surpassing the 20% threshold, driven in part by the initiatives detailed herein. The Company also met its target for the recruitment of women across all roles.

With respect to the recruitment of women in core technological professions, focused and meaningful efforts are underway in alignment with this challenging objective. In the area of diversity, the target was achieved, and we recognize the positive impact of the initiatives led by the Human Capital Division to advance this agenda.

Occupational Health and Safety Objective:

The target was revised to a more ambitious level of 0.6 accidents or fewer per 100 employees per year.

The implementation of a proactive prevention program contributed to the successful achievement of this target.

Key Qualitative Objectives:

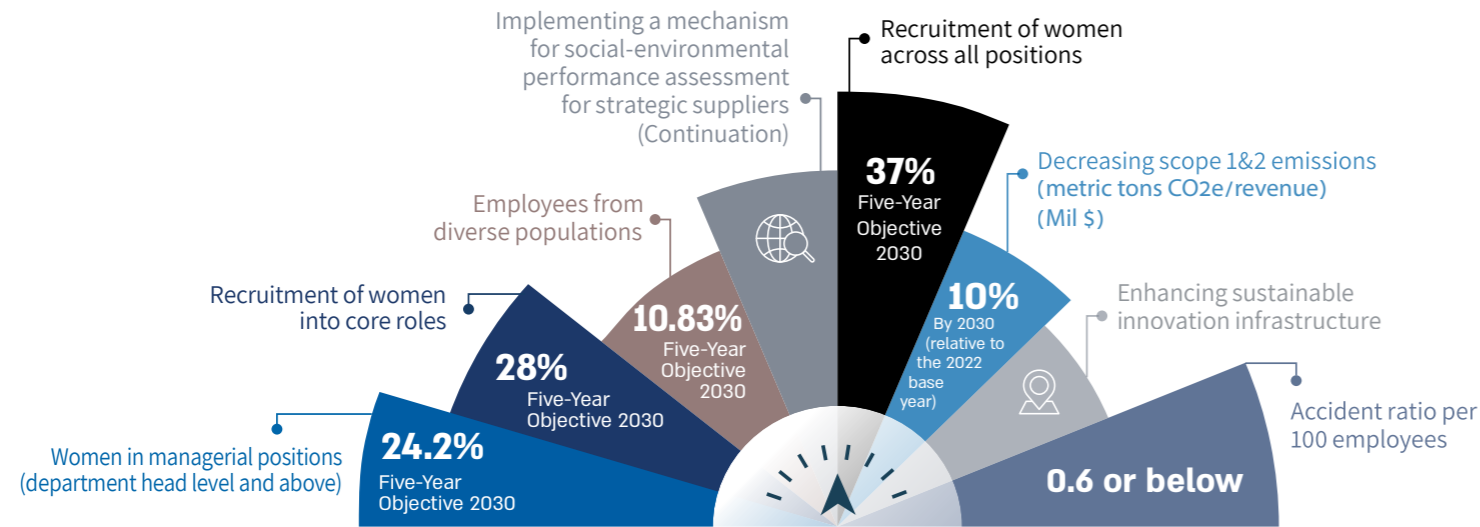
Supply Chain – Continued development and implementation:

Infrastructure is being developed to serve as platforms for evaluating the ESG performance of selected suppliers. In parallel, a potential platform is being assessed to support the collection of supplier declarations in the area of materials management.



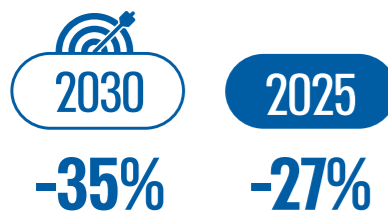
¹ See the 2023 sustainability report for further information for the full materiality analysis process.

Strategic Objectives Under The Oversight of The Sustainability Committee



Environment

Reduction of emissions from Scope 1 and Scope 2 (measured as metric tons of emissions per million USD of revenue)



Supply Chain

Continued development and implementation of an environmental and social assessment mechanism for suppliers

See progress on pages 17 and 32



Innovation

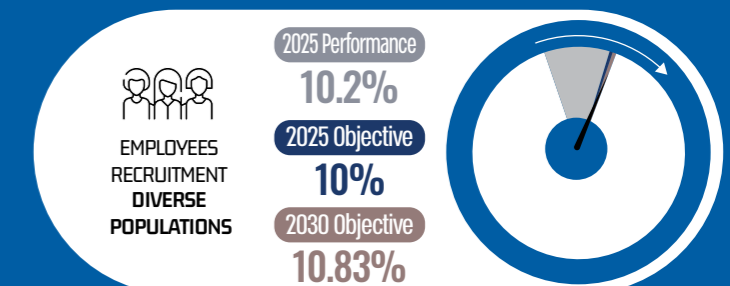
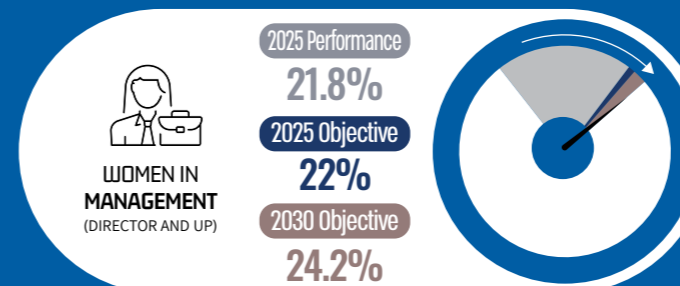
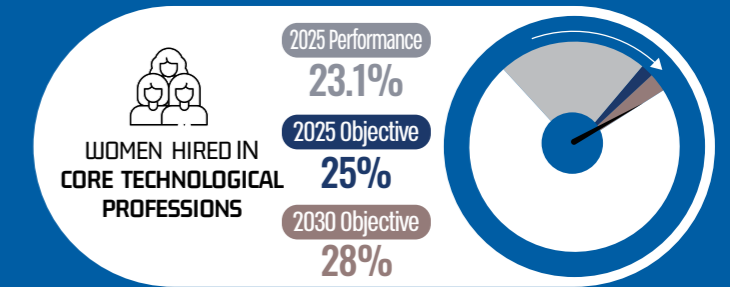
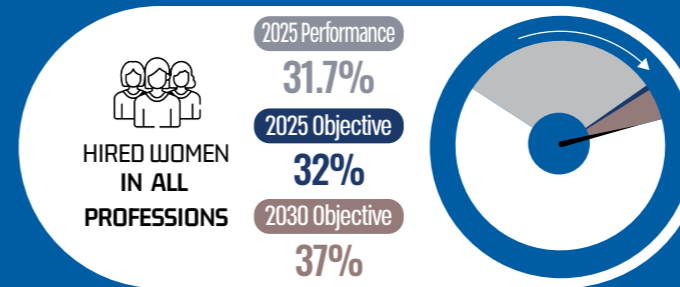
Expansion of sustainable innovation infrastructure within the company

See progress on pages 17 and 26

Look for the SP mark

This designation represents activities implemented under the Company's strategic sustainability plan, in addition to the targets monitored by the Board of Directors



The Company





Our alignment with the UN Sustainable Development Goals (SDGs) 2030

In 2015, the United Nations General Assembly launched 17 Sustainable Development Goals (SDGs) intending to make sustainability a uniting global agenda for 2030. Six SDGs were identified as most relevant materials to our business.

Our contribution to each is measured and reported annually. Under each of the six goals, we note the specific targets that the Company's activity relates to.

UN SDGs	UN Targets	Our alignment and contribution
 <p>SDG4: Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all.</p>	<p>Target 4.3: By 2030, ensure equal access for all women and men to affordable technical, vocational and tertiary education, including university.</p> <p>Target 4.4: By 2030, substantially increase the number of youth and adults who have relevant skills, including technical and vocational skills, for employment, decent jobs and internships.</p>	<p>Our social impact strategy focuses on developing future technological human capital in the fields of aviation and space, with an emphasis on promoting gender equality. This strategy is implemented, among other things, in joint activities with NGOs for technological education and cooperation with the Socio-economic forum to advance diversity and gender equality. In addition, IAI operates a vocational school, part of the ORT network, which combines conventional studies with a weekly hands-on work placement program. The school's curriculum is based on three areas of expertise: Aircraft Mechanics, Electrical and Electronic Systems and Unmanned Aircraft.</p>
 <p>SDG5: Achieve gender equality and empower all women and girls.</p>	<p>Target 5.1: End all forms of discrimination against all women and girls everywhere.</p> <p>Target 5.5: Ensure women's full and effective participation and equal opportunities for leadership at all levels of decision-making in political, economic and public life.</p>	<p>IAI promotes a diverse and inclusive work environment and equal opportunity employment. Our gender equality plan was built in order to increase the percentage of our women employees in both core and general professions. 'Future Women CEOs' School' program encourages women to apply for management positions. In addition, our social impact programs such as "Women Engineers of tomorrow" aim at empowering girls and young women to pursue 'Future Women CEOs' School'.</p>

UN SDGs	UN Targets	Our alignment and contribution
 <p>SDG8: Promote sustained, inclusive and sustainable economic growth.</p>	<p>Target 8.1: Sustain per capita economic growth in accordance with national circumstances.</p> <p>Target 8.2: Achieve higher levels of economic productivity through diversification, technological upgrading and innovation, including through a focus on value-added sectors and incentives for employment.</p> <p>Target 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.</p> <p>Target 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.</p> <p>Target 8.8: Protect labour rights and promote safe and secure working environments for all workers, including migrant workers, in particular women migrants, and those in hazardous jobs.</p>	<p>IAI's employees are the heart of our business, going above and beyond to create value through demonstrable innovative achievements and products. Being one of the largest employers in Israel, we strive to provide secure and long-term job opportunities, while ensuring a safe, ethical and empowering working environment. We invest in employees' professional development and foster diversity and inclusiveness. In addition, the company invests in environmental management systems and infrastructure that promote business growth with an environmental perspective, such as a circular economy.</p>
 <p>Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation.</p>	<p>Target 9.4: By 2030, upgrade infrastructure and improve 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 participating in accordance with their respective capabilities.</p> <p>Target 9.5: Enhance scientific research, upgrade the technological capabilities of industrial sectors in all countries, in particular developing countries, including, by 2030, innovative R&D and substantially increasing the number of research and development workers per 1 million people and public and private research and development spending.</p>	<p>IAI regularly maintains and upgrades its assets and infrastructures, and ensures all our operational sites work in accordance with the highest standards of quality, environmental management, safety management and information security. IAI is also dominant in patents applications and registry, and offers innovative solutions in all arenas: space, air, sea, land and cyber.</p>

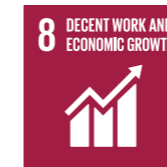
UN SDGs	UN Targets	Our alignment and contribution
 <p>SDG12: Ensure sustainable consumption and production patterns.</p>	<p>Target 12.2: By 2030, achieve the sustainable management and efficient use of natural resources.</p> <p>Target 12.5: By 2030, substantially reduce waste generation through prevention, reduction, recycling and reuse.</p> <p>Target 12.6: Encourage companies, especially large and transnational companies, to adopt sustainable practices and to integrate sustainability information into their reporting cycle.</p> <p>Target 12.8: By 2030, ensure that people everywhere have the relevant information and awareness for sustainable development and lifestyles in harmony with nature.</p>	<p>IAI continually invests in minimizing the environmental footprint of its production lines, and in environmental R&D (Clean sky, Green labeling). We look to expand the implementation of "Design for sustainability" principles in our processes as part of our 2019-2023 strategic sustainability roadmap, and increase real-time accessibility to our sustainability performance data, for continual improvement of our operational decision-making.</p>
 <p>SDG13: Take urgent action to combat climate change and its impacts.</p>	<p>Target 13.1: Strengthen resilience and adaptive capacity to climate-related hazards and natural disasters in all countries.</p>	<p>IAI acknowledges the importance of action on climate change and its global effect. We manage a cross-organizational carbon control program, focusing on the reduction of CO2 and other air emissions, expanding tracking and reporting capabilities (CDP climate, the voluntary GHG reporting scheme of the Israeli ministry of environmental protection) and actively participating in important industry collaborations (such as IAEG). IAI is also advancing new products that have joint added value, such as building a concept for a forest fire extinguishing solution.</p>

Business development and performance

2-1 | 2-6 | Limited assurance | SP

Financial performance

UN SDG targets: 8.1 | 8.2



IAI is a "wholly-owned Governmental Company", with Israel's government holding 100% of its shares, as stipulated in the Israeli Governmental Companies Law - 1975. The company's debentures were issued and listed for trade on the Tel-Aviv Stock Exchange effective May 2007, whereas the company's shares are not listed for trade. The company's Board of Directors oversees the execution of its policy by the Senior Management - IAI Chief Executive Officer and Vice Presidents.

The company's financial statements have been prepared in conformity with IFRS, and fully comply with the Israeli Securities Regulations and the Israeli Government Companies Law - 1975. On December 31, 2025, IAI held a backlog of orders amounting to approximately 28.8 billion US Dollars, representing 3.8 years of activity. The Company's equity totaled 2,394 million US Dollars, and its total obligations amounted to 9,620 million US Dollars.

In 2025, IAI ranked 31st out of 100 companies in the international Aerospace and Defense sector ranking published by Defense News.

Business development

The goal of IAI's Business Development to support the company's entry into new markets, identifying and developing new business opportunities, while creating value and leveraging synergy with the company's activities.

In addition, the organization is responsible for the external growth strategy that maximizes IAI's sustained competitiveness and its position as a dominant leader in its core and other areas. The major instruments used in business development are: Mergers and Acquisitions; establishing Joint Ventures; creating additional value through business synergy; acquiring required technologies for continual development and new business plans; offering business support for innovative programs; converting military technologies to civilian applications.

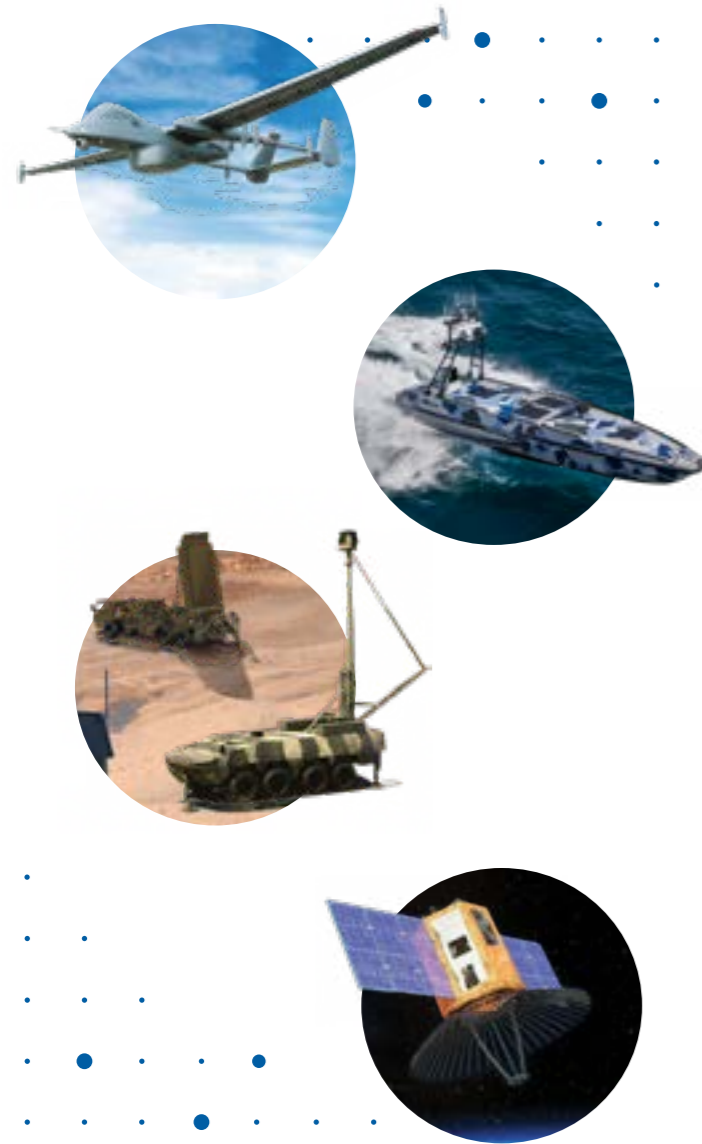
Sustainability aspects in business development

In-depth due diligence is done as a part of Mergers and Acquisitions and business investments processes, involving a wide spectrum of business and legal aspects. Sustainability aspects are reviewed in these processes to ensure that the risk assessments of potential transactions are up-to-date and complete.



