



CORPORATE RESPONSIBILITY REPORT 2020

ELECTRA CONSUMER PRODUCTS (1970) LTD

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A MESSAGE FROM OUR CEO

It is a pleasure to present Electra Consumer Products first Corporate Responsibility Report for the year 2020. The report reflects our corporate approach, and a range of activities and performance standards in the fields of Environmental, Social and Corporate Governance (ESG).

As a company operating in the field of climate control, Electra operates in a variety of sectors, from development and production to import and retail. As such, we maintain a significant presence in almost every Israeli home. This influence comes with great responsibility. There is a growing need to develop environmental solutions for various products along with a growing awareness of the importance of creating environmentally-friendly products. Innovative global technologies offer us the opportunities to improve and streamline our products as we aim to positively impact our surroundings and contribute to shaping a better future. To this end, we strive to establish collaborations that leverage our capacity to influence the environment and in particular, to mitigate the effects of climate change through our company's practices.

The outbreak of the Covid-19 pandemic presented complex challenges both at operational as well as at strategic levels. Equally important has been the pandemic's negative impact at the social/human level. While it has been a challenging year, Electra has taken steps that allow our company to weather this crisis and to continue to be at the forefront of environmental and social sustainability.

Of particular pride for Electra has been a collaboration agreement with the multinational engineering and electronics company, Bosch, to establish the world's first HVAC (Heating, ventilation, and air conditioning) technological park for the development of advanced solutions to climate issues. Our mini central air-conditioner series (EMD) is the first of its kind to receive the Green Standard certificate from the Israeli Standards Institute. Additionally, we agreed to establish Israel's first plant for electronic waste recycling. These and many other activities which lie at the intersection of sound business planning and social responsibility are detailed in this report.

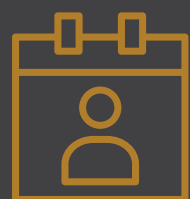
I take pride in the fact that our company has met each of its targets for improvement, and we will continue to extend the scope of our engagement in areas of environmental, social and corporate governance in the upcoming years.

Our company is shaped by a commitment to our employees, customers, suppliers, investors, and other organizational stakeholders, as well as to the greater society and the environment in which we live and operate. Promoting, reporting and addressing matters of corporate responsibility will serve to enhance our resilience as a company, ensure transparency, and create a fair and respectful business environment for our employees and partners. Thus, we shall endeavor to continue on this path and remain the successful team we are today.

Zvika Shwimmer | CEO



ABOUT THE COMPANY

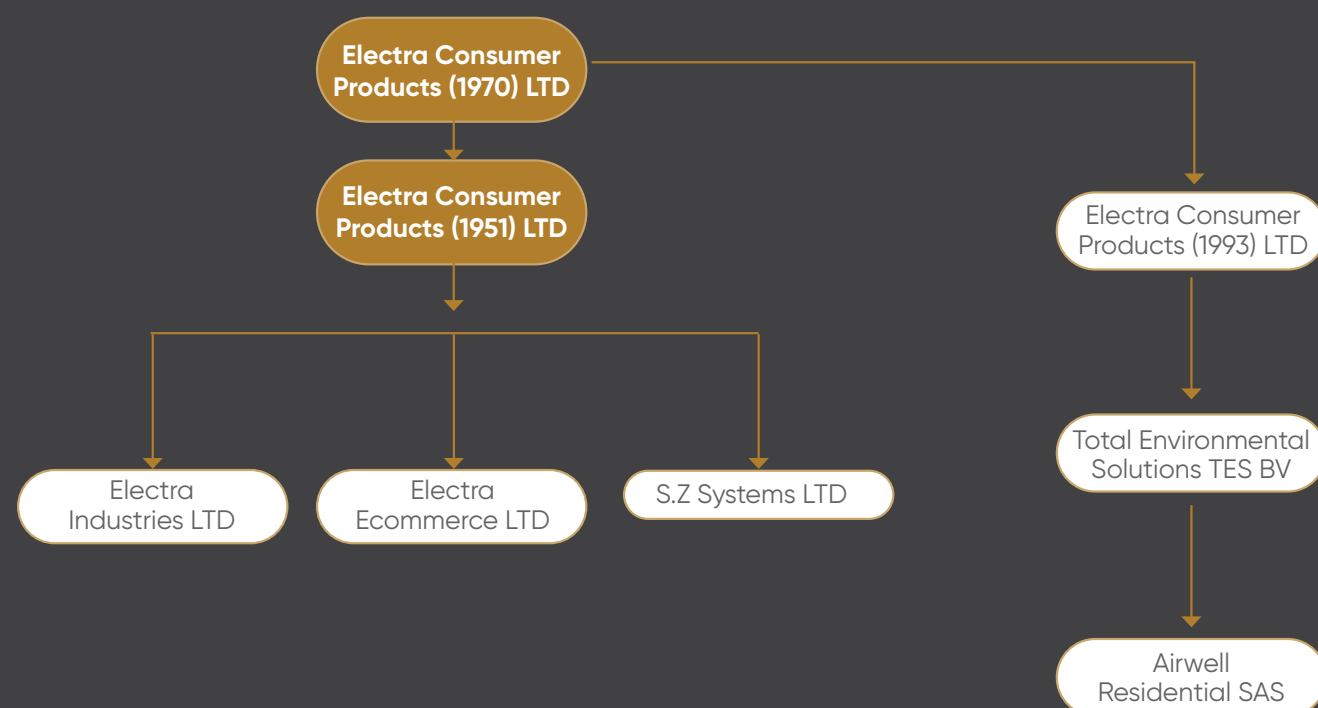


Electra Consumer Products LTD was established as a private limited company on March 24th, 1970 (registered under the Companies Act). Today, it is a publicly traded company listed on the Tel Aviv Stock Exchange. The Company is a subsidiary of Elco Holdings Group, a majority shareholder of the Company.



Electra Consumer Products LTD is active in the areas of consumer electronics, appliances, air-conditioning and HVAC (Heating, ventilation, and air conditioning) systems and its operations are reported in the Company's financial statements.

HOLDING STRUCTURE



The following report presents a comprehensive account of Electra Consumer Products (1951) Ltd., a subsidiary of Electra Consumer Products (1970) Ltd. In the event of any discrepancy or inconsistency between the information appearing in this report and the information presented in the Company's financial report, the financial report will prevail.



ELECTRA'S PRODUCTS AND SERVICES

Consumer Electronics Segment

We import, produce, export, market, sell and distribute consumer electrical appliances and provide service for these products.

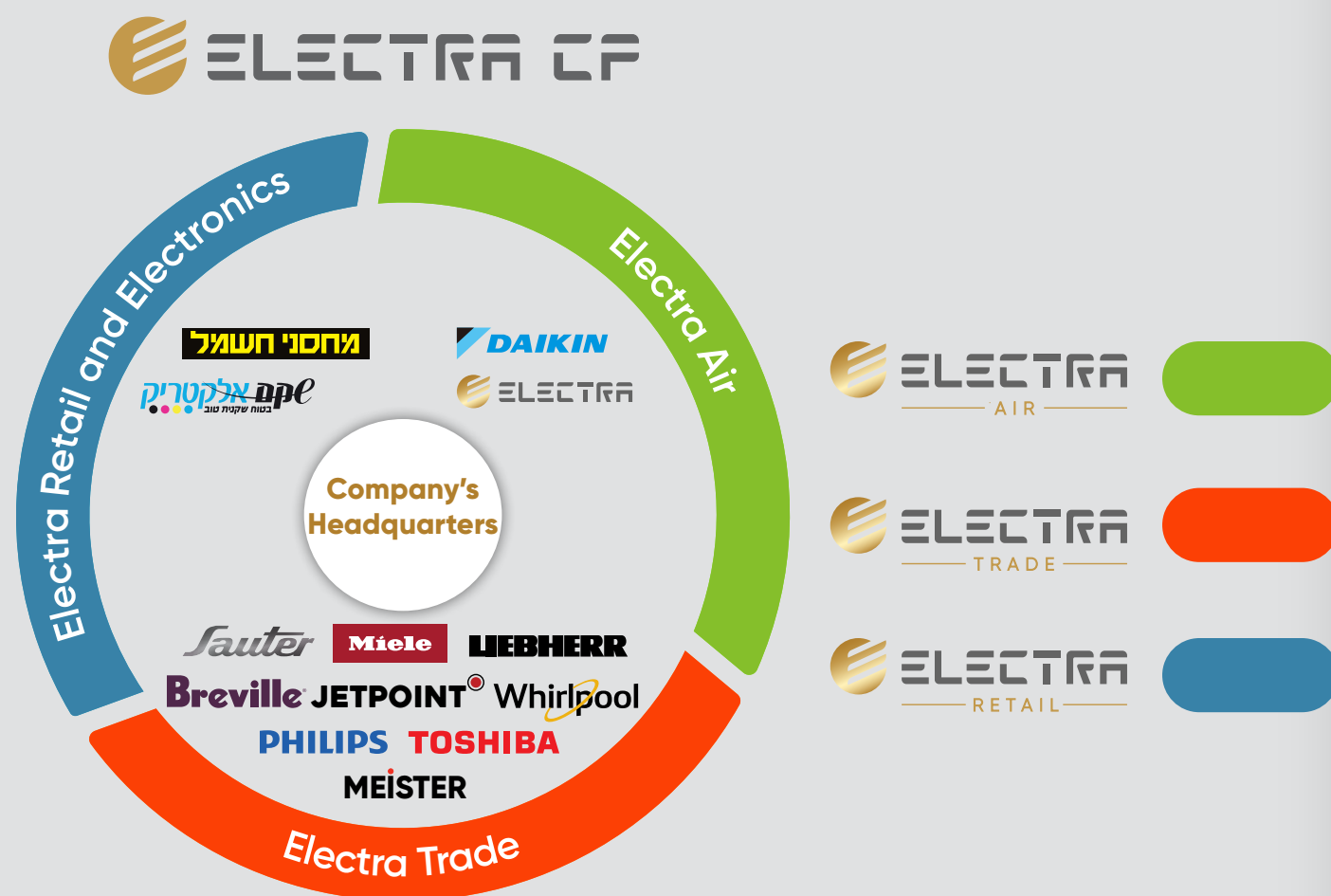
Retail Segment

We operate retail chains specializing in the sale of consumer electrical products, telephones and cellular accessories.

Investment Real Estate Development and Construction Segment

The Company's offices and plant are located in Rishon LeZion.

* The Company was engaged in the cellular telecommunications sector until the completion of the sale of its stake in Golan Telecom to Cellcom Israel Ltd. (on August 26, 2020).



ELECTRA'S VISION AND STRATEGIC GOALS

Our target, in all areas of operations, is to establish the Company as an industry leader. We strive to be the best, to set the highest standards and aim to push the limits of what is considered possible in the fields in which we operate.



Air-Conditioning and Climate Control

Electra aspires to establish itself at the forefront of Israel's air-conditioning and climate control market. Our main advantages are product innovation and technological priority that allow us to develop a wide range of high quality and innovative products - while maintaining competitive prices. In addition, we expanded our activity in VRF air-conditioning systems, as well as our export activity with an emphasis on the heating pumps sector.



Electricity Retail

We shall position Electra as the largest electrical appliance retailer in Israel, while focusing on the E-Commerce market.