Products and services

2-6



Defense¹

Air

In the field of aviation, IAI specializes in conversion of aircraft for special missions, development and production of unmanned aerial systems, precision strike and weapons systems, missile defense systems, upgrades for fixed-wing aircraft and helicopters, and advanced solutions for C4I, ISTAR, and navigation systems.

Naval

With decades of expertise in the maritime domain, IAI develops integrated naval systems, including both manned and unmanned attack and defense systems, as well as air and missile defense capabilities. In addition, we provide maritime patrol and surveillance systems through dedicated mission aircraft and our fleet of unmanned aerial systems.

Land

The company holds a leading global position in ground combat systems thanks to a wide range of innovative solutions – from multi-mission, multi-sensor payloads and highly mobile special forces vehicles to advanced precision weapon systems, air defense and force protection systems, and robotic and autonomous solutions for land operations. The company's portfolio includes tailored solutions that deliver the decisive advantage required to achieve battlefield superiority. These solutions also provide effective capabilities for border security and the protection of critical infrastructure, as well as counterterrorism operations.

From advanced command, control, and communications centers, through targeting and navigation systems, to combat support systems that include guided missiles and robotic platforms – Israel Aerospace Industries provides a broad range of innovative solutions for land warfare on the modern battlefield.

 1. Link to defense products and services <https://www.iai.co.il/solution/aerospace-defence-solutions/>



Space

Israel Aerospace Industries, the home of Israel's space industry, serves as a one-stop shop for comprehensive solutions relating to small- and medium-class cost-efficient satellites.

IAI has more than 40 years of experience in space technologies and possesses proven in-house capabilities to manage the full life cycle of a space project – from mission definition and requirements, through design, manufacturing, integration, and testing, to launch and in-orbit deployment.

IAI focuses on space systems for national security, science and research, and commercial applications, including:

- Observation satellites carrying various payloads (EO and SAR)
- Science and research satellites, including lunar spacecraft and nanosatellites
- Communications satellites
- Space platforms
- Ground control stations, including on-demand services
- Mission centers and applications
- A full range of space subsystems

As a product-focused company, IAI achieves very high-performance levels while fully meeting the needs of today's customers. Israel Aerospace Industries applies its extensive experience in space technologies alongside an innovative approach to the field. Dozens of satellites manufactured by IAI have already been successfully launched and continue to operate effectively in space, serving numerous users in Israel and around the world.

IAI also offers the Shavit launch vehicle, enabling the launch of medium-size satellites into low Earth orbit (LEO).

Israel Aerospace Industries works closely with its customers to provide effective solutions tailored to their unique needs and budget constraints.

Commercial

Aviation²

IAI's Aerospace Division is involved in all aspects of the aviation industry, from design and development, through engineering and manufacturing of aerostructures and complete aircraft, to testing and certification. IAI's Aircraft Manufacturing Center is responsible for the design, manufacturing and integration of mid-sized executive aircraft. IAI manufactures these aircraft from scratch, starting with the processing of raw materials into aerostructures and aircraft parts – fuselage, tail and landing gear.

At the same time, IAI provides a wide range of advanced aerostructures for various advanced platforms. Our production lines produce composite assemblies, metal composites and metal processing for the world's leading aerospace products. In addition, the Aviation Division provides comprehensive, high-quality maintenance services for aircraft, engines and components, under one roof. These services include heavy maintenance, modifications and improvements, upgrades of civil and military aircraft, as well as the world's leading service, with over 45 years of experience, for converting passenger aircraft to cargo aircraft.

National Security

National Security³

With a broad range of tailored operational solutions, IAI enables rapid and precise detection, localization, and neutralization of threats to the public, 24 hours a day, including under harsh weather conditions and limited visibility.

 2. Link to Commercial products and services <https://www.iai.co.il/solution/aviation-solutions/>

 3. Link to HLS products and services <https://www.iai.co.il/solution/hls>

Innovation and technological leadership

3-3 | MT



UN SDG targets: 9.5

Technological innovation is at the foundation of IAI's culture, promoting our success. IAI's CTO's team and the division's business units guide these efforts toward supporting the forefront of the company's strategy. As a company guided by principles of progress and creativity, we support and lead a set of initiatives and activities that promote and encourage innovation, both internally and externally, creating significant innovation driven value for IAI and our partners. IAI is equipped with the most advanced research and development tools, materials laboratories, multiple wind tunnels, ground test facilities, and flight test facilities. These strong capabilities enable significant progress from low Technology Readiness Levels (Low TRLs) to high TRLs. We implement Innovation using two complementary approaches - organic innovation and open innovation.

Organic Innovation

IAI has an active and vibrant entrepreneur innovation community that contains innovation leaders, active entrepreneurs, and alumni. The program is open to all IAI employees, who are invited to contribute and develop their ideas using an innovation system and grow them into Minimum Viable Product (MVP) at our Innovation Center. Ideas uploaded to the system are reviewed by the division innovation team with the guidance of divisional content and business experts. The innovation committee then proceeds to secure budgets for relevant ideas and add them to the company's product lines.

Open Innovation

IAI is a significant player in the global innovation ecosystem. The company's business divisions are extensively engaged with startups, and we continue to support, develop, and nurture the local and international industry, to maintain our position as a leading technology-based solutions provider. For this purpose, our divisional engineers cooperate with various partners in the ecosystem (startups, defense entities, and academia), to grow products to MVP maturity, and later, to form

joint projects. The cooperation also manifests in partnerships with investment funds in relevant fields to provide startups cooperating with us added value.

IAI's Innovation Center

The Innovation Center is at the core of IAI's overall innovation strategy, which seeks to foster both organic and open innovation, while training and grooming innovation champions. The center was established in 2019 at the heart of Israel's startup ecosystem. Since 2022, it has been in Tel Aviv. The center functions as an accelerator to promote new initiatives based on advanced technology. We use open innovation methodologies to encourage technological diversity and internal entrepreneurship, while also cooperating with potential partners. In 2025 employees from all company divisions took part in the innovation process, after submitting preliminary development proposals. The center runs several programs:

The Innosphere, a 13-week accelerator program, is open to all IAI employees. The program may operate with startups or with the defense establishment partners to shorten development timelines (TTM) and achieve MVP. The program includes workshops and guidance by technological and business experts, both local and international. Upon completing the program, teams return to their divisions for further development and integration of the project in future projects, while upholding the values of excellence and innovation in the organization.

An international technological scouting program, designed to discover evolving and disruptive technologies led by startups and academia and to form partnerships for developing innovative projects while maintaining the company's technological edge over all divisions.

ASTRA space program, in partnership with the STARBURST global aviation and space accelerator. In the program, the company calls aerospace and defense startups to cooperate with it, with IAI serving as a beta site.

Partnerships to establish innovation centers in Israel's periphery, with the aim to encourage seeding and growth of startups and promote high-tech in these regions. These centers will operate in fields that interface with IAI activities such as robotics, space, AI, renewable energy, advanced industry and biotechnology.

Global partnerships – establishing an accelerator in the United States (Washington), India and excellence centers in Bako.

International and domestic research cooperation – the Technion, Tel Aviv University, Ariel University, MIT, and CMU – joint emerging technologies studies.

Strategic partner in the Climate Launch Pad program – an international acceleration program for energy and sustainability topics.

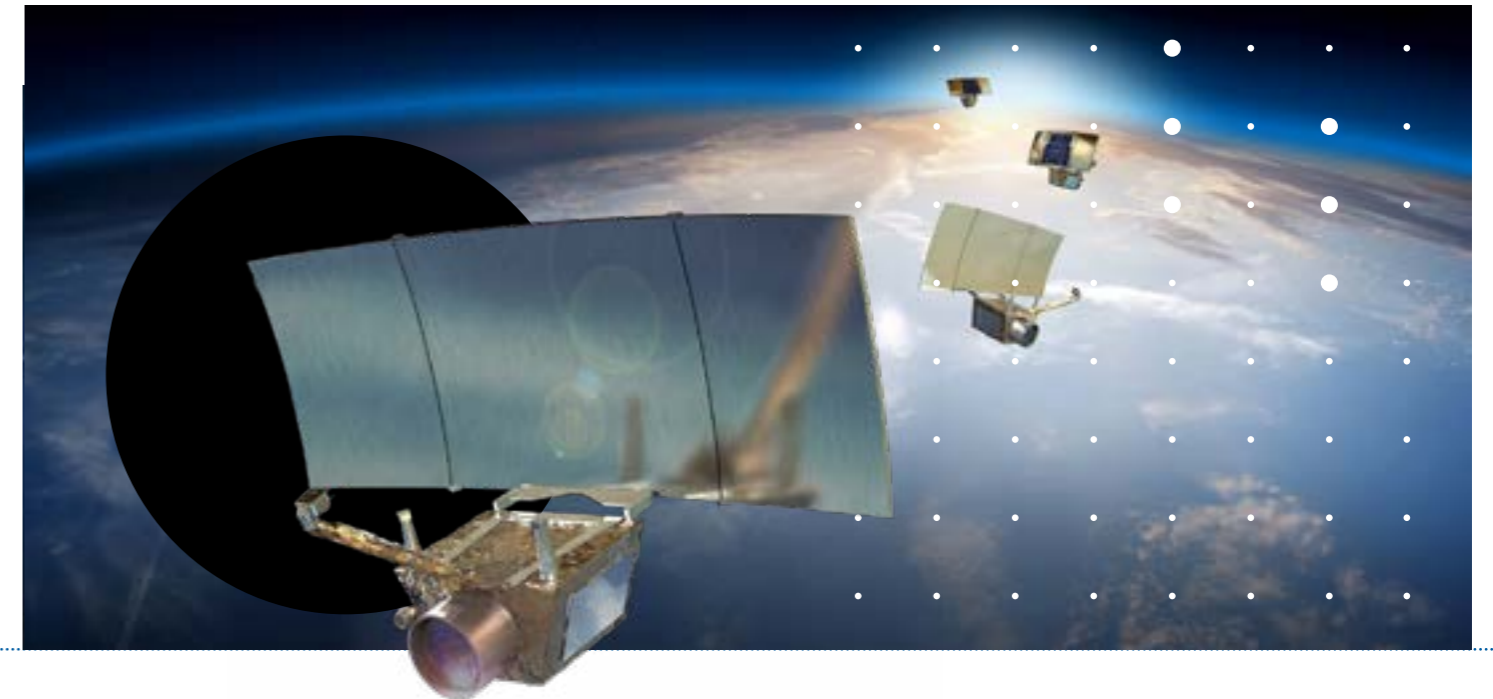
Strategic partner in a program of the Innovation Authority Military Veterans and Reservists, focused on training and promoting entrepreneurship in high-tech and startup ventures across various fields, including the INNOVET and DAROM tracks, as well as partnership in a program aimed at advancing women CEOs in high-tech companies.

Strategic partnerships in social hackathons and support for the ecosystem promoting alternative energy solutions, environmentally friendly technologies, and sustainable innovation.

Strategic partner in social hackathons and supporting an ecosystem promoting alternative energy, jet fuel, environmentally friendly materials and more.

Leading a cluster of the Innovation Authority for SAF – sustainable aviation fuel.

As of the publication date of this report, covering 5 years of activity, 16 cycles were conducted, 87 innovative initiatives have reached the MVP stage, and 26 patent applications have been filed. Additionally, we work with academia to promote engineering excellence, through student scholarships, excellence programs, and a master's degree in system engineering at the Technion for IAI employees. We also collaborate on applied research projects with various academic institutes in Israel as well as researchers in the fields of jet fuel and materials support.



Corporate Knowledge Management

The qualitative advantage of technology companies is rooted in the unique knowledge developed within them, particularly the accumulated expertise of specialists engaged in the development, design, maintenance, and production of complex products. The Company develops products, some of which are unprecedented or have no equivalent worldwide. Therefore, the ability to preserve, leverage, and make this knowledge accessible is a key condition for maintaining its competitive advantage.

The Company holds a broad and significant body of intellectual capital based on extensive and complex engineering, technological, and commercial knowledge. This knowledge is managed in a cross-organizational and strategic manner through the Corporate Knowledge Management function.

In recent years, the Company has been facing generational turnover, the retirement of experts, emergency situations, and widespread employee absences, alongside accelerated technological change that requires shorter timelines, adaptability, and rapid decision-making based on accumulated experience and lessons learned from the past. To address these challenges, the Company operates a cross-organizational Knowledge Management network that includes representatives from headquarters and all divisions. Within this framework, more than 200 Knowledge Leaders – who have undergone dedicated training – are active across the organization. Over the past year, divisional Knowledge Managers have also been integrated, operating in coordination with the Corporate Knowledge Manager. This framework is based on a strategic knowledge management approach and is currently undergoing growth and development to address the scope of the Company's challenges.

The function focuses on making professional knowledge accessible, sharing knowledge across divisions through knowledge communities, developing new knowledge through connections between experts, and preserving knowledge by establishing professional knowledge repositories, extracting expertise from specialists, and embedding it within work processes and organizational learning. In addition, ongoing activities are conducted to capture knowledge both in proximity to operational activity and retrospectively, alongside training managers to integrate knowledge preservation and transfer processes into routine work practices.

From a technological perspective, the Knowledge Management function works to make knowledge accessible, share it in accordance with security restrictions, and integrate it with generative AI tools. In this way, the Company ensures that knowledge – an essential strategic asset – continues to serve as a driver of innovation, professional continuity, human capital development, and organizational resilience.

Patents

Limited assurance

Patents are considered an important asset and an indicator of innovation. A company's Research and Development process is risky and expensive, thus requiring a realization of the full economic value of the inventions. By defending our ideas, we ensure freedom of action for using technologies developed by our people, encourage further innovation, and support the continual advancement and expansion of our knowledge base and intellectual property.

IAI manages a strategic application process and registry of patents, both locally and globally. A cross-organizational company lays out the steps for executing an effective invention and patent application. In addition, a rewards system is in place for compensating employees based on successful inventions that have been accepted by the patent registry.



Safety and quality of products and services

3-3 | 403-7 | 417-1 | MT

Customer Service

The pursuit of continuous improvement is at the core of Israel Aerospace Industries' (IAI) business model. In 2025, the Customer Service Division strategy was approved in alignment with IAI's corporate strategy, and overarching targets for 2030 were defined to support the expansion of customer service business activities. The main points of the strategy are a shift from Customer Service to Customer Care to ensure a comprehensive response to the company's customers, a focus on selling services to maximize the value proposition to customers, providing service in the customer's country, and digital transformation to improve service, transparency, and availability.

The process is led by the EVP COO, and the Head of the Customer Service Administration. The process is in line with the requirements of the AS9100D standard - Quality Management Systems - Requirements for Aviation, Space, and Defense Organizations, the updated version of the standard for which all IAI production plants are currently certified.

Furthermore, IAI sees customer service as one of its most important focus areas for the coming years.

In 2025, we continued implementing a Customer Relationship Management (CRM) system, which is part of our approach to better communication with our customers, development of post-delivery support, and high customer satisfaction for all our products and services. In addition, we continued to develop our relationships with our customers, including utilizing solutions in the customers' countries.





Security of Third Party Information

IAI protects the confidential and sensitive information received from its customers and other third parties, including technological, commercial and personal information.

These obligations are anchored, inter alia, by information security infrastructures, our Code of Ethics and employee training.

Quality Management at IAI

IAI perceives the quality, safety, and reliability of its products as leading values, serving as the basis of our customer satisfaction and leveraging our growth. Managers and employees alike are committed to a culture of business excellence, which allows us to deliver high-quality products and services, adhering to our customers' requirements and expectations, while complying with all laws, regulations, and applicable standards.

We drive continual improvement through:

- Operating a Quality Management System to ensure consistent and continual compliance.
- Focusing on customer satisfaction.
- Setting measurable quality objectives and targets throughout the company groups and divisions.
- Training and developing our managers and employees and cultivating their personal and business skills.
- Encouraging processes for incident reporting, investigation, and cross-organizational learning.
- Integrating our suppliers as partners to meet our quality goals.
- Investing in the implementation of advanced tools and methods that contribute to our products' level of quality, safety, and reliability.

Joining in mutual efforts as members of professional societies and associations that lead the industry to quality improvements.

As a part of this commitment, all IAI's engineering, manufacturing and supply chain activities in our groups and divisions own a valid AS9100 certification issued by the Standard Institute of Israel (SII). All IAI's support divisions at the headquarters hold an ISO 9001 certification.

IAI is an active member of the International Aerospace Quality Group (IAQG) and the global Nadcap program. As part of this involvement, company representatives participate in

standardization committees and global industry forums addressing quality in aerospace manufacturing and special processes.

IAI's aviation group also holds certifications from regulatory bodies such as the European Union Aviation Safety Agency (EASA), the US Federal Aviation Administration (FAA) and the Israeli Civil Aviation Authority (CAAI).

Avoidance of counterfeit parts

IAI has set rigorous processes and measures to detect and prevent counterfeit parts from entering into our production and products. All suppliers are required to demonstrate counterfeit avoidance procedures and comply with IAI's processes by contract. Parts are also being regularly validated and recorded for authenticity conformance upon supply.

Environmental Management system ISO 14001:2015

All IAI's divisions hold a valid ISO 14001:2015 certification issued by the Standards Institution of Israel (SII). For more details, please refer to the environmental management section in this report (see page 69).

Safety Management system ISO 45001:2018

All IAI's divisions hold a valid ISO 45001:2018 certification issued by the Standards institution of Israel (SII). This completes the transition done as part of IAI's strategic sustainability roadmap. For more details, please refer to the safety management section in this report (see pages 54).

Responsible supply chain¹



2-6 | 3-3 | SP | MT

The Aerospace and Defense (A&D) industry operates within a highly complex and dynamic supplier network, requiring effective management of costs, quality, and delivery timelines. The continuous flow of materials and data throughout the value chain creates significant opportunities to embed sustainable practices. Within this ecosystem, Original Equipment Manufacturers (OEMs) play a pivotal role in setting expectations and guiding suppliers and subcontractors toward responsible business conduct, economic resilience, and environmental excellence.

IAI holds a unique position within the A&D supply chain, serving as an OEM for certain products while operating as a supplier for other manufacturers. Regardless of its position in a specific supply chain, IAI is committed to raising standards and promoting responsible practices across all entities engaged in business with the company.

Suppliers' Certification Process

As an OEM, IAI engages exclusively with suppliers that are formally certified by the company. Certified suppliers are required to maintain valid and up-to-date licenses, permits, authorizations, and relevant standard certifications applicable to their scope of activity. In addition, IAI conducts due diligence regarding suppliers' financial stability prior to engagement and continues to monitor their financial performance throughout the duration of the business relationship.

The supplier certification process, alongside ongoing quality assurance procedures, is supported by IAI's Quality Assurance Organization. These measures include, inter alia:

- A structured supplier quality assurance management system designed to ensure that supplied products meet IAI's technical and quality requirements, including the implementation and follow-up of corrective actions where necessary. IAI's objective is to promote alignment, whereby its suppliers uphold standards comparable to those IAI commits to as a supplier to other OEMs.
- An online supplier portal (IAI SupplierNET), which centralizes relevant data, requirements, and documentation for suppliers conducting business with IAI. Through this platform, suppliers are required to report the use of subcontractors and Tier 2 suppliers, thereby enhancing transparency and oversight across the supply chain.

- Ongoing engagement with the Israeli supply base to ensure timely communication of requirement updates, delivery schedules, accounting procedures, and billing processes, including through digital platforms and electronic information channels.

Sustainable Practices in the Supply Chain

IAI's Supply Chain Division manages structured processes



and governance mechanisms designed to ensure that sustainability considerations are systematically integrated into decision-making.

In 2025, the Supply Chain Division continued to advance operational excellence, strengthen agility, and enhance cooperation

and transparency between headquarters and business divisions. Key initiatives included:

- Deployment of dashboards to enhance transparency and standardize the measurement and monitoring of procurement performance indicators and logistics performance indicators.
- Professional development of procurement employees through e-learning modules and training programs addressing the Code of Ethics and logistics performance indicators.
- Implementation of a centralized Supplier Relationship Management (SRM) "one-stop-shop" portal to streamline supplier management processes.
- Utilization of a central logistics center aligned with the company's Industry 4.0 approach, reducing storage space and excess inventory while enabling traceability and automation of manual processes.
- Initiation of a transition process from air freight to sea freight for international transportation, supporting cost efficiency and environmental considerations.
- Strategic support for local ("Blue and White") suppliers, small businesses, and suppliers located in Israel's

peripheral regions, aimed at strengthening their capabilities and increasing their participation in the global aerospace and defense industry.

- Definition of annual targets for cost savings, inventory value management, inventory reduction, and distribution of raw materials, services, and resource procurement through a centralized database system, including controls to prevent unnecessary purchases.
- Active participation in the ESG engagement workgroup of the International Aerospace Environmental Group (IAEG), focused on advancing supplier reporting on environmental, social, and governance matters (see page 13).
- Integration of human rights protections in line with the company's Human Rights Statement (currently under approval), promoting long-term, respectful, and fair relationships with suppliers.

IAI continues to expand and enhance sustainable supply chain processes as part of its strategic sustainability roadmap.

Local Procurement

Direct and indirect economic effect on Israel

203-2 | 204-1 | Limited assurance

UN SDG Targets: 8.1 | 8.2



As a government-owned company, IAI contributes to the development and resilience of Israel's economy, with particular emphasis on local procurement ("Blue and White"). The company prioritizes engagement with Israeli suppliers, thereby supporting domestic industry, employment, and technological capabilities.

Suppliers overseas are engaged primarily based on economic considerations, specific expertise requirements, customer-driven requests, or in accordance with reciprocal trade (offset) obligations.

In 2025, total procurement from local sources was 65%.



Business continuity

LIMITED ASSURANCE | SP

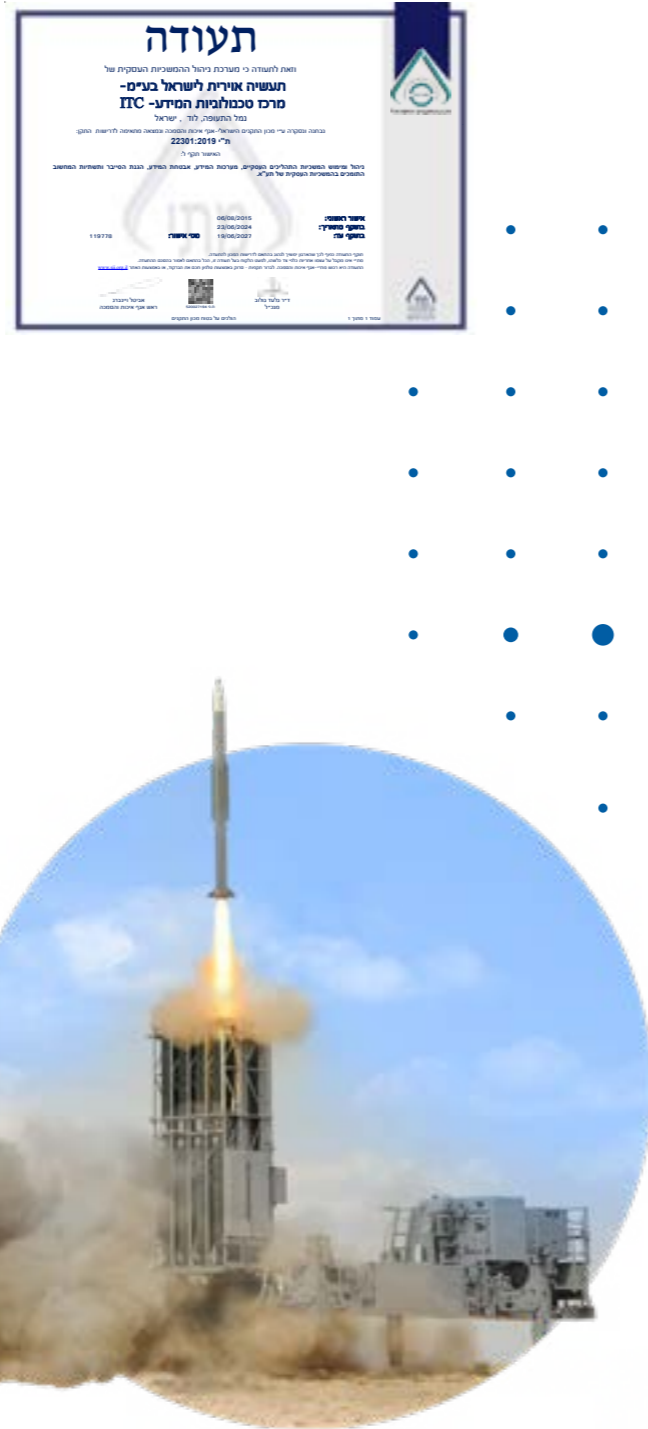
IAI serves national security needs and constitutes a vital enterprise providing services essential for existence, as confirmed by the Minister of Labor. To ensure national continuity and resilience, the company is committed, in coordination with the relevant authorities, to carrying out all actions and allocating the resources necessary to take part in the State of Israel's emergency preparedness plans.

IAI has adopted clear procedures, mechanisms and work instructions to ensure continuous operations in the event of potential, unexpected, and severe incidents, (major fires, earthquakes, state of war, terrorist and cyber-attacks, etc.).

IAI has effective response procedures against incidents, ability to deploy skilled emergency response teams and employ restoration strategies and crisis management methodologies whenever needed. In doing so, IAI ensures the survival and continued functioning of its key, critical processes as a vital enterprise.

During the "Swords of Iron War" and operation "Rising Lion", IAI successfully implemented and employed business continuity methodology, providing security agencies with essential logistical continuity and operational support during wartime.

As a learning organization, we keep improving the company's business continuity plans, including sustainability aspects as part of our sustainability strategy plan. See page 75 for a review of climate-related risks.



The image contains a certificate of recognition from the Ministry of Labor, a grid of 15 blue dots, and a circular image of a missile launch.

Performance Scorecards

201-1 | 201-4 | 204-1 | Limited assurance

Indicator	2023	2024	2025
Sales (Million \$)	5,327	6,112	7,384
Tax income (Million \$)	0	0	0
Total economic value produced (income) (Million \$)	5,327	6,112	7,384
Operating costs (including salaries and benefits) (Million \$)	4,951	5,614	6,633
Finance expenses (Million \$)	(29)	(129)	(172)
Tax expenses (Million \$)	93	134	204
Dividends (Million \$)	0	0	447
Total economic value distributed (Million \$)	5,015	5,619	7,112
Total economic value gained ¹ (Million \$)	312	493	272
Net income (Million \$)	318	493	712
EBITDA (Million \$)	664	792	1,082
Government support: R&D grants (Million \$)	5	8	7
% Revenues by operating segments: Systems, Missiles and Space	41.2	43.4	47.1
% Revenues by operating segments: Military Aircraft	11.3	10.5	9.1
% Revenues by operating segments: Elta ³	23.6	24.2	24.3
% Revenues by operating segments: Aviation	23.9	21.8	19.5
% Revenues by operating segments: Other	0	0	0
Spend on local procurement (Bn\$)	2.96	4.4	4.7
% local procurement (of total procurement)	69	72	65
Number of patents granted ²	46	28	27
Number of patents applications ²	33	41	38

¹ Calculated as the total value produced less total value distributed.

² The data represents the number of patents submitted to the Israeli Patents registry, and the number of patents granted by the Israeli Patents Registry, on a specific year subject to the data collection timing.

³ See Note 33 in the Periodic Report, Chapter C.



Strategy & Value Creation

Governance

Employees & Communities

Environment

GRI Content Index

GOVERNANCE

Corporate governance, ethics and corruption prevention

2-9 | 3-3 | Limited assurance | MT

IAI's Corporate Governance Structure

Israel Aerospace Industries Ltd. ("IAI") is a private company wholly owned by the State of Israel and is therefore defined as a Government Company under the Government Companies Law, 1975 (the "Government Companies Law"). In 2007, IAI completed its first public debt offering and became a reporting corporation.

As a Government Company, IAI is subject to the provisions of the Government Companies Law, which set forth corporate governance requirements, including, inter alia, provisions regarding the composition and functioning of the Board of Directors, the Board's authorities, directors' qualifications and appointment procedures, directors' compensation, and controls ensuring the accuracy of financial statements and the Directors' Report.

Additional corporate governance requirements are set forth in the Companies Law, 1999 (the "Companies Law"), which applies to IAI subject to the provisions of the Government Companies Law. The Company's Articles of Association are included in a prospectus published on December 29, 2011 (Document No. 2011-01-379344). As a reporting corporation, IAI is also subject to the provisions of the Securities Law, 1968 (the "Securities Law").

Where a provision of the Company's Articles of Association conflicts with a mandatory legal provision, the applicable law shall prevail.

IAI applies robust corporate governance principles consistent with its status as a global company operating in the defense and international aviation sectors. The Company is subject to oversight by the Government Companies Authority (the "Authority") and maintains ongoing engagement with the Authority, including through the participation of its representative in Board meetings.

Company Secretary

The Company Secretariat is responsible for ongoing communication and coordination between the Board of Directors and the Company's management. Among its responsibilities, the Secretariat manages, coordinates, and documents meetings of the Board and its committees, and

oversees the onboarding, orientation, training, and interfaces of newly appointed directors.

The Company Secretary is also responsible for communication with the Government Companies Authority, as well as for reporting to the Israel Securities Authority on matters relevant to the Company Secretariat.

Internal Auditor

IAI's Internal Auditor operates in accordance with applicable laws and regulations. The Internal Auditor reports regularly to the Board of Directors' Audit Committee and, as required, to the full Board of Directors.

Internal Enforcement Plan – Securities Law

IAI maintains an internal enforcement plan relating to compliance with the Securities Law, designed to address potential exposure arising from violations of this legislation. The Board of Directors has appointed the Company's VP & General Counsel as the officer responsible for overseeing internal enforcement in this area.

Limitations and Supervision

For further information regarding regulatory restrictions and supervision applicable to the Company, see Section 21 in Chapter One (Description of the Corporation's Business) of the Company's 2025 Financial Statements (Hebrew), pages 81-92.

Prohibition on Financial Contributions and Donations

As a government-owned company, IAI is prohibited from making financial contributions or donations under any circumstances, whether public or private. The Company has established internal procedures to ensure compliance with this requirement, and all senior managers are required to review and approve these procedures annually.

2-9 | 2-10 | 2-11 | 2-12 | 2-14 | 2-15 | 2-16 | 2-17 | 2-18 | 2-19 | 2-20 | 2-23 | 2-24
– Limited Assurance



Approval of Financial Statements

IAI's Board of Directors holds ultimate responsibility for oversight of the Company and for approving its financial statements.

In accordance with the Companies Regulations (Provisions and Conditions Regarding the Process of Approval of Financial Statements), 2010 (the "Financial Statements Approval Regulations"), the Company has established a dedicated Board committee – the Financial Statements Review, Investments and Business Development Committee (the "Committee"). The Committee reviews the Company's financial statements alongside developments in its business activities and submits its recommendations to the full Board of Directors.

The Board discusses the Committee's recommendations and ultimately determines whether to approve the Company's financial statements or to request additional information, comments, and/or revisions prior to granting such approval.

The Board of Directors and Its Committees

The Board of Directors determines Company policy and oversees management activities, including decision-making regarding ESG-related impacts. Management is responsible for implementing Board policy and reporting to the Board.

In 2025, the following Board Committees convened: (1) Financial Statements Review, Investments and Business Development Committee. (2) Audit Committee. (3) Remuneration Committee. (4) Corporate Governance, Sustainability, Women's Advancement and Diversity Committee (5) Risk Management Committee. (6) Strategy and Privatization Committee.

During the reporting year, the Board and its Committees held a total of 54 meetings.



Prevention of Conflict of Interest

Members of the Board of Directors sign a declaration confirming the absence of conflicts of interest and undertake to avoid conflicts between their activities within the Company and any external engagements.