Investment Real Estate

We will realize the commercial potential of the Company's real estate through the development of income producing projects.



We will increase our market share and enhance Electra's activity in its production, import, marketing, distribution and sale channels.



Cost Cutting

We will increase our operational efficiency and reduce costs in an effort to reinforce the Company's competitive advantage.

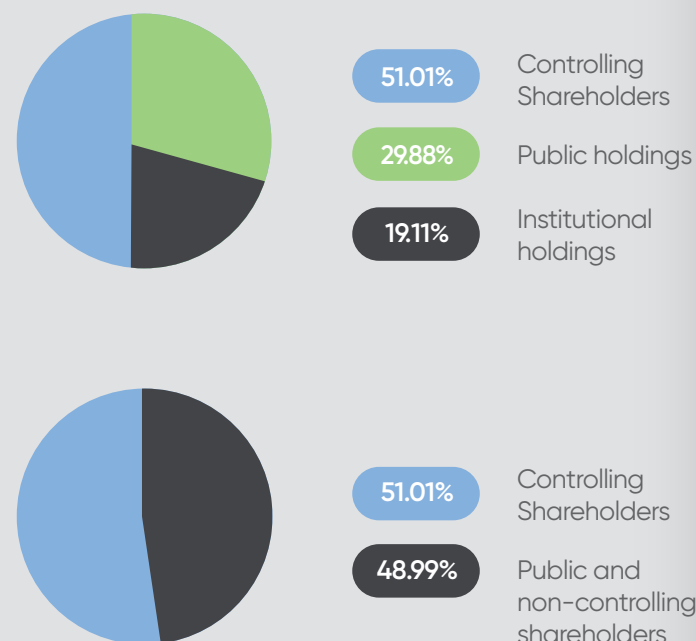


Environmental Sustainability

We will position ourselves as a leader of environmental sustainability while recognizing the importance of developing green products and elements in the field of air purification and treatment - inter alia through the establishment of a recycling plant. In addition, we will voluntarily report according to principles of ESG (Environmental, Social, and Corporate Governance).

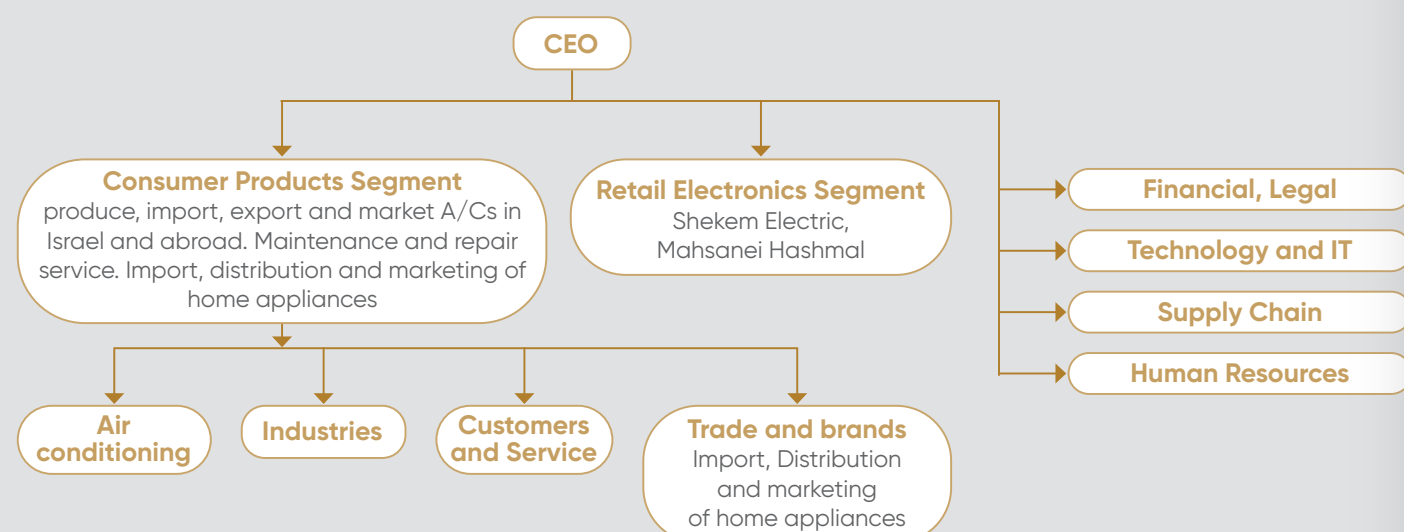
Shareholding Structure

Shareholding Structure according to controlling shareholders as of October 31, 2020



Elco Ltd., a publicly traded holdings company listed on the Tel Aviv Stock Exchange, holds approximately 51% of the Company's shares. For further information, please refer to the Company's financial statements.

THE COMPANY'S ORGANIZATIONAL STRUCTURE



Air-Conditioning and Climate Control

Leading the Israeli air-conditioning industry for over 70 years, providing a wide range of solutions and climate control systems using innovative technologies and advanced design, while ensuring energy efficiency and environmental sustainability.



Trade and Brands Division

Import, marketing and distribution of leading brands in the electrical appliances market, selected to cater to the Israeli consumer, while maintaining technological and product innovation.



Electra owns and operates two retail chains specializing in the sale of electric consumer products and leading e-commerce activity.

מחסני חשמל

Mahsanei Hashmal – Markets a wide range of appliances and electronics through a nationwide retail chain.



Shekem Electric – Markets household appliances and electronics.

FINANCIAL DATA

As of year-end 2020, the Company's annual sales turnover amounted to approximately NIS 2.573 billion.

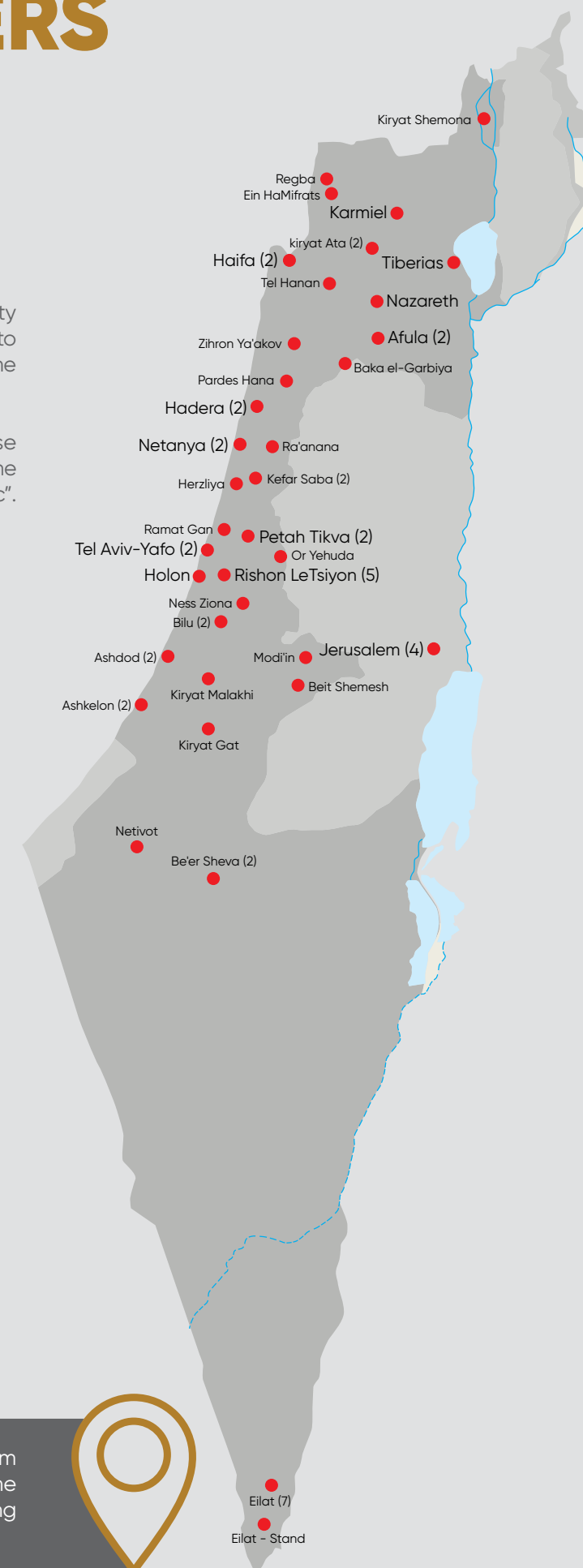
For further details on the Company's economic performance for the year 2020, please refer to the Company's Annual Financial Statements.



HEADQUARTERS AND BRANCH LOCATIONS

Our headquarters and central plant are located in the city of Rishon LeZion. During 2022, the plant will be relocated to the HVAC technological park complex in Ashkelon while The Company's headquarters will remain in Rishon LeZion.

We operate 63 branches nationwide. Alongside these branches, we operate two E-commerce platforms under the names: "Payngo: Mahsanei Hashmal" and "Shekem Electric".



Each of our retail chains operates dozens of branches – from Safed in northern Israel to Eilat in the south. Many of the branches operate within some of Israel's largest shopping malls.



ABOUT THIS REPORT

Since its inception, Electra has recognized the significance of ethical and responsible practices towards the environment, the community and other stakeholders. We believe it is our duty to conduct ourselves professionally, fairly and considerately, while continuously innovating and improving our performance.

A significant step towards realizing our vision to become a leader in our field, is the publication of our first Corporate Responsibility Report for the year 2020, prepared in accordance with the Sustainability Report Standard (SRS – core level) of the Global Reporting Initiative (GRI) and under the SASB (Sustainability Accounting Standards Board) guidelines.

Furthermore, we have adopted the UN's Sustainable Development Goals (SDGs) through a joint effort with countries around the world in tackling global challenges across environmental, social, and economic dimensions of sustainable development.



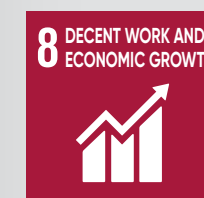
* We support global efforts to achieve these goals and have identified the SDGs most relevant to Electra's operations, as detailed in this report.

Throughout this report, the SDGs symbols will be presented beside the steps taken to achieve them.



Goal 7: Clean Energy

7.3 Improve energy efficiency



Goal 8: Fair Employment and Economic Growth

8.4 Improve resource efficiency in consumption and production
8.5 Comprehensive employment and fair work, equal pay
8.8 Protect workers' rights and promote a safe work environment



Goal 9: Industry, Innovation and Infrastructure

9.4 Upgrade infrastructure and retrofit industries, in an effort to make them sustainable
9.5 Enhance scientific research, upgrade the technological capabilities of the industrial sector



Goal 11: Sustainable Cities and Communities

11.6 Reduce the adverse per capita environmental impact of cities, including by paying special attention to air quality and municipal and other waste management
11.7 Provide universal access to safe, inclusive and accessible, green and public spaces, in particular for women and children, older persons and persons with disabilities



Goal 12: Responsible Consumption and Production

12.2 Achieve sustainable management and efficient use of natural resources
12.4 Management of chemical waste
12.6 Adopt sustainable reporting practices
12.7 Promote sustainable public procurement practices



Goal 13: Climate Change

13.1 Climate resilience – Strengthen resilience and adaptive capacity to climate-related hazards and natural disasters
13.3 Climate change awareness – Improve education, awareness-raising and human and institutional capacity on climate change mitigation, through adaptation, impact reduction and early warning

MATERIAL REPORTING TOPICS



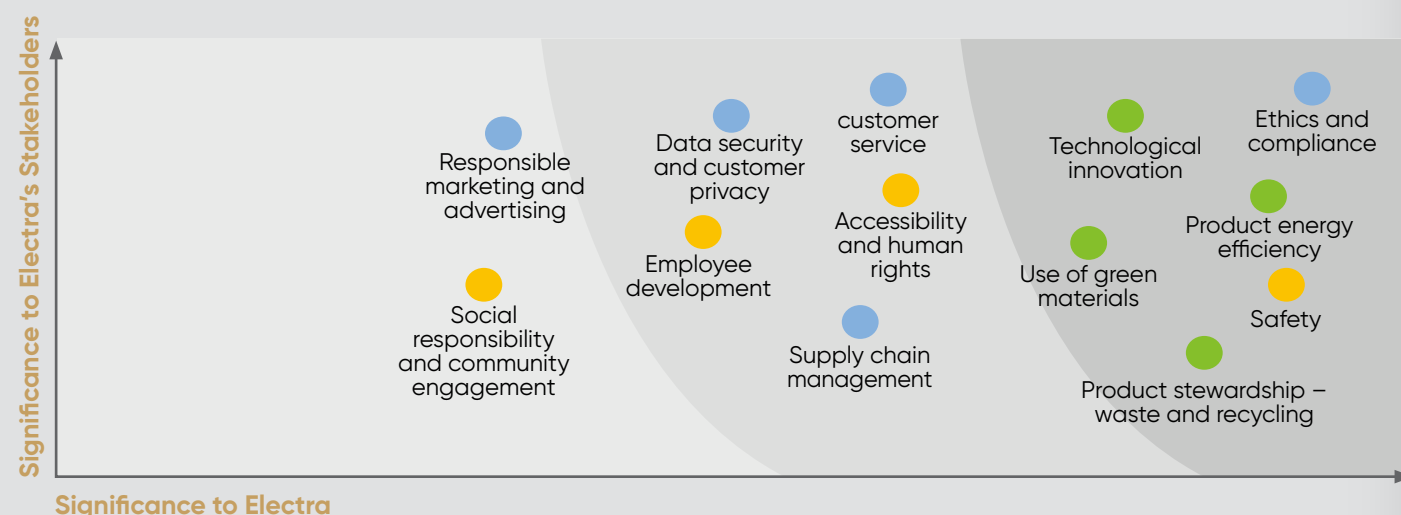
Goal 12: Responsible Consumption and Production
12.6 Adopt sustainable reporting practices

This report addressees topics based specific stakeholders affected by Electra's policies: suppliers, customers, regulating entities, employees, third sector organizations and investors. These topics were selected and defined by a global comparison of companies within Electra's sector, as well as through meetings, consultations and stakeholder surveys.

As a company that implements its sustainability approach in work plans and day-to-day activities in all areas - from governance, through analysis to the decision-making - we recognize the critical importance of o presenting information concerning our corporate responsibility practices in a comprehensive and accessible format. We are committed to continue reporting on the Company's activity in these areas through the Company's website on an ongoing basis.

Governance	Social	Environmental
Data security and customer privacy	Safety	Technological innovation
Customer service	Accessibility and human rights	Product energy efficiency and minimizing greenhouse gas emissions
Supply chain management	Employee development	Use of green materials
Ethics and compliance	Social responsibility and community engagement	Product stewardship – waste and recycling
Responsible marketing and advertising		

We chose to present these topics through a Materiality Matrix:



Stakeholder Engagement

Stakeholder	Approach to Engagement	Details within the report
Customers	Numerous platforms (telephone, website, post, email, fax, customer service center) as well customer satisfaction surveys	Customer Service chapter
Employees	Direct dialogue, employee union, satisfaction surveys	Employees and Work Environment chapter
Suppliers	Daily dialogue, tenders	Performance Excellence and Responsible Supply Chain chapter
Regulation	Personal communication, compliance with legislations, dialogue through various organizations such as the Chamber of Commerce and the Manufacturers Association	Environmental Responsibility chapter
Environmental and Social Organizations	Dialogue with environmental entities; collaboration with NPOs; employee volunteering	Environmental Responsibility chapter; Social Responsibility chapter
Business Partners	Collaboration in the production of heating and cooling systems with Bosch GMBH	Environmental Responsibility chapter
Investors	Ongoing and frequent conversations (weekly) held by the Group's CEO and CFO with market analysts; Investor presentations at least once a year, in which the Company updates and shares its ongoing activities, major events and future directions. In case of material events a dedicated meeting is held + a relevant presentation.	
Municipalities (Rishon LeZion and Ashkelon) and Local Population	Ongoing dialogue on issues related to good governance within municipal areas; Direct and personal dialogue between Group management and the mayors' offices.	



ACHIEVEMENTS 2020

Maala Rating

We are proud to be a partner of the Maala network – an organization promoting corporate responsibility in Israel. Electra has been a member of Maala since 2017. In 2020, we were honored to receive Platinum rating for our corporate responsibility and sustainability practices. We aim to continue improving during 2021.



Company: **Electra Consumer Products (1970) LTD**
2020 Rating: **PLATINUM**

Best Companies Index

In 2020, Electra first entered CofaceBDI and TheMarker Magazine Top 100 Companies to Work For in Israel list. Electra employees are proud to be a part of a strong company that provides them with a supportive working environment and a steady salary – both under normal circumstances and in challenging times.



100 Best Companies to work for

ENVIRONMENTAL RESPONSIBILITY



GLOBAL TRENDS

13 CLIMATE ACTION



Goal 13: Climate Change
13.1 Climate resilience - Strengthen resilience and adaptive capacity to climate-related hazards and natural disasters

As a leading company in the electrical appliance industry, Electra is honored to be at the front lines of the global fight against climate change and fully complies with current international standards: finding technological solutions to reduce greenhouse gas emissions during product production and use, reducing waste production, promoting reuse of old appliance parts for the production of new ones, reducing product weight and bulk, etc.

Environmental Policy

One of the greatest challenges Electra faces in our corporate struggle against global warming is the need to develop products that will not only heat and cool, but which are energy efficient and help to improve air quality. Electra's product and technological innovation have made significant inroads in improving both the private and industrial market.

The "sustainability" principle, balancing between environmental impact, social responsibility and business considerations:



Identifying our material environmental impacts

GHG emissions and waste generation.



Environmental management

Delegated areas of responsibility, allocation of resources and skill building, planning and control, setting goals and objectives.



Environmental initiatives development

Across our products' life cycle.



Transparency, reporting and stakeholders

Measuring, documenting and reporting environmental performance.



Environmental legislation and standards

Commitment to relevant environmental requirements, legislation and voluntary agreements.



Employee Engagement

Developing a superior environmental skill set for our employees. Dedicated employee training on environmental sustainability issues, as part of their annual safety training.



Green awareness when importing products

Commitment to energy efficient products, carefully selected.

ENVIRONMENTAL REGULATION

Compliance with Environmental Regulation

Our ongoing dialogue with Israel's leading environmental entities has allowed us to become a market leader in the development of green products. These products comply with relevant regulatory guidelines and often exceed the legislative requirements. The following are some of the environmental standards met by Electra:



ISO 14001 Standard

The international voluntary consensus standard for developing and implementing an organization's environmental management system. This certification reflects an international declaration to the fact that Electra recognizes the vital importance of its environment responsibility in all areas of activity, and will continue taking every measure to maintain its commitment to the environment.



RoHS

A directive for the Restriction of the use of certain Hazardous Substances in Electrical and Electronic Equipment. Electra products meet the set restrictions, and thus do not contain substances that may constitute a health hazard such as lead, cadmium and mercury.



REACH

Implemented by the European Union, the Registration, Evaluation, Authorization and Restriction of Chemicals Legislation aims to regulate the use of chemicals in the EU. The legislation applies directly to manufacturers and importers from EU countries, and has direct implications on the industry exporting to these countries, including Israeli exporters.



GHS

(Globally Harmonized System of Classification and Labeling of Chemicals). An internationally accepted method for classifying and labeling chemicals, including hazard communicating principles and packaging of such chemicals.



Green Standard

Granted by the Israeli Standards Institute, a Green Standard certifies that the product or service minimizes the use of hazardous substances, improves energy efficiency and reduces the general environmental impact. This Standard encourages the design, manufacture, marketing and use of a product or service through minimal damage to the environment or the betterment of the environment at the various stages of the product's or service's life cycle.

In addition, the Standard allows consumers to recognize eco-friendly products and services, and give them preference over others without compromising the product's or service's essential features, safety or quality. The Standard distinguishes between labels that may mislead the customer and a label genuinely certifying its performance in these matters. The Israeli Standards Institute is a member of the international organization GEN, a non-profit association of leading ecolabelling organizations worldwide.



Environmental Inspections

The Electra plant in Rishon LeZion, in which our air-conditioning systems are produced, undergoes regular reviews by the Ministry of Environmental Protection. We are pleased to report that these inspections have yielded successful findings on all occasions.

The Ministry conducts ongoing environmental inspections of the Company's operations in areas such as the treatment of hazardous materials, compliance with air emission permits and wastewater monitoring. Electra has adhered to the highest standards, surpassing legislative requirements, and passing these inspections with flying colors. The plant underwent its latest inspection at the end of 2020.

DIALOGUE WITH ENVIRONMENTAL AND PUBLIC ENTITIES



ILGBC

Electra is member of The Israeli Green Building Council (ILGBC) – a leading Israeli NPO which aims to promote environmentally responsible design and construction benefitting individuals, society and the environment. Collaborating with the Council enables us to develop the knowledge and professional skills needed in the field of green construction and sustainable design.



Federation of Israeli Chambers of Commerce

Electra remains a member of the Chamber of Commerce – A public, non-political, independent NPO representing the trade and service sector in Israel. The Chamber assists in promoting the economic interests of its members.



Manufacturers Association of Israel

A member of The Manufacturers Association (MAI) – an organization that serves as an umbrella organization for industrialists in Israel, representing the country's leading market force. The MAI is actively involved in decisions made on state and macro-economic levels by the leaders of the economy and serves as a bridge to global economic systems.

A direct dialogue with these entities for coordinating regulations, import/production terms and more, takes place through a variety of channels – including sector meetings with the participation of importers and manufacturers of household consumer products.

Thanks to this ongoing association, we were able to bring to the attention of the regulator, inter alia, that the implementation of the Kigali Amendment (aims for the phase-down of hydrofluorocarbons (HFCs) that damage the ozone layer) is conditional upon the agreement of air-conditioner installers. In Israel, air-conditioner installers are not required to earn a certification, and therefore, until the law regulating the profession undergoes the necessary adjustments and legislative procedures, it is not possible to enforce the Kigali Amendment and reduce HFC emissions.

7 AFFORDABLE AND CLEAN ENERGY



Goal 7: Accessible Clean Energy

7.3 Improve energy efficiency: Electra fosters and develops collaboration in order to promote the issue with an emphasis on energy efficiency, and advanced clean technologies.