Conflict-of-interest prevention is also embedded in the Company's Procurement Policy and Code of Ethics (see p. 43) and is supported by internal procedures. The Chairman of the Board does not serve in any managerial capacity within IAI¹.

Board Nomination, Composition and Tenure

As a government-owned company, IAI's directors are appointed by the responsible government ministers—the Minister of Defense and the Liaison Minister between the Government and the Knesset—in consultation with the Appointments Review Committee of the Government Companies Authority.

Candidates are generally selected from the Israel Board of Directors Team pool. In accordance with the Government Companies Law, the Appointments Review Committee evaluates and approves candidates' qualifications.

Directors undergo training as part of their tenure, including training on ESG-related impacts. Formal Board performance evaluations are not conducted at IAI.

On September 18, 2025, the Company received from the Israel Securities Authority a demand for payment of a monetary sanction in the amount of NIS 825,000, due to the absence of a serving Chairperson of the Board of Directors for a period exceeding 60 days. In October 2025, the monetary sanction was paid by the Company.

On November 11, 2025, the Company filed an administrative petition with the Tel Aviv–Jaffa District Court against the Israel Securities Authority and the Government Companies Authority, challenging the decision of the Israel Securities Authority to impose the aforementioned monetary sanction on the Company. As of the date of this report, the petition is pending.

It should be noted that, in addition to the above, the Company is a party to a petition filed by the Movement for Quality Government in Israel with the High Court of Justice, seeking an order nisi regarding the failure to appoint a Chairperson of the Board of Directors. For further details, see Section 24 of Chapter A (Description of the Corporation's Business) of the Company's annual report for the year 2025.

Accounting and Financial Expertise

Pursuant to Section 92(a)(12) of the Companies Law, the Board determined on May 27, 2015, that at least one director must possess accounting and financial expertise.

For details regarding directors' qualifications and expertise, see Section 14 in Chapter Four of the Company's 2025 Periodic Report (Hebrew), pages 279–281.

¹As of December 31, 2025, no Chairperson of the Board of Directors is serving at the Company.

Independent Directors

In accordance with Sections 219c and 239 of the Companies Law, at least two external directors are required to serve on the Board of the company.

Diversity of the Board of Directors

 UN SDG Target: 5.5

In 2025, two out of seven members of IAI's Board of Directors were women. Board diversification is carried out in accordance with applicable legal requirements and subject to the approval of the relevant governmental authorities.

The Board's ESG Responsibility

The Board Committee for Corporate Governance, Sustainability, Diversity, and the Advancement of Women was established in 2012 (originally named the Corporate Governance and Sustainability Committee).

The Committee oversees key aspects of ESG management, including corporate responsibility, corporate governance, sustainable development, and internal enforcement of securities laws. The Committee reviews IAI's material topics and ESG performance on a quarterly basis.

In addition, the Committee reviews the annual sustainability report and determines whether to approve its publication or request further information, clarifications, or revisions prior to approval.

IAI's ESG Codes and Policies

IAI operates in accordance with cross-company policies that define expectations for managers and employees and promote responsible and accountable business conduct. These policies address environmental, social, and ethical matters to ensure that the Company's impacts are clearly defined, understood, and embedded across the organization.

ESG-related topics are reflected in IAI's Sustainability Policy and in its Human Rights Policy Statement, which is currently in the process of finalization and approval.

These policy commitments are overseen by the Board of Directors and implemented by the Senior Management Sustainability Steering Committee and the Sustainability and Corporate Responsibility Directorate, including periodic review and updates.

IAI's Sustainability Policy and additional ESG-related documents align with stakeholder expectations and values regarding environmental, social, and corporate governance issues. These documents are supported by internal procedures and are publicly available on the Company's website.

Senior Management Compensation Policy

IAI maintains a structured executive compensation policy that takes into consideration the Company's risk management framework, its size and nature of operations, role-specific responsibilities, and the executive's contribution to achieving the Company's long-term objectives.

An updated compensation policy was approved by the Board of Directors in May 2023, based on the recommendations of the Remuneration Committee.

Compliance

2-25 | 2-27 | 205-2

IAI is firmly committed to full compliance with all applicable laws and regulations governing its operations in Israel and internationally. The Company continuously monitors existing and emerging regulatory requirements and maintains structured compliance mechanisms designed to identify, prevent, control, and mitigate regulatory risks.

Compliance considerations are embedded within IAI's Code of Ethics and its anti-bribery and anti-corruption program. Where non-compliance is identified, senior management is notified and corrective actions are implemented. When appropriate, matters are reported to the Board of Directors and/or external auditors, and disclosed publicly if required.

"For additional details, see Section 21 in Chapter One (Business Description of the Company) of the Company's 2025 Periodic Report (pages 81–92). With respect to compliance with environmental laws and regulations, see Section 20 (pages 79–80); regarding compliance with occupational health and safety laws and regulations, see Section 12.1.2 (pages 18, 29, and 49); and with respect to compliance with laws and regulations concerning anti-competitive conduct, see the relevant sections (pages 18, 29, and 49)

Compliance and Internal Enforcement to Prevent Corruption and Bribery (FCPA)

IAI conducts its business activities in strict compliance with the laws and regulations of the State of Israel and of the countries relevant to its operations, and is committed to maintaining fairness, integrity, reliability, and professionalism.

As part of its activities, the Company implements an enforcement and compliance program for the prevention of bribery and corruption of foreign public officials. This program is regularly updated in accordance with applicable regulations and the Company's risk mapping and assessment processes.

To ensure the effective implementation and continuous updating of the compliance program, the Board of Directors has appointed a Vice President-level Compliance Officer who reports directly to the CEO on an ongoing basis. The Compliance Officer also provides semi-annual reports to the Board of Directors, annual reports to the Board's Audit Committee and Risk Management Committee, and quarterly updates to the Company's Risk Management function regarding this risk, which is managed as one of the Company's key corporate risks.

IAI's comprehensive anti-bribery program reflects the State of Israel's adherence to the OECD Convention on Combating Bribery in International Business Transactions. It also reflects IAI's core values, which maintain zero tolerance for such violations.

The program includes risk-based analysis, oversight, and control measures across relevant areas. All compliance processes are documented in accordance with risk management principles, taking into account regional, sectoral, due diligence, and activity-related exposures.

IAI publishes the main elements of its compliance program on its website, together with its Code of Ethics. Website users may also access an anonymous whistleblower procedure to report suspected corruption or bribery.

Since 2021, IAI has been a member of the International Forum on Business Ethical Conduct (IFBEC).

In 2024, IAI, led by its Compliance Organization and Risk Management Organization, was certified under ISO 37001 for Anti-Bribery Management Systems. Adoption of this standard reflects IAI's commitment to commercial fairness and ethical conduct and enhances its credibility with customers, business partners, investors, and regulators.

The standard provides a structured framework for managing and evaluating bribery risks, establishing internal anti-bribery controls, and strengthening due diligence, financial review processes, reporting mechanisms, and training programs. It also supports the development of an ethical organizational culture and facilitates identification and reporting of potential bribery risks. During 2025, the organization successfully completed the certification audit required to maintain the standard for an additional year.

As part of this framework, IAI operates an annual training program and provides regular training to employees and managers engaged in business activities on behalf of the Company. Training is delivered at all levels of seniority and authority and may be conducted online or in person, depending on the level of third-party interaction.

Training sessions emphasize IAI's strict anti-corruption policies, outline potential risks and exposures, and address relevant regulatory requirements in areas such as marketing, contracts, and finance.

Following a comprehensive risk management survey conducted in 2022, with the assistance of external advisors, the compliance program was updated where necessary. In addition, the Company implemented new internal software to enhance independent due diligence processes and expand monitoring coverage by the Compliance Unit.

Training is conducted either online or in person, depending on the level of interaction the employee or manager has with third parties. These training sessions emphasize IAI's strict anti-corruption policies, outline potential risks and exposures faced by the Company, and address additional relevant regulatory requirements in areas such as marketing, contracts, and finance.

Furthermore, following three years since the comprehensive risk survey conducted in 2022, the Company carried out an additional broad risk survey in 2025 to reassess the alignment of its compliance program and related controls with the Company's current risk exposure. With the support of external advisors, the compliance program was updated and adjusted as necessary. In addition, the Company acquired dedicated internal software to enable ongoing independent due diligence processes and to expand the population monitored by the Compliance function.

Defense Export Control

IAI operates under Israel's laws and regulations governing defense exports. The Defense Export Control Law, 2007 (the "Export Law"), regulates the export of defense-related equipment, knowledge, and services through the Israeli Defense Export Controls Agency (DECA) within the Ministry of Defense.

Under the Export Law, companies must obtain marketing and export licenses, or applicable exemptions, prior to engaging in defense export transactions.

IAI appoints a senior employee as Chief Defense Export Control Officer, subject to DECA approval. This officer is responsible for embedding export control requirements into Company operations, maintaining up-to-date knowledge of regulatory developments and DECA policies, serving as the internal expert on export control matters, and ensuring implementation of appropriate training programs.

IAI conducts designated e-learning on export controls, alongside annual training programs delivered across divisions and business units.

For further information, see Section 21.3 in Chapter A of the Company's 2025 Periodic Report (Hebrew), pages 87–91.

Competitiveness

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Most markets in which IAI operates are characterized by intense competition, both from local and international companies. Further restrictions in local contract requirements by both customers and authorities continue to form, alongside growing global competition from regional companies. This is due, inter alia, to mergers between large international organizations and government preferences favoring domestic defense contractors, which are often supported by binding laws and regulations in those countries.

IAI continues the implementation of its strategic growth strategy, including various initiatives and actions aimed at supporting our position in existing markets and enabling growth in our market share. For further information regarding the Company's markets and their development, see Sections 8.2 and 8.3 in Chapter A (Description of the Corporation's Business) of the Company's 2025 Periodic Report (Hebrew), pages 11–17.

IAI is committed to fair competition and refrains from anti-competitive activities, the creation of monopolies, or illegal partnerships with competitors. We expect our employees and anyone acting on behalf of the Company to maintain the privacy of IAI's customers in every context and not to engage in, discuss, or make use of non-public insider information.

IAI participates in tenders in accordance with the rules detailed therein and in compliance with the laws and regulations of the country in which each tender is published.

To the best of our knowledge, and as of the date of issuance of this report, no sanctions, fines, or notices of violations were submitted to IAI concerning competitiveness practices in 2025.



Business Ethics

2-16 | 2-23 | 2-24 | 2-26 | 205-2 | Limited assurance | SP

Code of Ethics

IAI's Code of Ethics expresses the fundamental values that guide the behavior of IAI employees toward one another and toward external stakeholders, including customers, suppliers, and other partners. As a leading technology company and a major player in Israel's economy and national defense effort, IAI is committed to ethical conduct rooted in the values of mutual respect, integrity, fairness, professionalism, and excellence.

IAI seeks to create a work environment based on trust and open communication, where employees feel free to report ethical violations if they arise. The Code of Ethics is built on key principles that define acceptable and fair behavior, and we expect our managers and employees, at all levels, to act accordingly.

This expectation is conveyed through training, work regulations, and supervision. The Code of Ethics and related instructional materials are available internally on the Company's intranet, and the Code is also published on the Company's website (in Hebrew and English).

Employees are encouraged to raise ethical concerns with Human Resources representatives or their direct supervisors, particularly in cases where the law does not provide clear guidance. The Code addresses a wide range of topics, including domestic and international legislation, the compliance program for the prevention of bribery and corruption, organizational culture, corporate responsibility, integrity, privacy, confidentiality and information security, environmental responsibility, occupational health and safety, product quality, procurement and trade practices, and the responsibility to report ethical violations, among others. The Company continuously works to further embed and strengthen the organizational framework of the Code of Ethics, including through dedicated internal communications and targeted publications.

IAI's Code of Ethics was revalidated by the Board of Directors and senior management in 2025.

Employees' Ethics Training

As part of the onboarding process, all new employees receive an orientation booklet containing a summary of the Code of Ethics and a link to the full document.

Once every two years, all employees are required to complete a mandatory ethics syllabus. The syllabus covers various topics from the Code and presents practical ethical dilemmas that may arise in day-to-day operations.

To date, 75.37% of IAI employees have completed the 2025-2026 ethics syllabus.

Prevention of Harassment and Workplace Abuse

IAI strives to maintain a respectful, safe, and positive work environment free from discrimination, harassment, or abuse. Preventing sexual harassment and workplace abuse is a top priority.

The Company provides tools to managers and employees at all levels to identify, report, and address such issues when they arise.

Each Company division appoints an officer responsible for handling sexual harassment and workplace abuse, alongside an external professional consultant. The external consultant is authorized to investigate complaints in accordance with the Prevention of Sexual Harassment Law.

During onboarding, new employees receive a booklet outlining the provisions of the Prevention of Sexual Harassment Law and a link to the Company's internal regulations on the subject, including contact details for the designated officers.

All employees complete a mandatory two-yearly training on prevention of sexual harassment. Summaries of the regulations are contact information stickers posted throughout the Company, workshops are conducted at factories, and an awareness campaign is implemented, including educational videos designed to illustrate the issue.

IAI is committed to investigating complaints efficiently, promptly, and thoroughly, while ensuring full protection for complainants, including safeguarding privacy and maintaining confidentiality throughout the process.

All employees are encouraged to report any suspected ethical violations in this area.



IAI operates on an ongoing basis to manage its business activities in compliance with applicable laws, with a strong commitment to integrity, including the prevention of fraud and embezzlement risks.



Risk Management

As part of implementing globally accepted advanced management methods, IAI strives to identify and manage risks optimally through an integrated, corporate-wide perspective. Risk management constitutes an integral part of the Company's strategy and contributes to improved operations and the ability to meet its business and strategic objectives.

IAI continuously manages its business activities while maintaining compliance with applicable laws, adhering to ethical standards, and actively preventing risks of embezzlement and fraud.

For the implementation of the Enterprise Risk Management (ERM) process, IAI operates in accordance with the international COSO-ERM model (Committee of Sponsoring Organizations – Enterprise Risk Management), a globally recognized framework for risk management. This approach aligns with the principles outlined in the Government Companies Authority circular, "Enterprise Risk Management in Governmental Companies and Governmental Subsidiaries" (January 8, 2020). These principles are embedded in the Company's Enterprise Risk Management Policy, which is updated periodically and approved annually by the Board of Directors.

The policy addresses the Company's activities across all units, both individually and collectively, enabling management of a comprehensive "risk portfolio" alongside the specific risks defined within each unit. The Company's risk management methodology reflects the added value derived from implementing an effective risk management process and creates opportunities to leverage risks into business and strategic advantages.

IAI's enterprise risk management process is an ongoing management tool embedded within regular corporate operations. It is designed to provide reasonable assurance against the materialization of risks through a systematic process that includes identifying and mapping risks, assessing their likelihood and impact, defining mitigation measures, determining the required investment for mitigation, and reviewing the effectiveness of implemented actions.

In accordance with its risk management processes, IAI conducts periodic reviews to identify and assess its material risks.

Once every four years, the Company performs a comprehensive risk survey that examines, inter alia, the Company's structure

and activities, strategy, changes in the business environment, and risks managed by peer organizations. The survey includes all risk categories defined under Government Companies Authority requirements and international methodologies, including operational risks, financial risks, compliance and regulatory risks, reputational risks, information technology risks, embezzlement and fraud risks, ESG risks, and more.

Following analysis of the survey results, the Company's key risks are determined. These risks are ratified and updated as necessary by the CEO and Board of Directors on an annual basis.

In 2024, the Company conducted a full risk survey process, which was approved by management and the Board of Directors on August 14, 2024.

The Company's risk management processes relating to the prevention of bribery, embezzlement, and fraud were reviewed by the Standards Institution of Israel during 2024. As of November 14, 2024, the Company holds ISO 37001 certification.

Project-Level Risk Management

A specific mechanism exists under IAI's project management methodology to ensure the identification and mitigation of all risks, including environmental risks.

Direct responsibility for risk management in projects rests with the project managers. At the project assessment stage, a risk manager is appointed and is responsible for mapping, tracking, and updating the list of risks, including their classification based on severity and likelihood.

A structured process is undertaken to reduce identified risks. Risk identification and classification continue throughout the project lifecycle and are documented using an online tool.