11 SUSTAINABLE CITIES AND COMMUNITIES



Goal 11: Sustainable Cities and Communities

11.6 Reduce the adverse per capita environmental impact of cities by paying special attention to air quality and municipal and other waste management.

12 RESPONSIBLE CONSUMPTION AND PRODUCTION



Goal 12: Responsible Consumption and Production

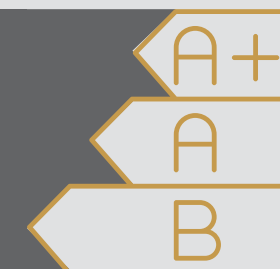
12.2 Achieve sustainable management and efficient use of natural resources.

OUR PRODUCTS' ENERGY RATING

Approximately 67% of Electra's air-conditioning systems are rated 'A' on the energy consumption scale as were approximately 88% of the air-conditioners sold by the Company in 2020.

Energy Rating

An Energy Ratings is an index defining the energy consumption performance of an appliance. The more efficient and energy saving the technology, the higher the rating. The energy efficiency of an appliance is rated highest to lowest from A to G. Air-conditioners, refrigerators or televisions with an A rating are considered a smart buy, thanks to the efficient and advanced technology implemented within the product.

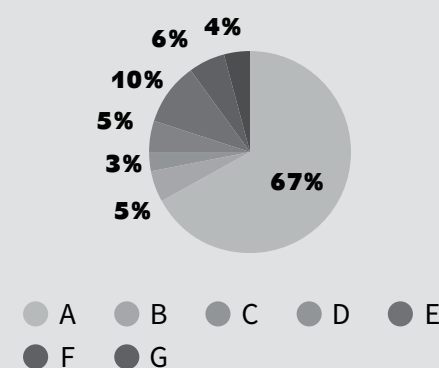


Electra complies with all legislative requirements in this area, among them The Israel Energy Sources Law, 5750-1989, which requires that all large appliances (air-conditioners, refrigerators, washing machines, dryers, ovens, televisions, etc.) receive a rating according to the regulatory requirements. Products with no compulsory rating include mainly small electrical products (electric kettles, toasters, etc.).

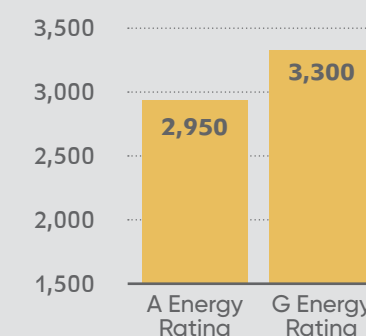
We create significant energy savings for our customers, while minimizing GHG emissions.

For example: Replacing a mini central air conditioning system rated G with an A rated system will save an Electra customer 350 watts per hour, which translates into 0.19 kg CO₂/hour!

Product Energy Rating at Electra Air



Electricity consumption of an air-conditioner rated G Compared to A (Kwh)



Trade Division

In addition to strict quality control inspections at the Standards Institute, which qualify some of our products for an Israeli standard, we ensure that our products are environmentally friendly, conserve energy and other natural resources.

For example:

- All products from the Miele brand exclusive line are rated A to A+++.
- Most of the LIEBHERR brand products are rated A to A+++.
- The Whirlpool brand develops products and process driven by recycled raw materials and integrated clean energy technology.

ENVIRONMENTAL PROTECTION IS ECONOMICALLY BENEFICIAL



PRODUCT LIFE CYCLE MANAGEMENT

In the past two years, Electra has introduced unique products that meet the most stringent national standards in the field of green construction.

Electra's advanced manufacturing plant implements innovative technologies in the production of eco-friendly air-conditioners, ensuring significant reductions in energy consumption and minimal environmental damage throughout the product's entire life cycle. In December 2020, Electra was certified to label its EMD A SQ air-conditioners series with the Israeli Standards Institute Green Standard, indicating that this product has a lower environmental impact than similar products. The Standard places Electra as a pioneer in the household appliances market in terms of environmental protection.



In accordance to the terms of the Green Standard, every air-conditioner in this series is:



Designed and packaged in an eco-friendly manner (in accordance to RoHS – REACH guidelines) with at least 90% recyclable packaging.



Produced without the use of hazardous materials.



Features high energy efficiency ('A' Energy Rating).



Made from recycled materials (at least 83% of product weight).



Contains coolant gas that is less damaging to the ozone compared to others used.



Features reduced noise levels.

Electra began marketing its mini central air-conditioning system designed for installation in large projects. We adapted the product to the needs and standards of green construction (high energy rating, temperature control for individual rooms, local production, responsibly sourced materials). Furthermore, this system features reduced noise levels and an exceptionally compact evaporator (internally installed unit).



Gas pump system on our production floor



New gas tanks in Electra's facilities

BREAKTHROUGH TECHNOLOGIES

11 SUSTAINABLE CITIES AND COMMUNITIES



Goal 11: Sustainable Cities and Communities

11.6 Reducing the adverse per capita environmental impact of cities, by emphasizing air quality and municipal and other waste management.

Making the transition to R-32 Gas – An environmentally-friendly refrigerant with a low global warming potential and reduced HFC emissions. Subject to global regulation and the subsequent Israeli orders regarding the use of flammable and toxic gases, we began a transition to the use of a more environmentally friendly gas, both in products manufactured by Electra and those we import.

We also implemented various changes in our manufacturing plant with the view of enhancing safety and minimizing the negative affect we have on the environment. These include altering and adjusting the production line, closing areas for monitoring gas leaks, adapting the testing system for products with flammable gas in the production lines, installing leak detectors in labs and production lines, training and certifying employees working with flammable gas and equipping our plant with machines and systems designed for use with flammable gas.

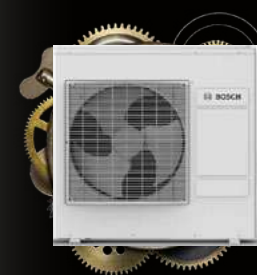
At the product level, we adapted the product components to the new gas, adjusted the thermodynamic cycle, tested the performance of all Company product lines and improved as needed, made changes to products in accordance with the new safety requirements, conducted tests and approved the safety of all Company products, received performance and safety approvals for all product lines by the Israeli Standards Institute, added special guidelines regarding flammable gas in our installation booklets.

Electra Smart

Smart and cost-effective control using Electra's smart app

"Electra Smart" is an intuitive and easy-to-use application, which allows our customers full, online control of their air-conditioning unit – including turning the device on and off from anywhere and at any time, changing the desired temperature in each room individually, changing fan speed and power modes, setting air-conditioner groups and shared control over them under one user. Additionally, the app enables a timer function, providing a cost-effective and safe solution for Sabbath-observers.

Electra's heat pumps offer the most efficient and advanced heating solutions.



The Future

Electra's heat pumps can deliver a number of benefits:

- The only one of its kind with a smart digital interface for controlling your home's heating systems.
- Renewable energy technology, efficient and energy-saving.
- No CO2 emissions.
- Easy installation.
- Optimal floor space utilization.
- Compliant with strict European regulations.



The Past

Current available systems:

- Diesel/gas/electricity powered furnace.
- Direct gas heating.
- Heat pumps – the most efficient method.

IMPROVING THE QUALITY OF LIFE

Electra Eco Water

As the regulation prohibiting the installation of electric boilers in new buildings came into effect in 2020, we began to develop new boilers based on heat pumps for water heating purposes. As our new boiler was successfully received in Europe, due to its energy efficiency and cost effectiveness, Electra will be one of the first to use it in new construction projects.

Electra Magic AIR

A line of air-conditioners featuring an ionizer component that disperses ions into the air charging oxygen molecules with positive and negative charges. The component reduces up to 95% of microbes in the room, according to a study conducted by a Ministry of Health accredited laboratory. It also neutralizes bacteria in the air, minimizes dust and mold particles and reduces static electricity as well as unpleasant odors.

Electra UV-C

An air-disinfecting filter developed by Electra using breakthrough technology, containing a UV bulb, purified up to 99.9% of air-borne bacteria and viruses (including Covid-19). The product reduces maintenance costs, lowers the risk of spreading disease and can be installed in existing mini-central air conditioning systems.

Electra AAA Inverter

An air-conditioner line featuring the cost-effective inverter technology with an Energy Rating of A, includes a built-in Sterionizer to improve and refresh the air in the room. Air-conditioners in this series allow an entire night's use for only one shekel of electricity costs and self-clean to prevent the accumulation of bacteria. The air-conditioning system allows for an energy cost saving of up to 40%.

Noise Reduction

We were among the first to develop a split system air-conditioning unit as a solution to the excessive noise created by existing systems, installing the cooling within the structure while the compressor remained outside. Over the years we also developed an air-conditioning line designed for school classrooms, intended specifically for hearing-impaired children.

ELECTRA BOSCH COLLABORATION

9 INDUSTRY, INNOVATION
AND INFRASTRUCTURE



Goal 9: Industry, Innovation and Infrastructure

9.4 Upgrade infrastructure and retrofit industries, in an effort to make them sustainable.

9.5 Enhance scientific research, upgrade the technological capabilities of the industrial sector.

In 2020, we entered into an agreement with Bosch Thermotechnology a division of the global Bosch group, for an investment in Electra's manufacturing facility and the establishment of a joint venture for the development and production of heat pumps and advanced air-conditioning systems. This partnership allows us to leverage the facility's development and work processes, enhance our environmental policy, and continuously improve our products.

Electra believes that partnering with Bosch, which is one of the largest suppliers of technology and services in the world and a leading producer of power efficient heat pumps and water heating systems will allow us a greater degree of competitiveness than that we have experienced until now. Our goal is to capture 10% of the European heat pump market within 4 years, and reach a sales volume of approximately NIS 600 million by 2027.

Another benefit of the collaboration between Electra and Bosch is a HVAC technological park, the first of its kind in the world, for the development of advanced solutions to climate issues. The park, which will be inaugurated in 2022, will meet the highest European standards of green construction. Additionally, a large and technologically advanced air-conditioning and heating facility will be established, along with a technology incubator for startups and engineers for the development and innovation of climate products, and the Electra Academy for air-conditioner technicians.

Dr. Thomas Finke

Vice President of Bosch Thermotechnology:

"For me, this is not an ordinary deal. 'Electra Industries' is the main pillar in our southern European strategy. I'm certain that together we will succeed."

Yigal Groiser

VP Climate and Air-Conditioning Production, CEO of Electra Industries:

"This historical joint venture with the Bosch Group is an extension of Electra's strategy to become a leader in the field of advanced climate solutions in Israel and in Europe. This initiative serves as an international recognition of Electra Industries' technological capabilities in all areas – development, operation and management. We are proud to be part of the green revolution driven by the EU, acting for global change through the development and production of advanced heating and air-conditioning systems that aim to minimize energy consumption and atmospheric pollution."



RESOURCE MANAGEMENT

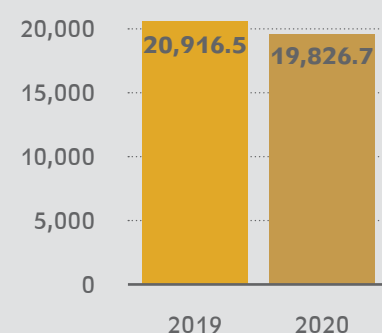


Goal 8: Fair Employment and Economic Growth

8.4 Improve resource efficiency in consumption and production.

In 2020, we successfully reduced the Company's electricity consumption by approximately 6% compared to 2019.

Electricity Consumption (GJ)



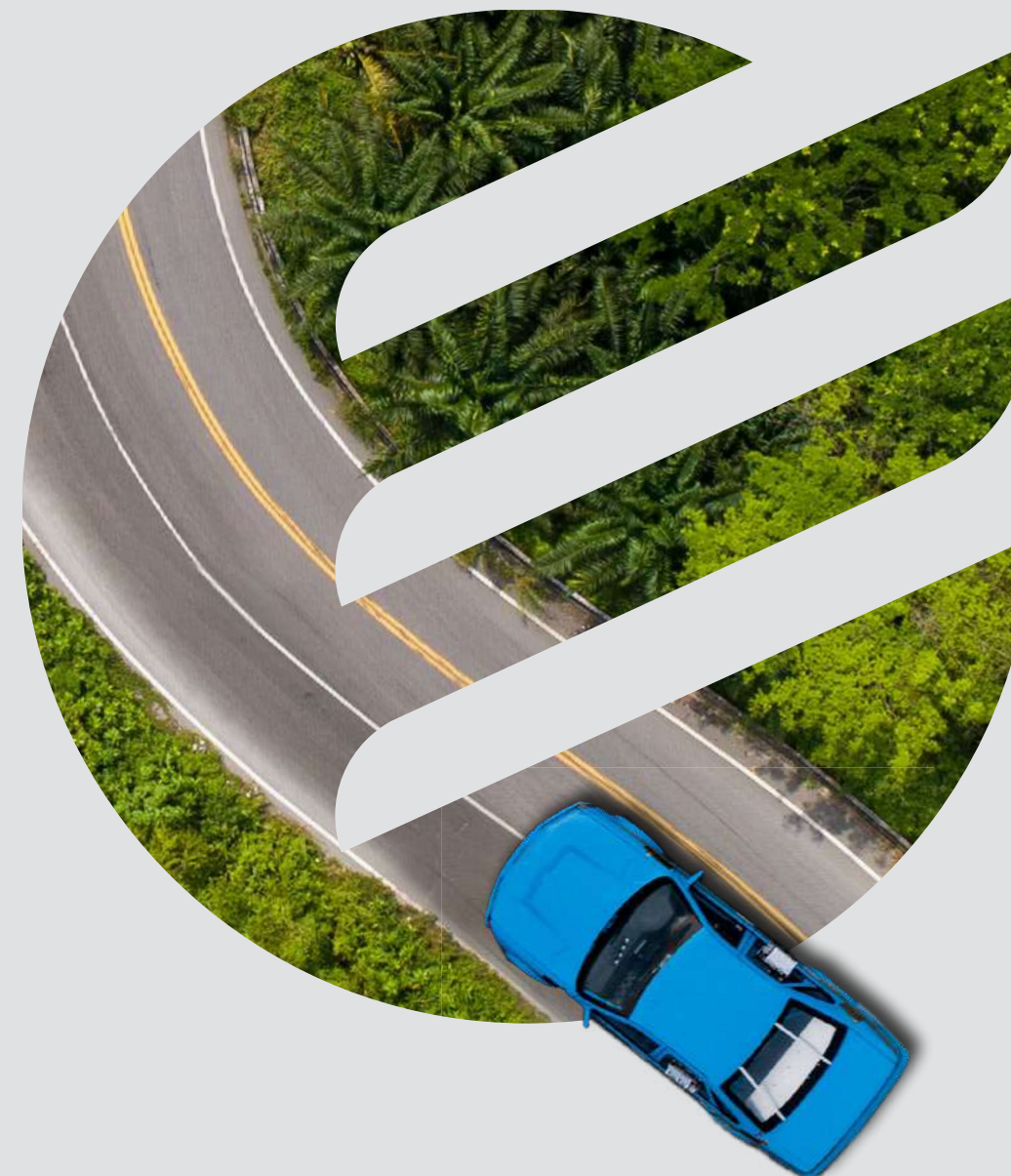
TRANSITION TO HYBRID VEHICLES

As part of the Company's policy, we are leading an initiative to encourage sustainable transportation among employees and managers. Although our fleet of vehicles ranges from private vehicles for position holders to trucks for the transportation of goods, we plan to continue the transition to efficiently powered, vehicles which consume less fuel than those previously employed. Moreover, we are working to promote initiatives that will reduce the number of employees who commute to work by private vehicle.

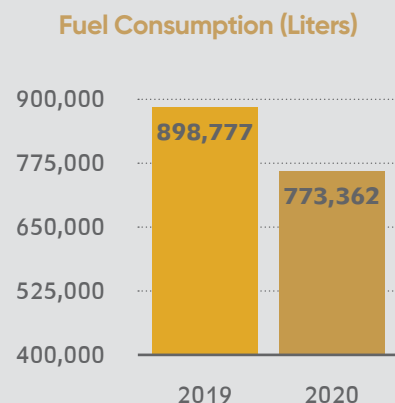
While shifting to electric and hybrid vehicles, we have also made the move to using bio-diesel, an alternative to petroleum diesel, made from renewable resources and decreasing the dependence on oil. Biodiesel burns more efficiently, emitting less greenhouse gases. We will continue to replace older trucks and expand the use of biodiesel fuel in the upcoming years.

Finally, in order to make transportation as fuel-efficient as possible, We have established a partnership with the Carmit transportation company for shuttle services for our factory's employees. 14 vehicles follow regular routes for morning pick-up and afternoon drop offs. The service is provided to employees free of charge, synchronizes to working hours and coordinates employee rides on each shuttle in an effort to reduce the use of private vehicles and improve air quality.

Electra was among the first companies in Israel to launch a transition to environmentally friendly, hybrid vehicles - a process that began at the end of 2020. At Present, approximately 65% of the Company's vehicles are hybrid, a trend we seek to move towards in coming years. During 2020 alone, 200 conventionally-fueled vehicles were replaced with hybrid vehicles representing our steadfast commitment to phase out petroleum dependent vehicles in coming years. Beyond the realm of transportation, our forklift fleet is now also fully electric. To support the transition from fossil fuels to hybrid and electric vehicles, an electric vehicle charging station is already available at the Company, and we aim to install additional stations soon.

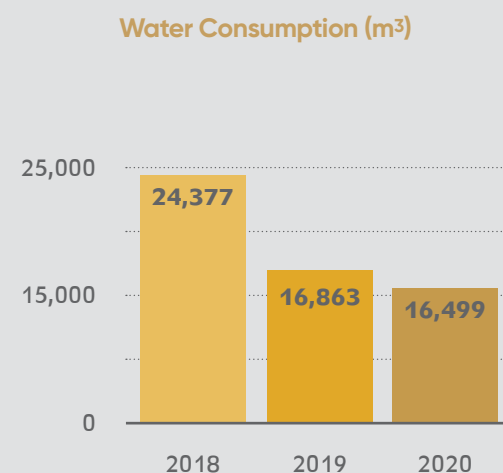


The Company's fuel consumption for 2020 decreased by ~14% compared to 2019.



The Company's water consumption for 2020 decreased by ~2.5% compared to 2019 and by ~32% compared to 2018.

The significant decrease in annual water consumption in 2019 compared to 2018 is a result of the installation of a grey-water system in the plant's battery testing pools. The decrease in resource consumption (electricity, fuel, water) in 2020 compared to 2019 is mainly the result of the partial transition to remote work due to the coronavirus pandemic.



Waste Management

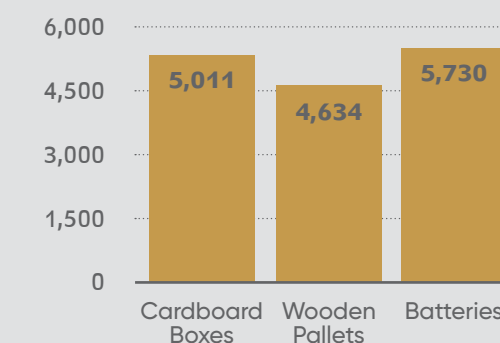
Our waste (excluding Service waste~ 61,310 kg) is collected at designated facilities and recycled, sold or delivered to legally authorized entities. It is sorted according to material: paper and cardboard, metals (such as copper and aluminum), defective pallets, oils (~4000 liter), electronic waste, plastics and waste defined as hazardous materials (according to the RoHS regulations and according to the Hazardous Materials Act).

Electronic Waste

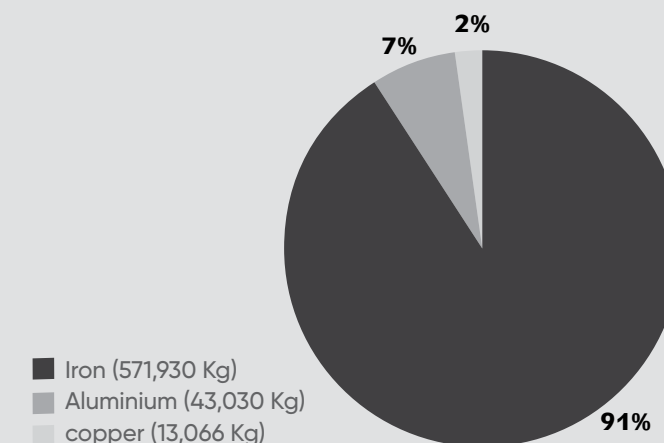
In accordance with the Electronic Waste Disposal Act, we verify whether there is a need to collect the old product prior to the delivery of any new appliance. When required, our delivery service transfers the product - at no additional cost to the customer - to one of the authorized recycling operators (M.A.I. and Ecommunity).

* (In accordance with the "Guidelines for Removal of Electrical and Electronic Equipment from a Customer's Home" enacted by the Ministry of Environmental Protection dated 24.07.2017.)

Recycled Waste in 2020 (Number of Units)



Recycled electronic waste in 2020 628,026 (Kg)



Goal 11: Sustainable Cities and Communities

11.6 Reduce the adverse per capita environmental impact of cities, including by paying special attention to air quality and municipal and other waste management.



DEFINING OUR FUTURE

We will work towards minimizing the energy consumption (water, fuel, electricity) of both our operations and products through the implementation of the world's most innovative technologies.

In 2021, the advanced Electra Bosch – ULTRA SAFE ENERGY AIR CONTROL SYSTEM mini-central air-conditioner will be launched in Israel. The system will enable an increase in energy efficiency and a 75% savings in power consumption.

Electra's Recycling Plant

In January 2021, Electra entered into a shareholders' agreement with AllTrade Recycling Ltd. and M.A.I Israel Electronics Recycling Corporation Ltd. Under the agreement, a treatment and recycling facility will be established for refrigerators and air-conditioners, as well as for heating and cooling units that contain gases. The project investment is estimated at NIS 20 million.

The facility, which will be constructed in the Ashkelon HVAC technological park, will first focus on recycling air-conditioners and refrigerators, and later expand its activity to recycling all electrical products in Israel. Today, end-of-product-life processing for household appliances includes dismantlement and scrapping. The plant will provide manufacturers and importers with an option to fulfill their legal obligation for recycling electronic components. The recycling process will recover raw materials, mainly iron and copper, to be used for new products.