Cyber defense and information security

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According to the World Economic Forum's Global Risks Report (January 2025), the global cyber threat environment continues to be complex and challenging. Among the key factors shaping the current risk environment are the accelerated adoption of artificial intelligence technologies, heightened geopolitical tensions, vulnerabilities in global supply chains, and the rapid emergence of new and evolving technologies.

IAI's Information and Computing Systems Unit, ITC, was one of the first defense industries in Israel to be certified by the Standards Institute of Israel to ISO/IEC 27032 in 2016. The approval was granted following a demonstration of the cutting-edge capabilities of the Cyber Defense Center and IAI's processes, including a unique operational methodology, advanced cyber forensics capabilities, enhanced cyber monitoring capabilities and real-time status, as well as the effective integration of ISO 27032 and ISO 27001 information security standards, including upgrading the certification to the new version of ISO 27001:2022 standard. During 2024, the ITC facility was additionally certified under the ISO 27035 standard for cyber incident management and received an Information Security Star certification from the Standards Institute of Israel.

In 2025, IAI, together with the ITC facility, achieved several significant milestones in the fields of information security and cybersecurity:

- Full compliance with the CMMC readiness assessment conducted by MALMAB (the Security of the Defense Establishment unit for infrastructure and cyber), in accordance with the requirements of NIST 800-171 Rev. 2, considered one of the leading global standards for information security regulation in organizations and supply chains.
- Compliance with the UK Cyber Essentials standard, a widely recognized baseline certification in organizational cybersecurity that serves as a benchmark for the effectiveness of protection, monitoring, and control mechanisms for information systems.

ITC's cybersecurity protection activities provide end-to-end cyber defense coverage for IAI's computing and network infrastructures. This includes an advanced real-time threat monitoring center that enables the detection, analysis, and response to complex cyber incidents. Over the past year, ITC expanded its capabilities through the integration of artificial intelligence technologies and intelligent automation, supporting more efficient detection and response processes and strengthening the organization's ability to address evolving threats in a dynamic and constantly changing environment.

The ITC unit continues to operate in accordance with the most stringent international standards in the field, including the ongoing implementation of cyber incident response programs, advanced operational procedures, investigation and digital forensics capabilities, periodic exercises, and internal and external audits—all aimed at ensuring operational continuity and strengthening the organizational resilience of IAI.



Performance Scorecards

2-9 | 2-12 | Limited assurance

The data represented in this table is based on a cutoff analysis from December, 31st 2025 (unless otherwise stated in the table below).

Indicator	2023	2024	2025
Number of general assembly Board meetings	15	14	18
Number of Board committees meetings	42	38	36
Number of Board sustainability committee meetings ¹	4	2	4
Number of Senior Management Sustainability Steering Committee meetings	4	4	4
Number of Directors (Total)	8	8	7
Number of Directors in the Sustainability Committee	3	1	3
Number of women members of the Board	4 ³	3	2
Number of men members of the Board	4	5	5
Number of independent Directors	3	2	2
Number of Directors with accounting and financial expertise	2	2	2
Number of Directors representing a minority ²	1	0	0
Number of Directors, ages 30 and under	0	0	0
Number of Directors, ages between 31-50	1	2	2
Number of Directors, ages 51 and over	7	6	5
Number of reported cases (complaints) to IAI's hotline: Code of ethics issues	10	7	15
Number of reported cases (complaints and inquiries) to IAI's hotline: Sustainability issues ³	7	3	0

¹ Of the total number of board committee meetings.

² From the Druze community.

³ Reporting reflects complaints and inquiries. Data was updated retroactively for prior years.

- Strategy & Value Creation ●
- Governance ●
- Employees & Communities ●
- Environment ●
- GRI Content Index ●



Human capital management

2-7 | 2-8 | 3-3 | SP | MT



UN SDG targets: 8.5

IAI is proud to have an exceptional team of employees, who generate business value from a sense of pride and purpose. Professionalism and connectedness form the foundation for our relationships with customers, employees, suppliers, contractors and the communities in which we operate. IAI operates under Israel's labor laws, respects the human rights of its employees and implements organization-wide procedures and processes for managing the excellence of our human capital.

The responsibility for managing the HR apparatus and carrying out strategic plans for all aspects of employment is vested with the IAI's VP of HR, who reports directly to the company's CEO and who is a member of the senior management Sustainability Steering Committee.

In 2025, IAI ranked 8th "best place to work" in Israel's BDIcode Index, reflecting our long-term commitment to foster a work environment that encourages personal and professional development alongside wellbeing and innovation - from in-house services and facilities for employee welfare such as dining, employee shuttle transport, gyms, and synagogues, through occupational health clinics, ongoing personal support provided by professional social workers, and supporting professional teams of social workers, to advanced training processes and programs to and an intra-organizational communication program.

We promote a comprehensive gender equity strategy across all levels of the organization by setting specific targets for the recruitment of women into technological professions and for their advancement into managerial positions. Further, we seek to create a diverse and inclusive workplace by setting objectives for hiring diverse populations: Ultra-Orthodox (Haredi) employees, Druze community, Israelis from Ethiopian origin and employees with disabilities.

In addition, the Company supports employees approaching retirement by providing relevant tools, guidance, and lectures to assist them in preparing for this transition.

Each year, IAI receives recognition for the Human Capital Directorate's innovative initiatives. In the past year, the Company launched a first-of-its-kind training program to qualify wounded IDF veterans as electronics technicians "Developing Managers" mentoring program - etc.



In order to ensure that we create an empowering, rewarding, and forward-looking work environment, we maintain various mechanisms of dialog with employees and managers. We transparently report on our progress through:

- Organizational climate survey and employee satisfaction surveys.
- A "speak openly" platform, which enables direct contact and dialog with the senior management, and roundtables with experts at the company and managers from various disciplines.
- Weekly and ad-hoc reports via the intra-organizational communication platform and the WeAreIAI smartphone application.
- Extensive activities for employees' wellbeing.
- Annual public reports to stakeholders: BDIcode index, Maala index on the Tel Aviv Stock Exchange, and our sustainability reports.

Our commitment to Israel's society, alongside community involvement, continues to serve as the undisputed basis of our value as an organization. This significant task mission drives us to reach as high as possible.



Career at IAI¹

2-7 | 201-3 | 401-1 | SP



UN SDG targets: 5.1 | 8.5

IAI is an attractive, groundbreaking employer, as reflected in the number of candidates for jobs that we publish, our employment ratings such as BDIcode, and the choice of most of our employees to continue to grow with us throughout their lengthy careers.



Recruitment Processes

IAI's Recruitment and Career Center is designed to offer an inviting and positive recruitment experience from the candidacy stage to the hiring contract. The center integrates all of the recruitment processes in IAI, enables a broad view, identification of duplications and improves availability and appropriate responses for candidates in the competitive job market. Furthermore, key process emphasis is placed on monitoring and reviewing the quantity and quality of resumes submitted for the various positions. From the stage of locating of the most suitable candidate, there is a quality process that emphasis good candidacy experience.

The locating and recruitment processes include digital measures that integrate human-based dialog and the use of AI. The



center's teams, along with the various plants, hold recruitment events at universities and colleges, specific recruitment events and special collaborations with emphasis on diversity and gender fairness, with the aim of promoting the recruitment of qualified employees from diverse populations.

Being a defense and governmentally owned company, recruitment at IAI normally includes a security clearance check. As for "high ranking officials" roles as defined by the Governmental Companies Law, recruitment and appointment are done based on the Government Company Regulations - Rules for Nomination of Senior Officials, (2005), and their entry into office is subject to the approval of IAI's CEO and Board of Directors.

Mobility and Talent Management

IAI's Recruitment and Career Center also supports all mobility and career development processes, to allow the employees to have a solid infrastructure for their development and success, in light of the wide variety of roles and positions available at IAI. This abundance of opportunities allows employees to pursue internal transfers as part of a flexible career path, and to learn, advance, and expand their expertise and skills. To promote transparency in the process, this step enables employees to reflect on their professional aspirations while enhancing managerial involvement and support in shaping and advancing each employee's career path.

Retirement

IAI offers company retirees an extensive retirement program, which aims to ensure a smooth transition to the new stage of their lives. This program generally includes seminars and retreat weekends for employees and their spouses, which include lectures on relationships in retirement and a recognition ceremony in which management representatives join to honor the retirees. As part of the seminars, lectures are given on the impact of retirement on family life, economic lectures, taxation in retirement, and more. In cases of early retirement, there is entitlement to a retirement preparation program that includes the study days provided to all retirees in the company.

In addition, IAI has a retirees' club that provides specific training and guidance on relevant topics alongside social activities such as tours, organized trips and courses. A retirees' newsletter, which is distributed periodically, keeps retirees updated on all the latest company news and updates.



Diversity, inclusion and gender equality



2-7 | 3-3 | 405-1 | Limited assurance | SP | MT



UN SDG targets: 5.1 | 8.5

IAI employees are the human power that makes IAI what it is. We believe in respect and equality without discrimination and equal opportunities in employment and seek to increase the number of diverse populations in our workforce, including Israelis of Ethiopian origin, members of the Druze community, the ultra-orthodox Jewish community and people with disabilities. In addition, IAI regularly welcomes new employees over the age of 45.

Moreover, out of a desire to create a better, more equal and fair society in Israel, even before the intake stage of employees at IAI, we lead and participate in a variety of social impact projects in accordance with the company's diversity policy.

Diversity and Inclusion

We continued to invest considerable efforts in order to increase our recruitment rates from diverse populations, and their retention at IAI. The company manages a diversity and inclusion forum, established in 2021, which strategically manages working plans in this area. These included:

- Developing an anti-bias workshop for managers.
- A unique empowerment course for Israelis of Ethiopian origin.
- A family day for employees from the Druze community.
- A specialized meetup for Ultra-orthodox women in core functions.
- Celebrating Diversity and Inclusion Week at the Company's sites.
- Dialog with our employees from diverse populations for continual improvements.
- Expanding collaborations with various parties from Government ministries and social organizations promoting employment diversity.
- Celebrating diverse holidays, such as the International Day for People with Disability, the Sigd festival and more.

Gender Equality

IAI seeks to change the traditional management composition of defense and technology companies worldwide by gradually expanding the number of women in senior management roles. This requires long-term investment in raising awareness among company employees and managers, training and advancing skilled women from junior management roles, as well as encouraging women to submit their candidacy for management functions while adopting work-life balance processes.

The percentage of women at IAI in 2025 was 25%, and the percentage of women in management (from the level of a department head and up) rose to 21.8%. In 2025, we continued engage in many activities supporting our strategic plan of promoting women to positions in core technological and management positions at the Company.

As part of this strategy, the Board of Directors appointed the position of Executive Vice President for Compliance and Gender Equality. She is leading a strategic, company-wide initiative that includes:

Proactive encouragement of women to apply for management positions, including dedicated publications and targeted outreach to employees with managerial potential:

- Establishment of the School for Future Female CEOs in the Defense Industry program, initiated by IAI, aimed at developing a senior leadership reserve across Israel's defense industries.
- The Launch Point program, designed to develop a mid-level management reserve and prepare employees for their first managerial role.
- Establishment of a dedicated internal website for publishing senior management positions for female company employees.
- Personal mentoring and career development discussions for female employees.

In addition, cross-organizational initiatives were implemented to promote gender equity and the development of women's leadership:

- Participation of female employees in a Directors' Training Program in the fields of foreign affairs and national security, in collaboration with the Dvora Forum and Lahav Executive Education of Tel Aviv University.

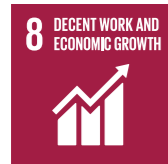
- Implementation of the #IAmRemarkable initiative by Google, including the training of internal female facilitators and the delivery of workshops designed to strengthen self-confidence and recognition of professional achievements.
- Power Skills workshops for the development of professional and managerial capabilities.
- Shaveh Sichah (Equal Conversation) roundtables to enable direct listening to female employees' needs.
- Establishment of the Women Managers in Security community to expand professional networks and mutual support.
- Setting gender representation targets for division managers.
- Integration of gender equity and reduction of unconscious bias as part of the organization's Diversity Week and managerial training programs.
- Implementation of inclusive organizational language across company platforms as part of promoting an inclusive culture.
- IAI also maintains collaborations with nonprofit social organizations aimed at advancing women in science and technology fields.

We promote a gender equity strategy across all levels of the organization by setting specific targets for the recruitment of women into technological professions and for their advancement into managerial positions.



Occupational health and safety

3-3 | 403-1 | 403-2 | 403-3 | 403-4 | 403-5 | 403-7 | 403-9 | Limited assurance | SP | MT



UN SDGs targets: 8.8

Safety, occupational health, and environmental matters are managed operationally at all levels of the organization within the responsibility and reporting matrix, and under the supervision of the EHS (Environment, Health, and Safety) Directorate on a corporate level. The EHS Directorate is the professional authority that sets out the company's policy and procedures, initiates strategic processes, cross-organizational targets, and objectives for managing safety, occupational health, and the company's emergency plans, and provides professional guidance to division or group-level safety officers.

In 2025 the ratio of number of accidents per number of employees was maintained, corresponding with the set objective (less than half an accident per hundred employees per year).

The safety management system (SMS) provides a basis for continuous and ongoing improvements, periodic surveys, and management reviews. All IAI's operational divisions have valid business licenses and ISO 45001:2018 certification. The scope of the safety management system includes all activities.

Safety Committees

Expert Safety, Health, and Environment committees offer specific guidance and training requirements for issues identified as major aspects of risk assessment processes. The committees work to establish safety procedures, work instructions, guidelines, and training on topics that serve as a basis for a healthy and safe work environment.

The following topics are the main focus of the committees: compliance with laws and regulations, environmental management, hazardous materials, contractors' safety, aircraft work safety, construction safety, ergonomics, personal safety equipment, accessibility, maintenance safety, microwave products development safety, production route card and handling of general hazards.

In addition, each division operates its safetr. These safety committees are made up of 50% representatives of management and 50% representatives of employees, and safety issues derived from collective labor agreements are integrated into the annual work plans.

Managing Safety and Health Risks

All our divisions operate based on company procedures and detailed annual safety and occupational health management plans, which are written and approved according to work safety regulatory requirements, and based on guidelines of global standards and monitored by safety officers. Each work plan is based on professional risk management relevant to the division, including risk factors and their level (probability and severity), and analyzes methods for monitoring and reducing the risks. IAI has implemented a tool for health and safety risk assessment, and each employee can view the risks in their workplace. Risk control and reduction is based on the identified level of risk, with the highest-risk exposures subject to oversight at the plant management level.

Proactive management checks are performed based on an annual plan, aiming to identify new work safety risks and locate and remove hazards, and safety trustees are also trained to spot hazards and report for corrective action.

Safety Incidents Prevention and Response

In cases of safety incidents, an investigation takes place based on a methodical procedure, including documentation, implementing lessons learned in the work environment, and monitoring corrective actions. Investigations are monitored and recorded in a web-based system. The division investigation process is accompanied by a professional expert from the EHS directorate, in order to fully explore all aspects of the incident. In addition, the company's procedure includes a structured "before-action review" to assess potential risks and preventable future failures.

Safety and Health Training

All our employees are trained in general safety issues upon their intake. Refresher training on various work safety issues takes place annually for all employees. In 2025, over 95% of employees completed the mandatory refresher training. A web-based system enables monitoring the validity of certifications and refreshers.

Medical Services for Employees

The following services are provided at our occupational clinics:

- Urgent medical care: including first aid services and treatment of work accident injuries, and when necessary, by a decision of an emergency care physician, referral to a hospital in the area for continued treatment.
- Occupational health: including general anamnesis and monitoring of employees in specific occupations that require monitoring for exposure to harmful materials, and checking the fitness of employees returning from absence due to illness, work, or car accidents.
- Carrying out certain annual employees checkups, such as hearing, based on risks of exposure in their specific occupation.
- Treatment and first aid in emergency situations.

Contractors and Suppliers' Health and Safety

IAI includes Occupational Health and Safety practices clauses in all contracts.

Traffic Safety

IAI's operational areas are extensive, with an intensive presence of a wide range of vehicles – from freight trucks and aircraft towing vehicles to private cars, forklifts, and operational and service vehicles. Traffic safety management constitutes a central pillar of the Company's corporate responsibility approach and reflects its commitment to protecting human life, reducing operational risks, and maintaining a safe, regulated, and controlled working environment.

IAI operates a pooled vehicle fleet for short trips between its sites, alongside a leased vehicle fleet assigned to employees. A unified Traffic Safety Organization manages all transportation requirements across the Company's sites, ensures compliance with traffic laws and regulations, investigates road accidents within Company premises, monitors speeding incidents, and works continuously to improve transportation systems and infrastructure.

At the Ben Gurion Airport site, IAI also operates an internal enforcement unit that conducts patrols to map and identify violations, including the issuance of traffic citations. This activity forms part of the Company's internal control framework aimed at strengthening compliance and traffic discipline and includes the convening of review committees to examine traffic violations.

Both the TNUFA division, which is responsible for traffic safety at IAI's sites, and the Missiles and Space Group, hold a valid Israeli standard certification ISO 39001, relating to Road Traffic Safety Management Systems. The major activities in 2025 included:

- Infrastructure, Supervision and Enforcement – The regulation and updating of traffic signage maps across all Company sites continued, alongside improvements to infrastructure, signage, road markings, and guidance systems, as part of managing a safe, clear, and controlled traffic environment. In parallel, supervisory and enforcement mechanisms at Company sites were strengthened, including the handling of non-compliance incidents, with an emphasis on prevention, risk reduction, and the reinforcement of an organizational safety culture.
- Awareness and Training – Awareness-raising and communication activities were carried out throughout the year, including the placement of signage and dissemination of safety messages across the Company. In addition, dedicated emphasis was placed on Road Safety Week, which included an internal communication campaign and targeted activities aimed at strengthening both personal and organizational responsibility for road safety.
- Implementation of a new system - Pointer, for monitoring traffic violations involving company cars.

The Company views road traffic safety as an integral part of its commitment to its employees, business partners, and the general public. Accordingly, it works to consistently integrate principles of safety, compliance, and sustainability into a responsible and long-term management approach.

Empowering Workplace

404-1 | 404-2 | Limited assurance | SP



UN SDG targets: 4.4 | 8.2 | 8.5

Our work allows us to express ourselves and our abilities and find meaning and value through our profession and organizational affiliation. The new employment world calls us to reshape and update our employee's recruitment, development and retention processes and map out their qualifications and skills. A special emphasis is required for populations who struggle with various barriers, on their way to stable employment.

Professional Training and Certification

IAI greatly invests in its managers' and employees' training. Our training infrastructure is one of the leading in Israel, responsible, among other things, for the development of advanced technological courses and managerial and regulatory certifications, done through various training programs and advanced learning platforms, online and in-class. These are all important components in our employees' career path and their personal and professional development.

Our training programs are designed to support:

- New employee orientation (including sustainability, safety, occupational health, and ethics).
- Provision of professional knowledge and skills across a range of disciplines, including advanced technologies, project management, systems engineering, and related fields.
- Refresher courses on mandatory topics (such as the Code of Ethics), as well as on topics required under applicable laws and regulations.
- Management training programs for both incumbent managers and identified managerial talent pools.
- Career and professional change.
- Retirement readiness and knowledge transfer.
- Generic enrichment courses.

In addition, the Company offers participation in the funding of academic studies toward various degrees, including practical engineering diplomas, bachelor's degrees, master's degrees, and doctoral degrees. The Company also supports a wide range of collaborations with authorized academic colleges and universities in Israel, for the purpose of accreditation toward master's and doctoral degrees.

Training within IAI continues to be evaluated by a training effectiveness system. The evaluation of training effectiveness is supported by the certifications that IAI holds, including: ISO9001:2015, and AS9100.

Sustainability-Related Training

Our employees regularly participate in various online courses (web-based training), focusing on ethics, environment, and social issues, such as sustainability, cyber and information security, internal use of information, traffic safety, energy savings, safety and ergonomics, and the code of ethics. These training courses support an organizational culture that is based on our material topics (see page 16), and emphasize the importance that the company places on promoting them.

IAI has mandatory biennial web-based training on sustainability for employees and managers, covering many concepts present in our sustainability reports, important initiatives and objectives, as well as expectations and actions required to keep us aligned with our strategic sustainability journey.

Performance Evaluation

We believe that managing performance evaluation process and feedback conversations allows us to empower our employees and increase their motivation in achieving IAI's business goals while strengthening their organizational engagement. Through feedback conversations, the manager and employee discuss goals and tasks completed in the passing year, as well as the employee's development and learning, and define targets for the new year. The process includes all IAI employees.

2-30 | 201-3 | 403-6 | Limited assurance

Payroll Service Center

IAI's payroll integrates various activities and can be accessed through multiple communication platforms - a designated website that includes detailed information about payroll and its various components; a designated call center; an internal portal; a smartphone application for efficient and quick requests and forms submittal, as well as status tracking.

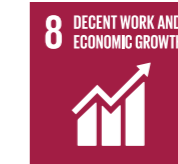
Employees' Wellness and Benefit Plans

IAI's employee benefit plans and pensions are reported in Section 16 in the First Chapter (corporation business description) of the Company's 2025 Periodic Report (pages 70-77). For example: accommodating working mothers; paid vacation; paid sick days; paid overtime (by pre-approval); paid participation in conventions and professional training; meals and shuttle transportation to and from work; innovation grants; sports activities and more.

Medical Care and Coverage

IAI operates internal clinics for occupational health and immediate medical care at its sites, available to all employees (see page 55). In addition, each permanent employee owns extensive medical insurance and has the option to insure his family members at discount premiums. Furthermore, all employees are entitled to a once-a-year medical checkup, for early detection of various illnesses and their prevention.

Freedom of Association



UN SDG targets: 8.8

At IAI, our employees exercise their rights of freedom of association and collective bargaining. In 2025, 57% of our permanent employees were covered by collective bargaining agreements.

IAI-Spot

To make adjustments to the changes occurring in the new world of work and allow the company's employees the flexibility that exists in hybrid work, work close to where they live, and manage their time efficiently - The Company established a new and advanced collaborative work complex near Jerusalem, alongside the opening of additional new and advanced collaborative work complexes, including the complex established near Jerusalem and the complex established in Haifa.



Social impact and community engagement

3-3 | 413-1 | SP | MT



UN SDG Targets: 4.3 | 4.4

For more than seven decades, IAI has been an integral part of the fabric of Israeli society and operates from a deep commitment to advancing Israeli society and strengthening its long-term resilience. Alongside its central contribution to national security, the company views social responsibility as a complementary pillar to its core business. It works to reinforce social resilience by promoting and expanding access to science and technology education across all segments of the population, based on the belief that such education serves as a key lever for reducing social gaps and creating equal opportunities.



IAI's social strategy is grounded in the understanding that science and technology education forms an essential foundation for shaping the future of the State of Israel and strengthening its defense and technological leadership. Accordingly, the company focuses on fostering interest and motivation among the next generation to pursue careers in the aviation, space, and technology industries, with particular emphasis on integrating underrepresented populations into engineering and defense-related fields and promoting gender balance.

Within this framework, the company works to provide young people with the knowledge, tools, and skills that will enable them to realize their professional and personal aspirations and participate meaningfully in advanced technological endeavors. This activity reflects the direct connection between social responsibility and professional excellence and contributes to strengthening the social and technological resilience of the State of Israel.

During 2025, a total of 26,858 volunteer hours were recorded, contributed by 1,679 employees.

KEY PROJECTS IN 2025

Breaking the Glass Ceiling: Building Female Technological Leadership

A unique collaboration focused on gender empowerment, through which IAI leads a program encouraging girls to choose study tracks in science and technology (STEM). The program is based on the understanding that strengthening academic achievement and building a strong foundation for quality matriculation opens the doors to higher education and enables the development of meaningful professional careers.

As part of the program, female middle school students participated in dedicated sessions where they were exposed to the company's fields of activity – from managing complex projects and creative thinking to teamwork in a global environment. The students became familiar with the company's technological activities, learned about potential career paths, and participated in experiential activities demonstrating the practical application of scientific and engineering knowledge.

At the core of the initiative is personal mentoring by women employees and managers at the company, who serve as professional and personal role models. By sharing their experiences, they strengthen the female students' sense of capability and encourage their future integration into science and technology fields.

Space Education: Making Space Accessible

IAI is the home of Israel's space industry and has served as the technological spearhead in this field for more than four decades. As the leading organization providing the State of Israel with the full space value chain – from development and manufacturing to launch and satellite control – the company recognizes a deep responsibility to invest in the next generation of space engineers.





Within this framework, IAI works to make the world of space more accessible and to transform it into a source of inspiration for scientific studies by creating a broad ecosystem of strategic partnerships. These activities are conducted in cooperation with leading social organizations, including the Ramon Foundation, Space IL, and the Horizon community of space educators, alongside collaboration with government ministries, local authorities, and science museums across Israel.

To strengthen Israel's technological future, the company also collaborates with the education system and leading academic institutions – particularly the Technion – Israel Institute of Technology and Tel Aviv University – to leverage space as a meaningful educational tool. This initiative aims to equip young people with knowledge, tools, and vision while preparing the next generation to lead Israel toward new achievements in space and technology.

Nitzotzot (Sparks): Discovering Purpose

IAI's human capital is its most valuable asset and reflects the diverse mosaic of Israeli society. As part of its commitment to reducing social gaps and advancing underrepresented populations, the company participates in the Nitzotzot (Sparks) program, in which IAI employees meet with middle and high school students across the country.

During these meetings, students are introduced to the personal and professional stories of company employees and to the 'spark' that drives their work – passion, curiosity, and professional fulfillment. The program aims to inspire young people, encourage excellence, and strengthen their belief in their ability to realize their personal potential.

Over the past decade, IAI employees participating in this initiative have influenced thousands of children and teenagers, providing them with tools, inspiration, and confidence to embark on a path of creative thinking, personal achievement, and the development of a meaningful sense of purpose.

Learning Together: Encounters of Opportunity

Company employees serve as educational support mentors in core school subjects throughout the academic year, through regular meetings with students, with particular focus on the social and geographic periphery. The activity aims to spark curiosity, ignite imagination, and encourage deeper engagement with science and technology studies.

Within the program, weekly meetings are held throughout the school year, during which company employees guide students, share their professional experience, and strengthen students' confidence and aspiration for academic excellence.

A Different Lesson: From Theory to Practice

Within this program, company employees form a professional team and develop a unique and creative course based on the company's fields of activity. The course is delivered in schools as part of enrichment programs and includes engaging, practical content in advanced technological fields.

The goal is to create a meaningful and mutually beneficial educational experience: on the one hand, employees have direct engagement with the next generation; on the other hand, students gain a tangible understanding of the connection between theoretical knowledge learned in the classroom and the complex technological applications implemented in Israel's advanced industries.

In the First Person: Ambassadors of Memory

The commandment "Remember what Amalek did to you" has taken on renewed meaning in recent years. The events of October 7 highlighted the central role of memory as a foundational element of national identity and emphasized the importance of preserving historical memory alongside strengthening unity and resilience within Israeli society. From a deep sense of responsibility for the security of the State and its citizens, IAI operates not only on the technological front but also in the ethical and educational arenas.

As part of this commitment, company employees participate in the social initiative First-Person Memory Ambassadors – a Jewish-Zionist initiative dedicated to preserving the memory of the Holocaust by conveying survivors' testimonies in a direct and personal manner. As members of a central and influential organization in the Israeli economy, IAI employees serve as memory ambassadors, passing the stories of Holocaust survivors to future generations in the first person.

Through this activity, IAI employees contribute to shaping national memory and ensuring its continuity, reinforcing the understanding that – even in the face of complex realities – the voices of Holocaust survivors will continue to resonate as a compass of courage, responsibility, and renewal within Israeli society.

Golden Hands

A volunteer initiative supporting families in need, in which company employees visit the homes of elderly individuals, people with disabilities, and individuals with special needs who require assistance with home maintenance. As part of the activity, basic repairs and upgrades are carried out, solutions are provided for significant maintenance issues, and support is given for everyday needs affecting quality of life and safety in the home.

The initiative aims to provide direct and respectful assistance to those who need it, improve living conditions, and strengthen the spirit of mutual responsibility and community involvement.

Scientists and Innovators of the Future

Winners of the Young Scientists and Developers Competition are hosted by the company's EVP for Technology, Innovation, and R&D as part of efforts to promote the next generation. The winners, who developed projects in fields related to the company's areas of activity, present their initiatives to IAI's research and development experts.

During these meetings, the potential for advancing these projects and integrating them into the company's technological activities is explored, while exposing young innovators to an advanced professional environment and cutting-edge technological work.

Performance Scorecards

2-7 | 2-8 | 202-2 | 405-1 | Limited assurance

Details regarding our HR information in 2025 are specified in footnotes to this table. The data represented in this table is based on a cutoff analysis from December 31th, 2025.

Indicator ¹	2023	2024	2025
Number of employees (women, permanent and personal contract)	3,105	3,265	3,450
Number of employees (women, temporary)	59	55	47
Number of employees (women, students)	283	240	199
Number of employees (women, total)	3,447	3,560	3,696
Number of employees (men, permanent and personal contract)	10,446	10,691	11,005
Number of employees (men, temporary)	228	244	192
Number of employees (men, students)	211	143	122
Number of employees (men, total)	10,885	11,078	11,319
Number of employees (Total) ²	14,332	14,638	15,015
Number of engineers	6,971	7,278	7,655
Number of managers (women)	112	121	135
Number of managers (men)	457	468	485
Number of managers (Total) ³	569	589	620
% managers from local communities	100	100	100
% women at top 10% salary-level	12	12.4	12.2
% employees from Ethiopian origins	2.34	2.43	2.48
% employees from the Druze community	0.19	0.2	0.17
% employees from the Ultra-orthodox community	2.53	2.73	2.8

¹ As of 2020, these indicators include employees under employment relations (permanent, personal contract, temporary and students).

² The number of employees is counted according to the actual number of employees and not the number of jobs.

³ As of 2020, this indicator includes managers from the level of department head and up.

Performance Scorecards

2-7 | 401-1 | 405-1 | Limited assurance

Details regarding our HR information in 2025 are specified in the footnotes to this table. The data represented in this table is based on a cutoff analysis from December 31th, 2025.

Indicator ¹	2023	2024	2025
% employees with disabilities ²	4.4	4.6	4.5
% employees, ages 30 and under	11.68	11.05	9
% employees, ages between 31-50	55.03	55.49	54
% employees, ages 51 and over	33.29	33.47	37
% managers, ages 30 and under ³	0	0	0
% managers, ages between 31-50 ³	35	29	28.8
% managers, ages 51 and over ³	65	71	71.2
Number of new employees (Total)	1,231	1,117	1,234
% new employees (women, in all professions)	32	30.35	31.7
% new employees (women, in core technological professions)	28.4	21.9	23.1
% new employees (men)	68	70	68.4
% new employees from Ethiopian origins	2	1.43	2.19
% new employees from the Druze community	0.4	0.54	0.2
% new employees with disabilities	0.9	1.6	2.4
% new employees from the Ultra-orthodox community	3	3.9	2.03
% new employees, ages 30 and under	46	41.63	38.6
% new employees, ages between 31-50	46	49.42	50.7
% of new employees, ages 51 and over	8	8.95	10.7

¹ As of 2020, these indicators include employees under employment relations (permanent, personal contract, temporary and students).

² The percentage of employees with disabilities out of the total workforce refers to permanent disabilities.

³ As of 2020, this indicator includes managers from the level of department head and up.

Performance Scorecards

2-7 | 2-21 | 2-30 | 403-9 | 404-1 | Limited assurance

Indicator	2023	2024	2025
Annual total compensation ratio ¹	4	4.2	4.4
Number of training hours (frontal) ²	430,733	493,084	469,345
Number of training hours (non-mandatory)	78,326	82,034	49,957
Average Number of training hours per employee	32	36	34
% employees completing sustainability-related training (Online Module)	75	76	84
% employees covered by collective bargaining agreements	61	59	57
Number of absence days : Aviation	783	1,214	1,067
Number of absence days: Elta systems	140	128	187
Number of absence days: Systems, missiles and space	117	418	136
Number of absence days: Military aircraft	193	21	41
Number of absence days: Supporting units	95	0	4
Number of absence days: Management	2	5	0
Number of absence days (Total)	1,330	1,786	1,435
Number of absence days (Total per 1,000 employees) ³	93	122	89.6

¹ For further information on employee compensation, see Section 16 in the First chapter (description of the corporation's business) of the 2025 Financial Statement of the Company (in Hebrew), pages 70-77.