The new plant's technology will enable recycling through the most advanced process in the world, allowing for the full extraction of raw materials from the products. The plant will operate in accordance with the leading European environmental standard in the field of electronic waste, SENELEC. The process begins with extracting any toxic gases and continues by separating all other product components and selling them back to the industry for the manufacturing of new products. The plant's advanced production line will allow the recycling of hundreds of thousands of refrigerator and air-conditioner units per year.

The recycling process at the plant will contribute to the reduction of approximately one million tons of greenhouse gas emissions per year! Our goal is to recycle 30% of all electronic waste in Israel within 7 years and 50% within ten years.

Zvika Shwimmer, CEO of Electra Consumer Products:

"This recycling initiative is part of Electra's environmental strategy. The implemented recycling process will be among the world's most advanced and will lead to a significant reduction in greenhouse gas emissions."



Gila Gamliel, Minister of Environmental Protection, at the signing ceremony for the establishment of the recycling plant

OPERATIONAL EXCELLENCE AND A RESPONSIBLE SUPPLY CHAIN



As an importer and manufacturer, we operate a wide and diverse supply chain, which includes distribution channels for the professional, retail and online markets.

Trade Division

Our trade division imports a carefully selected portfolio of brands from all over the world, suited to the Israeli market. We remain attentive to trends and technological innovations dominating the field enabling us to provide our customers with the very best.

Retail Division

The division includes "Shekem Electric" and "Mahsanei Hashmal" two retail chains tailored to the Israeli consumer, offer a wide range of local and international brands and flexible delivery options.

Air-Conditioning Production Plant

At a time when domestic production is in decline, our plant provides employment to a wide array of workers.

We are proud that the Electra plant is "Blue and White - Made in Israel", and all that this implies to the local economy.

Company Warehouses

Across the country, from north to south, our warehouses provide services to customers of all divisions (trade, retail and air).

Our **"same day service"** allows customers to order products from any of our divisions through our websites or stores at the beginning of the day, and receive their order directly to their home by evening. The service is currently available in central-region cities and we aim to expand it to additional regions.

In 2020, we launched a dedicated logistics center in northern Israel, holding readily available inventory of our air-conditioning products. **This center is another step towards our goal to improve the supply chain, to minimize fuel consumption and environmental impact, and enable "same day service" in periphery cities as well.**

By maximizing the available capacity in each truck transporting products to the northern logistics centers, **we succeeded in minimizing our trucks mileage on delivery routes from central to northern Israel by 20%.**

Collaborations with logistics companies ("Logistic" and "Logisteam"), allow us to deliver our products rapidly and on time. Customers are also given the option to independently pick up the products directly from our warehouse.

RESPONSIBLE PROCUREMENT AT ELECTRA

One of our most important departments manages procurement and logistics (the Company has an additional procurement department that serves our retails chains, "Shekem Electric" and "Mahsanei Hashmal"). The department is responsible for production procurement, procurement of raw materials, condensers, evaporators etc.



Local "Blue and White" Procurement

There are many advantages to local procurement. Among them, business continuity and a better response to global crises such as the coronavirus pandemic, support of the local economy, and a financial and logistical advantage allowing a timely delivery of products in accordance with the Company's needs. **Approximately 80% of the Company's suppliers are "blue-and-white" local suppliers.**



Goal 12: Responsible Consumption and Production

12.4 Management of chemical waste.
12.7 Sustainable public procurement practices.

Green procurement

We are committed to the most stringent environmental standards on the part of both Electra and our suppliers. Our tenders include specific environmental clauses, such as the use of environmentally friendly materials. For example: 100% of our raw materials and components suppliers are required to declare the absence of harmful substances, according to guidelines of the Globally Harmonized System of Classification and Labeling of Chemicals (GHS).

We take effort to recycle the pallets we use, selling them to sub-contractors or transferring them to our service department according to its needs.

Ethical Supply Chain

Our suppliers are expected to embody the highest ethical standards. Each of Electra's suppliers is obligated to sign a "Conflict of Interest" clause and other documents such as a Non-Disclosure Agreement (NDA) - maintaining mutual confidentiality, to ensure ethical business practices. We are currently preparing a Supplier Code of Ethics, scheduled for release in 2021, which will detail the ethical code of conduct expected from our suppliers, in accordance with Electra's values.

Dialogue with Suppliers

We maintain an ongoing dialogue with suppliers and buyers, who arrive at the factory two to three times a week. They attend lectures on the required standards in terms of quality, insurance, engineering, materials, legislative regulations and more. Our supplier evaluation is based on two main criteria: quality and compliance with on-time delivery requirements.

Risk Management and Business Continuity during the Coronavirus Pandemic

During a time of social and economic turmoil, our Procurement Department's risk management plan focused on maintaining consistent shipments from suppliers abroad, and following an emergency preparedness plan which maintained the effectiveness of our operations while managing the dangers of the COVID crisis. In case of need, we are able to produce or locally procure any inventory shortfalls.

We maintained dialogue with our suppliers through video platforms, established guidelines to refrain from in-person meetings and reduced social interaction to a minimum. Our truck drivers had their temperatures taken before arriving at the plant, screened again upon docking at the Electra facility, and discouraged from leaving the vehicle until the goods were loaded/unloaded and the truck had left the facility.

Empowering our Suppliers

A significant number of our suppliers come from the Israeli periphery (Yeruham, Tzipporit, Afula, Maalot, Yarka and more). Their interface with the factory's advanced systems enables them to improve their production, become more efficient and align with the highest standards.

Case Study

"Asaf Components", located in Yeruham, has become the country's leading supplier in the field of metal pressing thanks to Electra's support. Before entering our collaboration, the company was a small local producer which has now expanded its footprint dramatically due to collaboration with Electra.

SAFETY

8 DECENT WORK AND
ECONOMIC GROWTH



Goal 8: Fair Employment and Economic Growth

8.8 Protect workers' rights and promote a safe work environment.

Maintaining the health, safety and security of our employees, suppliers, customers and the general public is our top priority. Thus our commitment goes above and beyond compliance with legal obligations.

We have adopted an international standard for occupational health and safety – ISO45001, established a safety management plan and allocated resources to achieve our self-defined goals, for each individual division.

Product Safety

As it leaves our factory, each of our products **meets the highest safety standards**. Products undergo exceptionally stringent safety tests, both by the Company and through external audits at the Standards Institute. The testing is comprehensive and includes electrical safety, wiring, controls and other critical metrics. We are pleased to report that there were no product safety incidents in the reporting year.

Safety at Work

The Company appointed a full-time safety manager, in accordance with the Organization of Labor Inspection Law, as well as a safety committee that oversees the implementation of the Company's safety program. Committee members have been trained as safety and environmental trustees. 50% of the committee members are Company employees, as required by law. We also appointed a traffic safety officer, whose role is to prevent road safety incidents through employee training and regular safety inspections of Company vehicles.

Maintain Safety through the Coronavirus Pandemic

We place an emphasis on safety and environmental considerations when planning and executing any construction/installation project. We monitor the integrity of equipment, fire prevention protocols and toxin permits. In addition, ongoing safety standards reviews are conducted along with the Standards Institute. We have implemented many projects to improve safety measures, such as adding safety reinforcements to rooftops, commissioning professional instructors for work at height, and inspecting all retail branches and work environments for compliance with the "Purple Badge" Covid-19 safety guidelines.

Safety Reviews

A semiannual management review is conducted to measure the success of our safety protocols. Moreover, an annual conference for our safety trustees is held with the involvement of Company managers in implementing the rectification of any impairments. Once every two years, an environmental safety inspection is carried out on our production floors.

We undergo regular inspections by The Ministry of Environmental Protection, the Fire Department and the Home Front Command, and receive business operation permits within the framework of the law.

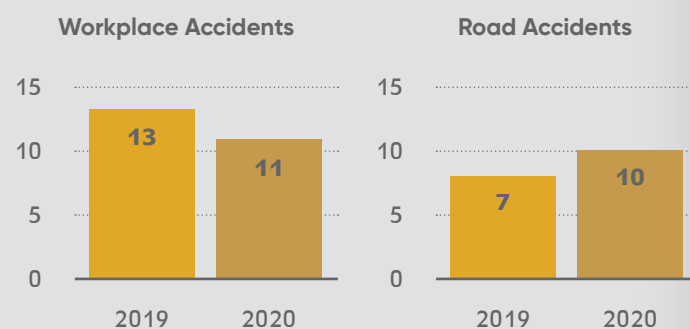
Emergency Protocols

We formed emergency response teams to provide immediate support in case of emergency, as well as to coordinate emergency and first responders. We have prepared formal emergency procedures and conduct annual drills to ensure the teams' readiness. If any environmental risks, employee or customer safety risks are identified – an on-site emergency team is deployed until the relevant first responders arrive.

Safety Incidents

In 2020, there were a total of 11 "near miss" incidents, as well as 10 minor road accidents to/from work (loss of 150 work days in total). All injuries were minor and required treatment at a local clinic at most.

Number of Safety Incidents



The rate of sick day utilization was ~3.64% in 2020 and ~3.18% in 2019.

Safety Training

The number and severity of safety incidents at the Company is low, due in part to enhanced training in this area. Safety procedures are specifically implemented according to each task.



INFORMATION SECURITY AND CUSTOMER PRIVACY

In a technologically evolving world, maintaining customer privacy and information security is more crucial than ever. We are determined to meet this challenge.

Information security is a critical component of our company's Corporate Responsibility Policy. The infrastructure team at our Technology Division is responsible for formulating procedures, managing information security breaches, conducting information security audits, managing business continuity, overseeing an organizational awareness program, maintaining information security technologies control, operating various information security tools within the organization and more.

The Division's role is to ensure that all employees comply with the mandatory information security regulations including the Freedom of Information Act and the Privacy Protection Law. In addition, it is the Division's responsibility to effectively manage risks for our customers, and to implement technologies that will help us contend with these risks.

Electra's Information Security Policy

Protecting our organizational data (employees, contractors, suppliers and company internal data) is of paramount importance. We have summarized our procedures in the "Information Security Policy" document, which is available to the relevant departments on the Company's internal network. Periodic monitoring, risk surveys and case studies are conducted on a regular basis to mitigate risk prevalence. We are committed to communicate this policy to all employees, contractors, customers and our other stakeholders, to ensure their awareness and accountability to the subject.

Cyber Risk Management and Information Security

We have identified the following central risks that require our consideration:

- Sensitive business data leaks – e.g. production processes, financial statements, contractual agreements, price lists, transactions, employee information.
- Full or partial shutdown of Company systems – production lines, control systems, information systems, etc.
- Compromise or loss of information that forms the basis for operations and decision-making.
- Violation of our obligation under the Privacy Protection Law 5741-1981 and its supplemental regulations, the Computer Law and the Database Law. The Company is also covered by cyber insurance.

Technological Innovation

Beyond the Cloud – Green Technology

Our Technology and Business Development Division, along with CloudZone, a cloud services consulting company with whom we partner, is currently in the midst one of the most complex projects in Electra's IT history. The process entails a comprehensive infrastructure replacement and the tackling of new and complex information security challenges including 'migration' to a 'hybrid cloud' solution which serves to reduce long-term expenses, improve work speeds, and make work processes accessible to users in a simple and efficient manner. The transition to the cloud is a significant milestone for the Company on our path to improving business processes, allowing us to clear a server room, reduce the number of physical servers on our premises and save on energy usage and power consumption. The project is due to be completed in early 2021; benefits include managed cloud services, 24/7 support, automatic scaling capabilities and improved IT resource efficiency while allowing us to concurrently establish a Disaster Recovery (DR) site.