² The number of training hours is normalized per the company's total number of employees. It excludes seminar days, compulsory learning, and online platforms It includes morning courses, factory and external training.

³ Starting this year, the ratio takes into account the total number of employees in aspects of occupational health and safety purposes.

Performance Scorecards

2-7 | 403-9 | Limited assurance

Indicator	2023	2024	2025
Number of accidents: Aviation	25	30	29
Number of accidents: Elta systems	6	7	10
Number of accidents: Systems, missiles and space	5	11	5
Number of accidents: Military aircraft	4	2	3
Number of accidents: Supporting units	4	1	3
Number of accidents: Management	1	1	0
Number of accidents (Total)	45	52	50
Number of accidents (Total per 1000 employees) ³	3.14	3.55	3.12
(Number of accidents (Total per working hours	0.31	0.35	0.325
Number of accidents: contractors ²	16	17	19
Number of fatalities ²	0	0	0
Number of traffic accidents	24	34	14
Number of pedestrian injured	2	2	5
Volunteering hours ¹	25,760	26,623	26,858

¹ Volunteering hours data include employees with an employer-employee relationship (permanent, temporary, personal contract, and students) as well as retirees.

² The information presented is current as of the date of data collection in each reporting year.

³ Starting this year, the ratio takes into account the total number of employees in aspects of occupational health and safety purposes.

- Strategy & Value Creation ●
- Governance ●
- Employees & Communities ●
- Environment ●
- GRI Content Index ●





The Israel Aerospace Industries Procurement and Logistics Organization operates structured processes and mechanisms to ensure that sustainability considerations systematically inform decision-making.



Resource management and environmental efficiency

2-25 | 2-27 | 3-3 | 306-2 | SP | MT



UN SDG targets: 8.4 | 9.4 | 12.2

Environmental Management and Compliance



All IAI's production Divisions are certified to the ISO 14001:2015 standard. This allows us to define the authority and responsibility and implement procedures, reporting and control systems, and targets and measurement indicators for consistent performance, and proactively identify possible gaps and achieve constant improvement in environmental vision at the Divisional level.



Infrastructures for treatment and end-solutions are embedded to support compliance with legal requirements and resource optimization processes. At the IAI Headquarters level, there is management responsibility for both the EHS (Environmental, Health, and Safety) and Corporate Sustainability and Responsibility Directorates, whose role is to outline policy and provide tools, information-gathering infrastructure, and professional support to the Divisions, while helping reduce risks at the corporate level and ensure compliance with the strategic environmental goals of the whole company as part of its Strategic Plan for Sustainability.

In addition, a strategic view of environmental issues is integrated into a wide variety of processes in the company, such as development processes (page 76), merger and acquisition procedures (page 23), and supply chain issues (page 32).

Environmental management at the various levels of the company also includes a structured and detailed reference to emergency-related activities using defined emergency teams, response procedures, action plans, dedicated equipment, and periodic exercises, the purpose of which is to allow the company to continue to protect both people and the environment even in those cases where operational routines may be affected.

IAI's sustainability plan is based on our uncompromising commitment to comply with all laws and regulations applicable

to our activities and businesses. Due to our multiple processes, transactions, and other activities, we must meet many legal requirements on an ongoing basis. To this end, the Company operates the following mechanisms:

Monitoring Legislative Requirements and Environmental Standards in Israel

IAI subscribes to a daily update service regarding environmental issues in Israel. This allows us to receive timely updates on existing legal requirements to ensure company compliance with their most updated versions. This service also covers evolving future requirements so that we can implement plans prepared in advance.

Beyond that, aspects of environmental regulations and public policy, as well as publications of environmental initiatives at the national level are also included, used by the company to promote internal strategic goals, and within the various frameworks for discussion with environmental stakeholders in Israel.

Monitoring Legislative Requirements and International Environmental Standards

The production, operation, maintenance, and decommissioning of existing aviation and defense technologies all produce a considerable environmental footprint. In addition, global shortages of materials pose a growing risk to continuous production, alongside stricter regulations, which lead to many raw materials in the industry no longer being used.

As members of the IAEG (page 14), we regularly monitor the updates of legislation on those materials in international markets which have a direct impact on their use in the aviation and defense sectors. IAI uses these updates as part of its reporting processes with its customers and in the development of environmentally friendly substitutes.

Environmental Enforcement Program in the Divisions

Whenever gaps are identified, senior management is informed, and corrective actions are taken. Furthermore, there are times when the event or issue is reported to our board of directors and/or external auditors, and if the relevant criteria are met, such events or issues are also reported to the public.

To the best of our knowledge, and up until the date of issuing this report, no sanctions or fines were imposed in 2025 on IAI in relation to our environmental performance.

Environmental Risks Management

The company's board of directors and management are committed to sustainable development and establishing a corporate culture that promotes corporate responsibility. As part of this commitment, and following the instructions of the Government Companies Authority in this matter, the company's management holds regular discussions regarding the planning and implementation of these issues.

In addition, specific management reports on environmental issues are discussed by the sustainability committee of the board of directors. For more on environmental risks (including statutory regulations related to decision-making) see Section 20

in the First chapter (Description of the cooperation's business) of the 2025 Financial Statement of the Company (in Hebrew), pages 79-80.

Soil and Groundwater Surveys and Treatment

Based on the requirement of the governmental Unit for Licensing Defense Companies within the Ministry of the Interior, IAI conducted phase 1 of a historical soil survey in 2011, which included the collection of relevant information regarding potential areas of environmental concern from historical use of the company's real estate assets at each of its locations.

A detailed multiyear plan for additional surveys and soil and water treatment prioritized according to the scope of operations at each location was submitted to and approved by the relevant authorities.

See page 72 for details on soil treatments done in 2025. For additional site investigations and treatment of soil and groundwater, which are prioritized based on the extent of operations in each site, see Section 13 in the First Chapter (Description of the corporation's business business) of the 2025 Financial Statement of the Company (in Hebrew), pages 65-68 for up-to-date progress.

Water and Effluents

303-1 | 303-2 | 303-5 | Limited assurance

Israel is located in a geographical area that suffers from a shortage of water, therefore many companies in Israel show leadership at an international level in the development of water-related technologies. IAI considers its water consumption to be a valuable resource that must be managed efficiently.

The total amount of water consumed in 2025 was 837.7 megaliters, including all water sources at each of the company's sites. All water consumption data is based on internal and external monitoring and billing information.

Effluent Treatment

The vast majority of the company's industrial wastewater is discharged from the company's site next to Ben Gurion International Airport to a nearby treatment facility under a regulated wastewater quality agreement, and to specific streams, after pre-treatment to remove hazardous substances. All wastewater discharge data is based on internal and external monitoring and billing.

Waste Management

306-1 | 306-2 | 306-3 | 306-4 | 306-5

Limited assurance | SP



UN SDG targets: 12.5

Raw materials are becoming scarcer. This reality necessitates responsible waste management – both economically and environmentally – beyond pollution prevention processes. IAI is focusing its efforts on finding waste management opportunities, along with:

- Efficient raw material consumption in production.
- Investment in the development of environmentally friendly raw materials as an alternative to hazardous materials in products.
- Adopting the principles of a circular economy.
- Maximizing processes with waste contractors to avoid the need for landfill.



The company's operations generate hazardous waste, primarily including chemicals, paints, and mineral oils, and it works with authorized contractors to direct this waste for reuse, recycling, and energy recovery or approved landfill. In 2025, 30% of the hazardous waste was diverted for recycling, reuse and energy recovery, 2.7% was directly sent to landfill by a subcontractor, and 67.4% was directed to treatment processes under its responsibility, such as physico-chemical separation, chemical neutralization processes, and disposal by incineration. Therefore, the hazardous waste report is split into landfill/treatment components.

Most of IAI's non-hazardous waste streams are separated at source to allow reuse or recycling, including office waste (such as paper, cardboard and plastic), and operational waste (such as wood, metals, used cooking oil and scrapped parts). In 2025, 47% of the company's waste did not reach landfills due to reuse and recycling processes. The Company is examining improvement measures in waste management as part of the new Strategic Plan for Sustainability.

Biological Treatment and Soil Recovery

Within IAI's plan for treating historical soil pollutants, soil contamination with kerosine resulting from historical activity of the company's factories was found. In 2024, the company restored and cleared the polluted soil in full cooperation with the Ministry of Environmental Protection. The soil was biologically treated and recovered at treatment sites within the activity of a subcontractor.

Circular Economy

A circular economy offers an innovative concept of how companies can create sustainable business value by moving from linear to circular patterns of production, consumption of raw materials, and waste. The principles of the circular economy are already implemented by IAI in some of its business activities, for example, in passenger-to-freighter aircraft conversion – one of the company's prominent lines of business in the aviation sector – as a process that both preserves and extends the life cycle of the aircraft.

IAI has adopted cooperative business models for the drones it produces. Technologies such as 3D printing and visualization and simulation processes using virtual reality (VR) tools are an integral part of the development processes of the company's innovative and most advanced technological systems in fields such as satellites and missiles.

In addition to the benefits to the environment, by promoting circular economy principles IAI sees an opportunity for both technological innovation and business efficiency and savings. There is potential for adopting substitution processes in product design, using digital means as an infrastructure that replaces the need to use physical resources, and considering the development of additional cooperative business models and the possibility of sharing intra-organizational assets such as buildings, inventories, and knowledge.

Expansion of circular economic applications is carried out in IAI within the framework of its Strategic Plan for Sustainability. The process includes extensive mapping of the potential of circularity in the company's business activities to identify opportunities for implementation, while at the same time building intra-organizational expertise in the various disciplines.



Passenger-to-Freighter Aircraft Conversions

At the Conversion and Upgrades Facility, operating under the Aviation Division, passenger aircraft are converted into cargo aircraft in several configurations:

- B777-300
- B767-300 & B767-200
- B737-800 & B737-700

On August 30, 2025, following five years of intensive development, IAI received the Supplemental Type Certificate (STC) for the conversion of Boeing 777-300 passenger aircraft into cargo aircraft from the Israeli Civil Aviation Authority (CAAI) and the FAA.

The Company is the first, and currently the only, organization worldwide to receive STC certification for this aircraft model.

In addition, the facility is currently developing a conversion program for the Airbus A330-300 as part of the process to obtain STC certification for this model.

Converting passenger aircraft into cargo aircraft generates substantial environmental value alongside business value, including:

- Extending the operational life of aircraft
- Reducing emissions and environmental impact through savings in materials and energy
- Upcycling rather than scrapping, enabling more sustainable resource use

An additional activity carried out at the facility involves donating passenger seats removed from aircraft during the conversion process for use in various initiatives, such as escape rooms, art projects, and other creative applications.



A respite and relief space for the evacuees of Kfar Aza in Shefayim

The "Air Salon" Project

IAI is a global leader in passenger-to-freighter aircraft conversions. Upon completion of the conversion process, numerous aircraft components remain, which the Company is obligated to decommission and dispose of through a designated supplier.

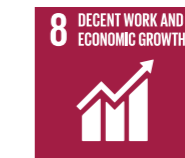
Recognizing a strategic opportunity to generate environmental and social value, IAI launched the "Air Salon" initiative in 2021. The initiative aims to promote the reuse of industrial waste generated during the aircraft conversion process, while simultaneously contributing to the community.

As part of this initiative, social organizations were invited to collect discarded aircraft materials and transform them into unique design items and furniture, thereby extending the lifecycle of these components and reducing waste.

Climate change and related activities

3-3 | 302-1 | 302-4 | SP | LIMITED ASSURANCE | MT

Energy Management



UN SDG targets: 8.4 | 9.4 | 12.2 | 13.1

All manufacturing industries consume energy for operation and growth. Globally, countries are looking for ways to increase the renewable energy share in their total energy consumption, as opposed to the consumption of the dwindling quantities of non-renewable energy sources, responsible for air pollution and climate change.

We strive to operate our energy infrastructure under optimal conditions, maximum economic efficiency, and eco-friendliness. Each IAI division and some of the supporting units have an Energy Officer, responsible for energy management, including data collection, reporting, identification of wasteful consumption and its elimination. Energy use is constantly monitored in all our facilities. The data is made available to our managers and energy trustees.

Division managers approve energy efficiency programs, including the replacement of inefficient HVAC, lighting, and manufacturing processes. The divisions also train Energy Trustees to monitor and follow up on designated facilities, promoting employees' awareness and ensuring preventive maintenance.

The following divisions hold a valid certification of ISO 50001:2018 standard for energy management in operations: the Military Aviation Group, the Missiles and Space Group, and TNUFA, which are responsible for the company's overall energy infrastructure management.

Electricity Consumption

IAI's electricity consumption is mostly based on a private supplier, which produces electricity based on natural gas (except for months in which the supplier transferred the responsibility for delivery to Israel Electric Corporation subject to the engagement agreement), and the rest from direct renewable energy production and consumption in-house.

As of 2007, IAI established a continuous working plan to implement cross-organizational efficiency and saving measures. Since 2007, 1,110 GWh has been saved in relation to the "business as usual" scenario. Savings were achieved alongside a rise in total electricity consumption in 2025, due to new buildings being populated and new processes implementation.

IAI did not sell any energy (electricity, cooling/heating, or steam) during 2025.

Renewable Energy – Photovoltaic Generation

In 2025, IAI continued to utilize renewable energy sources based on solar panels. These were installed at some of our facilities for purposes of energy savings and as part of the sustainability roadmap for greenhouse gas reduction and energy savings. In 2025, the Company generated 2,230,903 kWh of photovoltaic electricity, all of which was fully consumed for self-use at Company sites.

The Company conducted current checks for the feasibility of additional photovoltaic installations, standalone and combined with storage facilities. Currently, a number of plans are under review and may be implemented during 2026.

Fuel Consumption for Industrial Use

In 2025, there was an increase in the consumption of diesel for industrial uses and liquefied petroleum gas compared to 2024. This increase is aligned with the Company's overall business activity and reflects the growth in operational and manufacturing activities during the reporting year.

Fuel Consumption in Transportation

IAI operates a fleet of leased vehicles for its employees, as well as a fleet of carpooling vehicles for short trips between its sites. In 2025, the total distance travelled was 70,235,892 kilometers. This is estimated based on the total consumption of fuel for vehicle transportation, assuming an average fuel efficiency of 12km per liter per vehicle.

IAI continues to invest in the diversification of its fleet of vehicles as part of its strategic sustainability roadmap, by introducing hybrid and plug-in vehicles and replacing in-house operational utility vehicles with electric vehicles.

Shuttle Service

IAI promotes an advanced approach to organizational transportation management, based on a commitment to improving the employee experience, enhancing operational efficiency, and advancing environmental responsibility. IAI operates a large-scale employee shuttle network connecting employees' residential areas with all company sites across the country.

The shuttle system provides an efficient alternative to the use of private vehicles and enables employees to commute to work conveniently, safely, and efficiently, while reducing traffic congestion and alleviating parking shortages at company sites.

To improve management and adapt to changing needs, IAI operates an advanced application for reserving seats on company shuttles in advance. This system enables real-time demand analysis, adjustment of vehicle types according to expected passenger volumes, improved operational efficiency, and a reduction in the environmental impact associated with operating the vehicle fleet.

Carpooling

As part of its smart mobility strategy, IAI also promotes carpooling solutions through an online CARPOOL platform. The system enables employees to find ride-sharing partners based on where they live, arrival times, and work locations.

The carpooling model helps reduce reliance on private vehicles, lowers traffic congestion and resource consumption, and strengthens IAI's sustainability and environmental responsibility approach. By combining an organized shuttle network with shared mobility solutions, IAI promotes an advanced transportation model that integrates operational efficiency, employee well-being, and environmental benefits.

Emissions

305-1 | 305-2 | Limited assurance | SP

Greenhouse Gas Emissions



UN SDG targets: 13.1

The transition to a low-carbon economy has been identified as the central tool to combat climate change alongside building resilience and adapting to the anticipated effects of climate-related change.

As part of the company's strategic sustainability roadmap, IAI seeks to reduce greenhouse gas (GHG) emissions from operations and production processes, while partnering in the development of additional products and solutions:

- Aligning our climate change focus with the UN SDGs (Goal 13: Climate action).
- Annual disclosures to CDP (a global, environmental disclosure organization) and the voluntary GHG reporting scheme led by the Israeli Ministry of Environmental Protection. IAI has been reporting to both since 2017.
- Meeting internal targets for reducing greenhouse gas emissions. Measures include in-house production and consumption of renewable energy via solar photovoltaic installations, greener transportation, and effective energy utilization.
- Leading and supporting reductions of GHG emissions in aviation.
- Collaborating on climate action and emissions reporting in the A&D supply chain, both locally and internationally (see page 13).

The sources used in our annual emissions calculations included fuels for transportation and industrial use. The sources also include the consumption of electricity supplied by a private electricity producer subject to the engagement agreement with it (natural gas/direct consumption from Israel Electric Corporation) and renewable energy generated inside the organization.

Climate-Related Risk Assessment

As part of its strategic plan for 2019-2023, IAI performed a climate risk assessment. It examined the impacts of transitioning into a low-carbon economy, both locally and globally, and the potential physical impacts on infrastructure (acute and chronic).

The assessment was done for operations in Israel, based on TCFD recommendations and climate-related databases of various Israeli authorities. The main risk it identified was a chronic one: an expected rise in average temperatures in the medium to long run. This is liable to affect the work process in some IAI facilities.

The company will continue to monitor the risks of climate change to its operations, identifying, measuring, and reducing them.

Air Emissions



UN SDG targets: 12.2

Air pollution emissions are closely linked to impacts on the environment and public health. IAI works within the framework of the sustainability roadmap, to reduce the use of hazardous materials in its production processes, and to reduce air pollution emissions from its industrial production processes and transportation sources.

Persistent Organic Pollutants (POP) are not present in IAI's operations.



Environmental R&D

201-2 | SP



UN SDG targets: 9.4 | 12.2 | 13.1



Design for sustainability (DFS) is an approach that considers the entire environmental life cycle of a product or service, integrating environmental risk management and opportunity. DFS practices yield more flexible products and services in a tightening regulatory atmosphere, reducing short-term and long-term risks throughout the product life cycle, and systematically contributing to overall cost reductions.

IAI's strategic sustainability roadmap calls for expanding our innovative DFS program. In 2025 we continued to develop products using substitute, environmentally friendly materials, both at our initiative and in collaboration with external partners, contributing to the advancement of a circular economy.

The Unmanned Aerial Vehicle (UAV) Division of the company holds the following ISO standards: Green label on behalf of the Standards Institute of Israel (SII) compliant with ISO 50001 and 14001 for environmental performance and energy efficiency for a range of products such as TACTICAL, GHTP, TP, HERON.

In the design, manufacture, and use of products, our UAV division aims to minimize its ecological footprint. For example, the Company promotes the use of unleaded fuels and enables the reuse of fuel following drainage processes; applies chromate-free paints and environmentally friendly thinners; and provides maintenance and end-of-life solutions that support the extension of product lifespan and responsible scrapping practices.

Israel Aerospace Industries Develops a Breakthrough Solution for Early Detection and Prevention of Wildfires

IAI is developing an innovative early wildfire detection system under its Fire Drone project, originally initiated as part of the international XPRIZE competition. The project has received formal recognition and a prestigious award from the Israel

Innovation Authority.

Beyond the financial grant, the award includes a series of operational flight trials conducted in cooperation with Israel Fire and Rescue Services. These trials will simulate diverse fire scenarios, including controlled ignitions, aerial scans under extreme weather conditions, and a comprehensive operational and safety framework for testing. The flight trials are scheduled to commence in February 2026.

Large-scale wildfires are increasing worldwide in both frequency and intensity. These destructive events spread rapidly and cause severe consequences, including growing economic burdens, loss of life and property, destruction of ecosystems, and a rising contribution to global greenhouse gas emissions.

As a global leader in unmanned aerial systems and airborne platforms for over four decades, IAI leverages proven military technologies and adapts them to civilian applications. The Fire Drone solution is built on this expertise.

The innovative system consists of three integrated subsystems: a long-endurance unmanned aerial platform, an onboard mission computer running multiple parallel detection algorithms, a stabilized day-and-night imaging camera.

The system is capable of detecting wildfires within minutes of ignition, well before they become destructive and difficult to contain. It provides wide-area coverage and performs real-time image analysis using multiple algorithms to detect fires while minimizing false alarms. Detection operates both in the visible spectrum (day channel) and in the infrared spectrum (night channel).

Upon fire detection, the system automatically generates an alert and transmits the precise geolocation of the fire to response teams.

Currently at Technology Readiness Level TRL5, the project participated in IAI's Innosphere acceleration program and has completed its main development phase. It is expected to reach TRL7 by the end of 2026.

Performance Scorecards

302-1 | 302-4 | Limited assurance

Indicator	2023	2024	2025
Built area (m ²)	944,512	951,363	957,493
Electricity consumption: heating/cooling (TJ)	396	397	400
Electricity consumption: lighting (TJ)	95	96	95
Electricity consumption: air compressors (TJ)	47	47	47
Electricity consumption: manufacturing (TJ)	171	172	173
Electricity consumption: other (TJ)	86	86	89
Electricity consumption: Total (TJ) ¹	796	798	805
Electricity consumption per built area: Total (GJ/m ²) ¹	0.84	0.84	0.84
Fuel consumption: industrial diesel fuel (GJ)	28,105	9,717	9,918
Fuel consumption: liquefied petroleum gas (GJ)	33,397	28,710	37,301
Total fuel consumption for industrial uses per built area (GJ/m ²)	0.065	0.04	0.05
Fuel consumption, automotive: diesel (50) (Mega-liter) ²	0.467	0.476	0.416
Fuel consumption, automotive: gasoline (95) (Mega-liter)	4.9	5.3	5.4
Fuel consumption, aviation: jet fuel (Mega-liter) ³	1.17	1.43	1.29
Fuel consumption, aviation: jet fuel (liter/Aviation income Million \$)	919	1,077	897
No. of hybrid and electric vehicles in company's fleet	842	826	863

¹ Including renewable electricity manufactured and consumed in-house.

² Used by operational fleet only.

³ Data reflects jet fuel that was consumed directly by IAI.

Performance Scorecards

305-1 | 305-2 | 305-3 | 305-4 | 306-3 | 306-4 | 306-5 | Limited assurance

Indicator ¹	2023	2024	2025
Stationary fuel sources (CO ₂ e, metric tons)	4,383	2,561	3,099
Mobile fuel sources (CO ₂ e, metric tons)	16,580	18,174	17,894
Total scope 1: direct emissions (CO ₂ e, metric tons)	20,963	20,735	20,994
Electricity consumption (CO ₂ e, metric tons)	96,987	103,037	99,546
Total scope 2: indirect emissions (CO ₂ e, metric tons)	96,987	103,037	99,546
Total emissions avoided by renewable energy consumption (CO ₂ e, metric tons)	949	1,028	1,018
Total scope 1&2 (CO ₂ e, metric tons)	117,950	123,772	120,540
Total scope 3 (CO ₂ e, metric tons)	17,791	18,829	39,101 ³
Scope 1 GHG intensity ²	0.022	0.022	0.022
Scope 2 GHG intensity ²	0.103	0.108	0.10
Normalised, total scope 1&2 (CO ₂ e, metric tons/EBITDA) (Mil \$)	178	156	111.4
Hazardous waste, landfill (metric tons)	29	53	48
Hazardous waste, treatment (metric tons)	835	1,067	1,214
Hazardous waste, recycling/reuse (metric tons)	227	303	347
Hazardous waste, waste-to-energy (metric tons)	183	277	192
Hazardous waste, total (metric tons)	1,274	1,700	1,801
Hazardous waste, total (metric tons/EBITDA) (Mil \$)	1.9	2.1	1.7
Non-hazardous waste, treatment and/or landfill (metric tons)	4,553	4,580	4,315
Non-hazardous waste, recycle/reuse (metric tons)	4,420	4,315	3,799
Non-hazardous waste, total (metric tons)	8,973	8,895	8,114
Non-hazardous waste, total (metric tons/EBITDA) (Mil \$)	13.5	11.2	7.5

¹ Source used for data unit conversions: the 2006 guide of the intergovernmental panel on climate change.

² Calculated per built area.

³ As of 2025, the commuting category was added to the Scope 3 emissions calculation. Emissions reported under this category include both international flights and employee commuting.

Performance Scorecards

303-4 | 303-5 | 305-7 | Limited assurance

Indicator	2023	2024	2025
Total water consumption (1,000 m ³)	794	829	837.7
Total water consumption (1,000 m ³ /EBITDA)	1.19	1.05	0.8
Total water discharge (1,000 m ³) ¹	189	194	161.41
Total air emissions, NOx (metric tons) ²	18	16	17.7
Total air emissions, SOx (metric tons) ²	2.2	2.27	1.958
Total air emissions, VOC (metric tons) ²	3.25	4.56	4.050
Total air emissions, PM (metric tons) ²	1.72	2.66	2.299

¹ Includes the Ben Gurion airport campus only.

² Emissions are reported on IAI's two operational facilities that were found to be obligated by the Israeli Clean Air Law - 2008 regulations criteria. Those facilities underwent a series of processes to meet all legal requirements, and their performance is in accordance with stack monitoring and calculation methodologies defined in the Israeli Pollutant Release and Transfer Register - 2012.

- Strategy & Value Creation ●
- Governance ●
- Employees & Communities ●
- Environment ●
- GRI Content Index ●





GRI content index

For the Content Index – Essentials Service, GRI Services reviewed that the GRI content index has been presented in a way consistent with the requirements for reporting in accordance with the GRI Standards, and that the information in the index is clearly presented and accessible to the stakeholders. The service was performed on the English version of the report.

Statement of use	IAI has reported in accordance with the GRI Standards for the period 1 January 2025 - 31 December 2025.
GRI 1 used	GRI 1: Foundation 2021
Applicable GRI sector standards	Not currently available

GRI 2: General Disclosures 2021

GRI standards		Page	Omission
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2-19	Remuneration policies	39
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2-27	Compliance with laws and regulations	69 ,41
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Legal disclaimer

This sustainability report (hereafter "the report") presents IAI's activity in 2025, for sustainability and corporate responsibility issues.

The report focuses on integrating sustainability principles in business operations, the economic, social, and environmental values that these principles contribute to IAI and its connections with stakeholders as specified in the report, and more.

This report does not serve as a securities offering of IAI to the public, and should not be interpreted as a public securities offering, and it does not serve as a report as defined by the Securities Law – 1968, and its regulations. A clear indication was noted in places where the report includes quantitative indicators (charts, diagrams, etc.) that do not cover all of IAI's performance.

This report reflects IAI's policy that is "beyond compliance". As such, it shows the targets, objectives, and milestones that IAI has decided on and strives to achieve, but has no legal obligation to meet. IAI has taken all measures to ensure that this document is precise and correct, and to the best of our knowledge, it is precise and correct, as per its publication date. Nonetheless, as in any document, it may include generalizations, inaccuracies, mistakes, and omissions, and as such, IAI does not take any responsibility for the precision or completeness of this document and does not allow reliance or use of the data included by someone. In addition, IAI is not under any obligation to update the information provided in this report.

In the event of any inconsistency between the information in this report and any information in the company's public reports published on the ISA's filing system [<https://www.magna.isa.gov.il>] and/or the Stock Exchange, the information in the public reports on these websites shall prevail. Lastly, any assessments and estimates included in the document are the Company's alone, and as in any qualitative information, they reflect assessments and estimates which are subjective by their nature and which are not necessarily measurable.

External assurance

2-5

As part of the reporting process, relevant data collection infrastructure, controls, and methods were assessed, in order to build a sustainable reporting framework that will serve the company in assembling sustainability information in a reliable and effective process in future reporting procedures.

As a governmental company, we see great importance in supplying our stakeholders with accurate and reliable information about the environmental and social impacts of our activity.

Independent Limited Assurance

2-5



Independent Limited Assurance Report for of Israel Aerospace Industries Ltd. (IAI)

We have undertaken a limited assurance engagement of the accompanying the specified subject matter as mentioned in the table below (further referred to as **"subject matter information"**) of Israel Aerospace Industries Ltd. (IAI) (further referred to as **"the company"**) for the period started on the 1st of January 2025 and ended 31 December 2025.

Other than the information described in the table below, which defines the scope of our engagement, we did not perform assurance procedures on the rest of the information contained in the report and accordingly we do not express any conclusion for this information.

The subject matter is marked as "limited assurance" in the report:

- Managing sustainability in IAI
- Stakeholders
- Strategic alliances
- Materiality
- 2030 sustainability roadmap
- Corporate governance
- Business ethics
- Cyber defense and information security
- Business development and performance
- Local procurement
- Business continuity
- Patents
- Occupational health and safety
- Diversity, inclusion and gender equality
- Empowering workplace
- Energy management
- Water and effluents
- Emissions
- Waste management

Management's Responsibility

Management is responsible for the preparation of the subject matter information according to the GRI principles (further referred to as **"the applicable criteria"**).

Management is also responsible for selecting the applicable criteria used.

The preparation of the subject matter information requires management to establish and interpret the criteria, make determinations as to the relevancy of information to be included, and make estimates and assumptions that affect the reported information. The selection by management of different but acceptable measurement techniques, estimates or assumptions could have resulted in materially different amounts or metrics being reported. Obtaining sufficient, appropriate evidence to support our limited assurance conclusion does not reduce the inherent uncertainty in the amounts and disclosures.

Management is also responsible for such internal control as management determines necessary to enable the preparation and presentation of the subject matter information that is free from material misstatement, whether due to fraud or error.

Our Responsibility

Our responsibility is to express a limited assurance conclusion on the subject matter information based on the evidence we have obtained. We conducted our limited assurance engagement in accordance with International Standard on Assurance Engagements 3000 (Revised), Assurance Engagements Other than Audits or Reviews of Historical Financial Information. This standard requires us to conclude whether anything has come to our attention that causes us to believe that the subject matter information is not fairly stated, in all material respects.

A limited assurance engagement consists of performing procedures (primarily consisting of making inquiries of management and other within the company, as appropriate, and applying analytical procedures) and evaluates the evidence obtained.

Our engagement included, amongst others, the following procedures performed:

- Conducting inquiries to the relevant personnel, who are responsible for providing the information for the report and examining the systems that collect such information.
- Conducting inquiries to the relevant personnel who are in charge of the subject matters, in order to understand the on-going work process and the preparation for the report.
- Comparing the information presented in the Sustainability Report on subject matter, with references from relevant sources, in order to determine whether the relevant information is accurately included in the report.
- Examining the disclosure and presentation of the information in the report.

The procedures performed in a limited assurance engagement differ in nature and timing, and are substantially narrower in scope, than those performed in a reasonable assurance engagement. Accordingly, the level of assurance obtained is significantly lower than the level of assurance that would have been obtained had a reasonable assurance engagement been performed.

We believe that the evidence obtained is sufficient and appropriate to provide a reasonable basis for our conclusion.

Our Independence and Quality Control

We are independent in the company in accordance with the legal provision applicable in Israel regarding the independence and prevention of conflict of interest of the auditing accountant in Israel. We fulfill our other ethical obligations in accordance with the Certified Public Accountants Law (1955), and regulations derived from it, which are based on the principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

The firm applies International Standard on Quality Management 1, Quality Management for Firms that Perform Audits or Reviews of Financial Statements, and Other Assurance or Related

Services Engagements, which requires the firm to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Conclusion

Based on the procedures we have performed and the evidence we have obtained, nothing has come to our attention that causes us to believe that the subject matter information of the company for the period started on the 1st of January 2025 and ended 31 December 2025, which is shown in the table above, is not prepared, in all material respects, according to the GRI principles.

Ziv Haft
Certified Public Accountants
Tel Aviv, Israel
March 31th, 2026



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We would appreciate any comments, questions or feedback from our stakeholders regarding this report or the sustainability program in general.

For inquiries regarding the sustainability program:

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