Another significant project initiated against the backdrop of the coronavirus pandemic, is the integration of a VPN (Virtual Private Network) remote access solution. In addition, we are working with external providers to implement advanced cyber defense measures.



ADDITIONAL ACTIONS TO MAINTAIN CUSTOMER PRIVACY

Electra's Website

We are committed to safeguarding the privacy of both the Company and our clients through the use of a Web Application Firewall (WAF). Clearing transactions are made through a secure portal, there is a reference to the conditions for joining a mailing list, as well as a reference to a privacy statement on the Company's website.

Suppliers

Our suppliers are required to sign a Non-Disclosure Agreement (NDA). In cases where contact with customer information is made, suppliers must also sign a declaration to conform with Electra's information security standards as well as a confidentiality clause.

Information Security Employee Training

Electra's security awareness training program is designed to orient new employees and maintain security awareness among current employees. Employees are divided into groups according to their area of responsibility and their impact on information security at the Company, the security risks they face, and the security principles and missives they must be familiar with. These groups include Company employees, administration staff and production workers, information systems employees, management and the Board of Directors. An online information security tutorial is mandated for all employees. The tutorial focuses on the principles of "Organizational Computer Security Procedures": personal responsibility, reporting information security incidents, use of the Company's computer equipment, work environment security, proper use of email and the Internet, passwords, laptops and more. Employees must sign a commitment to uphold Electra's information security policy. The form includes a detailed section on privacy protection, and defines an employee's personal commitment and responsibility to the organization as their workplace. In addition, organizational emails on the subject are circulated to all employees.

Monitoring and Control Processes

The processes are intended to locate successful or failed attempts of unauthorized access to the Company's information systems. During 2021, an automated information security monitoring system will be set to launch. Currently, the monitoring process is performed through a connection to the various security systems. Once every 18 months, a gap analysis is conducted to identify privacy protection issues and bring about the necessary adjustments to information security reviews and policies. The analysis is conducted by the Head of Infrastructure. Every three years, a comprehensive organizational risk analysis is conducted, which includes: internal and external penetration testing for the organization's networks and systems, a work process analysis focusing on information security performed by an external company and presented to our management, computer infrastructure inspection and managerial risk analysis (risk management, data classification, business continuity etc.).

Customer Privacy

In recent years, no complaints have been filed with the Company regarding a breach of customer privacy or loss of customer data. Two complaints were received from the National Cyber System:

April 28, 2020 – An issue concerning customer invoices on the Retail Division website. Accurate details of the problem were received and immediately addressed on the same day.

October 30, 2020 – An issue concerning customer details on our retail chain's website. The issue was addressed on the 2nd of November 2020.

Future projects

We continue to work towards ensuring the privacy of our customers and devote a variety of resources to this end.

In 2021, we plan to significantly enhance our information security systems, including establishing a Disaster Recovery (DR) site and deploying a Data Loss Prevention (DLP) system. We further plan to implement a Security Information and Event Management (SIEM) system and complete the Company's cloud migration process. emails on the subject are circulated to all employees.



SERVICE AND CUSTOMERS



SERVICE POLICY

Our Service Level Agreement outlines our commitment to providing high quality and efficient service to our customers. We invest great effort in meeting customer needs, and our employees take personal pride and professional responsibility to uphold customer satisfaction.

Electra's Service Division strives to be the leading service provider in Israel, setting higher standards than competitors and influencing customers to choose Electra in the long-term future. The Division provides each of our customer segments with the service that best suits its needs: private customers and households, service professionals and installers, and maintenance services for "institutional" customers such as the Israel Police Department, public health service providers, Tel Aviv University and others.

The warranty provided with our products offers repair services at no charge and product replacement as needed. Our Customer Service Division makes its services available even after the warranty period expires, providing professional and quality services that ensure long-term product utility and enjoyment. To facilitate this process, our service team maintains ongoing contact with more than 30 production plants around the world and maintains an advanced inventory of original spare parts for every stage of the product life-cycle.

We recognize the value of a great service experience and its reflection on the overall product experience, and believe that it promotes customer loyalty and repeated brand engagement.

SERVICE VALUES



Managerial Focus: Managerial commitment at all levels to uncompromising service standards.



Integration of advanced technologies in support of high-level service processes.



Ongoing development of employee professionalism in all departments.



A learning organization – continuously learning and improving.



360° synchronized multi-channelled customer service – availability through multiple service platforms, beyond regular business hours.



Understanding customers and their needs through ongoing dialogue.

LISTENING TO THE CUSTOMER

The motto "we place our customer first" – is part of our organizational culture: attention to changing needs, available contact channels when and where they are convenient, and continuous learning for a personalized interaction.

Service professionals and technicians who install our products in our customers' homes and businesses form an important segment of our customer base, providing services to Electra's end-customers. We maintain an ongoing dialogue with this population through round table discussions and regular surveys in order to help them provide better customer service. In addition, we place advanced digital contact channels at their disposal, allowing a high degree of availability and response quality. Our goal is to be their go-to source for quality products and professional support every step of the way. Our end-customers (households) are another significant customer segment. This segment receives a targeted and advanced service-oriented response across all channels –

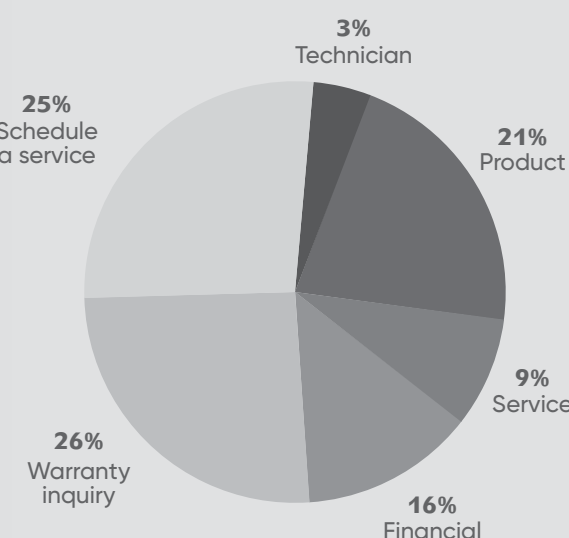
telephone and digital. Qualified service personnel handle any calls or questions, employing professional technical capabilities that enable real-time troubleshooting. Our goal is to shorten down times, allowing customers to enjoy the product again as soon as possible.

In addition to our service call center, we have provided our customers with an advanced, convenient and simple self-service channel through which they can perform routine product maintenance, download product manuals, simply and independently detect and resolve product malfunctions or schedule a technician in a convenient and efficient manner. Customer experience levels are continuously evaluated through a variety of measures, so that every gap or special case is monitored in real time and swiftly and efficiently resolved while striving to cater to the customer's full satisfaction.

Customer Relations

Maintaining an open communication channel with our customers is one of our top priorities. It allows us to enhance transparency, certainty and learning and improve the customer experience as a whole. Our customer relations teams can be contacted by phone, email, social forums and more. Our Customer Division managers are also available across various social media platforms. Every service query undergoes a thorough process, updated in the Service Division's records and receives a control and monitoring report on the progress and quality of its resolution. We analyze these reports daily, conduct case studies and develop insights and lessons learned which are immediately translated into best practices for service or product improvement.

Service Calls by Issue Type in 2020



Available Contact Channels:



SMS with representative
052-2185685



Live chat with service representative



Fax
03-9530431



Email to our service representative



WHATSAPP message
052-6281872



Dial My App smart phone application



Email our Ombudsman



Service Centers

SERVICE QUALITY

Electra Prides itself in being there for our customers at the dial of a phone or the click of a mouse. We have invested in an advanced, professional, technological and innovative service array to provide our customers with an unparalleled product experience. The array includes one of the most advanced digital call centers in the country and teams of highly qualified technicians and senior technical professionals. Our objective is to ensure long-term product use during routine product operations and on days requiring urgent product repair – when the air-conditioner falters in the middle of heat-wave or when the refrigerator malfunctions right before the weekend. We are committed to ensuring continued availability and professionalism, with attention and speed in response to every service call.

Our service teams have long become synonymous with professionalism and reliability and are chosen year after year among the leaders in The Excellence in Customer Service, and Customer Experience ratings by The Israeli Management Center.

Efficient and Effective Service

The representatives at our Customer Service Division are assisted by an advanced Management Information System allowing them to diagnose and provide real-time solutions for any malfunction. Representatives are connected to a technical center via an application, providing immediate solutions for complex issues and allowing complex product issues to be resolved in a single visit.

In 2020, approximately 80% of all service queries were resolved by representatives, avoiding the need for a technician's visit. The Division's control system, which digitally manages the deployment of service personnel, provides a response to changes and challenges which meets time constraints and maintains efficiency and flexibility.

Throughout the COVID-19 pandemic, we have taken several steps to continue our growth trend. These include, shifting to a remote call center service, launching direct contact channels for faster service (designed specifically for the senior and special needs population), establishing a dedicated service center for Arabic speakers, and adapting the service to the religious population in the country. In addition, we have expanded the distribution of our service and sales points.



Giving our all to our customers:

An extreme heat wave in May 2020, led to an influx of orders. To meet surging demand in the shortest possible timeframe, our sales representatives and senior management stepped up to the task and personally delivered the products to customers' homes.

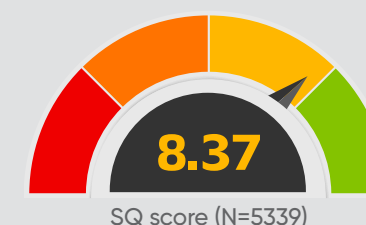
Image: Zvika Shwimmer, Company CEO and Yoni Tzabari, Senior VP, on their way to a delivery.

Surveys

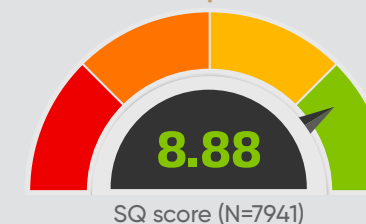
Electra conducts customer satisfaction surveys after every service transaction including technician visits, service calls, or digital requests. Our service survey requests feedback regarding the representatives' professionalism, responsiveness and wait time, and our operational surveys inquire regarding the technicians' professionalism and performance. Feedback is evaluated, analyzed and reviewed to optimize customer satisfaction, including feedback to the relevant team member.

Electra's minimum accepted service score is 8.

Electra Call Center



Electra Operations



2019 Product of the Year – Innovation Award

Technology and innovation are strategic tools in realizing our vision: To enable the Israeli public in particular, and the world in general, to enjoy the best quality of life. Electra's air-conditioning line – PLATINUM AAA INVERTER – was awarded first place in the air-conditioning category as part of an independent online research for 2019 Product of the Year conducted by the Kantar Media Group. The survey was conducted among 2,018 Israeli consumers aged 18 and older (For more information regarding our products, see the Environmental Responsibility chapter).



ACCESSIBILITY IN SERVICE

11 SUSTAINABLE CITIES AND COMMUNITIES



Goal 11: Sustainable Cities and Communities

11.7 Provide universal access to safe, inclusive and accessible, green and public spaces, in particular for women and children, older persons and persons with disabilities.

We believe in the basic right of every customer with a disability to receive full access to our facilities and offered services. We have appointed an accessibility coordinator to oversee this matter, and trained our employees in the various aspects of accessibility.

Our trade and retail segments (which include the chains Shekem Electric and Mahsanei Hashmal) promote accessibility in collaboration with the Access Israel Foundation, and comply beyond the legal and regulatory guidelines:



Accessibility assistance and service.



Accessibility of facilities for disabled individuals.



Alternative contact channels such as fax or email.



Accessible call center with no background music.

Our websites carry the "Accessible Website" symbol, and allow customized browsing in a variety of languages: Hebrew, English, Russian, Arabic and Spanish. In addition, an Accessibility Regulator for buildings, infrastructures and environments is responsible for adapting our buildings and infrastructures for people with disabilities.

Service Improvement Targets

Electra is always looking ahead with a view of progressively raising our already high standards to new heights. Understanding that the effects of the coronavirus crisis will continue in the foreseeable future, we have prepared various service-oriented work plans to weather the potential difficulties presented by a period of global uncertainty. As part of this initiative, we analyzed past successful and unsuccessful measures and deduced new directions and enhancements for our work plans.

We reinforced our digital service array and improved the technical support system through the use of advanced technology and smart tools for remotely monitoring and resolving technical issues. In addition, we expanded and strengthened our direct contact with our customers. The service professionals (technicians) remain at the core of our operations, initiating and providing the right solution at the right time for our customers, employees and business partners.

RESPONSIBLE MARKETING

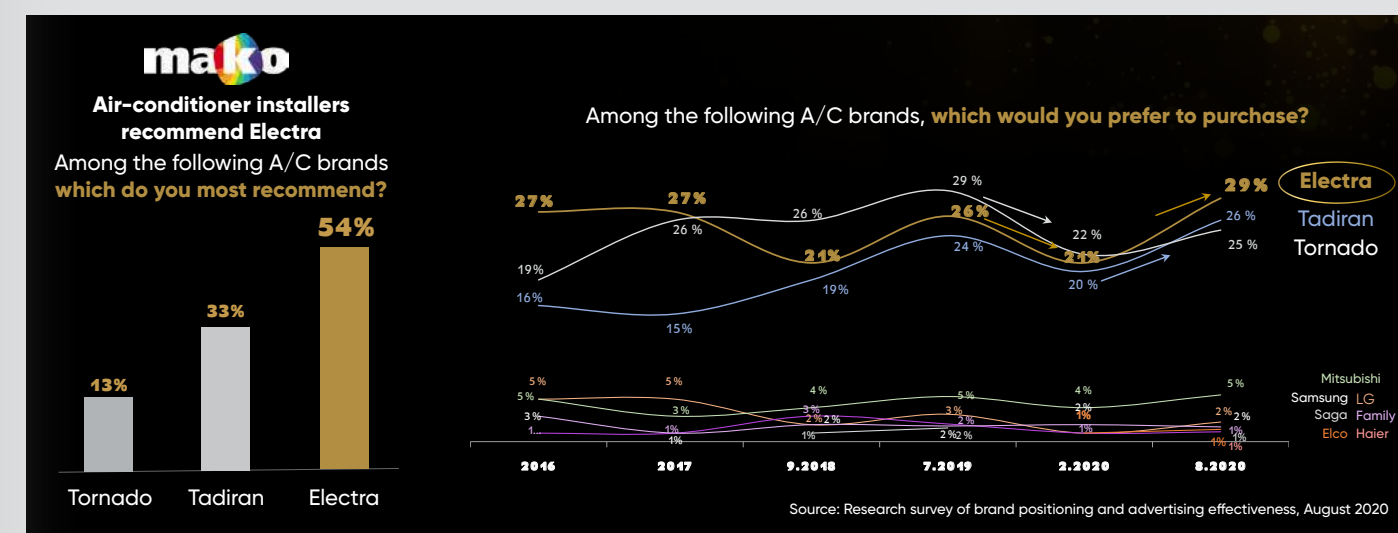
Marketing Policy

As the air-conditioning market in Israel and around the world becomes increasingly competitive, our marketing challenge focuses on differentiating and strengthening the brand through product and technological innovation, delivering added value to the consumer and professional markets.

A research survey of brand positioning and advertising effectiveness from August 2020, found that among the various air-conditioner brands, most installers (54%) recommend Electra air-conditioners. Furthermore, 29% of the consumers surveyed said they would prefer to buy an Electra air-conditioner over other available brands.

Strengthening Brand Values and Driving Electra to Become the Preferred Brand in Israel

The chart demonstrates a positive change in trend as preference for the Electra brand grows this year compared to previous years.



Marketing Platforms

Our Marketing Department promotes the Company's policy through advertising across a wide range of media platforms in order to reach consumers across Israeli society. We advertise on television, radio, billboards and the internet, as well as through targeted and direct advertising. The Department also assists in writing content for intra-organizational communication. As a leading consumer products firm, we strive to uphold the highest service standards. We maintain regular contact with the Civic Trust Organization, adhering to our commitment to fairness, transparency and integrity towards our customers. The results of the above mentioned survey reflect the growth in Electra's image, and indicate a significant improvement in the following aspects: reliability, quiet and energy-efficient air-conditioners, as well as growth in brand values when compared with our competitors.

Director of Marketing Communications at Electra:

"At Electra we insist on professional advertising that reflects accurate and reliable information about our products. Our belief in the importance of environmental sustainability and emerging regulations in this area, combined with growing consumer preference towards green and energy-efficient products - has led us to invest in the development of such products and place them at the forefront of our marketing efforts. An integral part of the customer's journey when purchasing our products, is the Electra warranty and service pack. We make sure to attend to the customer's every question/request/issue; before, during and after purchasing the product."

Responsible Marketing during the Coronavirus Pandemic

We were the first to launch a campaign dedicated to national unity and boosting morale during the peak of the coronavirus crisis, along with the slogan "We'll Win Together". The campaign included musical performances for residents gathering on their balconies during Israel's first quarantine, an initiative which soon became a leading trend in Israel. To view our "Great Light" campaign [click here >>>](#)

FUTURE TARGETS

The climate crisis has compelled us to transition to more efficient and environmentally friendly systems, offering air enhancing capabilities. Looking forward, we seek to focus on product innovation in the fields of environmental sustainability, air enhancement and green construction.

Pursuing these objectives, we have set the following targets:



Maintaining product innovation and optimizing our product portfolio.



Continued brand positioning and growth by leveraging product benefits.



Educating the market towards air-conditioning regulations and leading the field of environmental sustainability – by focusing on the development of green products, as well as on air purification and enhancement elements and products.



Accessibility and an improved, more precise connection with the Company's customers, through leveraging data and insights, personalization and presenting the right offer for each customer.



CORPORATE GOVERNANCE AND ORGANIZATIONAL ETHICS



CORPORATE GOVERNANCE POLICY

As a publicly traded company controlled by Elco Ltd. and listed on the Tel Aviv Stock Exchange, we are subject to regulatory guidelines that include, among other practice, the implementation of internal controls and the rigorous monitoring of their ongoing review.

As part of the training process to maintain employee and management competency, we hold periodic training and instruction sessions, on matters aligned with corporate governance and ethics. Electra's Board of Directors, consisting of six members led by the Chairman of the Board, is responsible to set forth our policies and business strategies.

Members of the Board of Directors

The Company's Board of Directors consists of 6 members:

Chairman of the Board
Daniel Salkind

External Director
Yair Cohen

Director
Avraham Israeli

External Director
Miriam Gez

Director
Michael Salkind

Independent Director
Orly Ben-Yosef

One-third of our Board members (2 out of 6) are women.

Restrictions and Supervision

Electra is subject to the supervision of numerous regulators and is obliged to comply with the provisions of the law. In addition, we fully comply with the following laws and regulations:

- * Law for Promotion of Competition and Reduction of Concentration, 5774-2013
- * Consumer Protection Law, 5741-1981
- * The Standards Law, 5713-1953
- * The Free Import Order 2008
- * Energy Sources Law, 5750-1989
- * Liability for Defective Products Law, 5740-1980
- * Business Licensing Law, 5768-1968 and its regulations

- * Hours of Work and Rest Law, 5711 – 1951
- * Work Safety Ordinance (New Version), 5730-1970, and its regulations and orders
- * Regulation of Processing of Packaging Law, 5771-2011
- * Environmental Treatment of Electrical and Electronic Equipment and Batteries Law, 5772-2012
- * Energy Sources Law, 5750-1989
- * Equal Rights for People with Disabilities Law, 5758-1998
- * Reduction of Use of Cash Law, 5778-2018

Board of Directors Training

The training process includes conveying the necessary information to reinforce the board members and defining their roll in a manner that best contributes value to the Company. In addition, training addresses aspects of corporate governance.

Board Committees

- Audit Committee (includes external and independent directors)
- Remuneration Committee
- Financial Statements Review Committee
- Banking Committee

Good Governance

Remuneration Policy

We strive to adopt balanced remuneration solutions encouraging the active engagement of our employees toward achieving our strategic goals, alongside the development and retention of our dedicated workforce. The existing remuneration policy was approved in 2018 for a period of 3 years, yet due to the growth in the Company's operations, the scope and complexity of its business – it was resolved to amend the terms of the policy.

The new policy, approved in February 2020 by the Company's shareholders, is available in its entirety on the Tel-Aviv Stock Exchange MAYA website (online system for corporate disclosures).

Internal Control Policy

We employ an internal auditor, responsible for submitting a multi-year work plan for approval by the audit committee and the Company's Board of Directors. In addition, we have adopted an internal control policy as defined by the Securities Law.

Risk Management

The nature of our business exposes the Company to macroeconomic and industry risks. In addition, there are specific risks such as: exchange rate volatility, economic slowdown, port workers strikes, fluctuations in the prices of raw materials and components, weather, customer credit and more.

The policy we have formulated advocates selective hedging strategies to mitigate the accounting and economic exposure of market risks, in accordance with our assessments and expectations regarding the parameters that affect these risks. Electra's risk management policy is detailed in our annual financial report.

The Board of Directors' Role in Risk Oversight

Electra's management, its CEO and the Deputy CEO regularly monitor market risks, and are responsible for reporting such risks to the Board of Directors. As such, when determining employee remuneration, our policy links incentives to the Company's business results and to its performance on the stock market, through consideration of proper risk management consistent with the Company's strategy and policies.

Legal Proceedings

In 2019, three legal claims were filed against the Company concerning labor laws, two of which were resolved through an out of court settlement agreement and one remains in legal proceedings. During 2020, four legal proceedings took place under the Protective Labor Laws; one of which has concluded while the rest remain pending. The Company did not incur any fines during the reporting period and had no documented incidents of corruption.

Investigations and Legal Claims

In April 2020, a motion was filed against the Mahsanei Hashmal retail chain, alleging that the chain mislead consumers during its promotional campaigns. The parties reached an agreement in which the chain will revise the way discount prices are presented and will deduct 50% of its shipping and delivery costs for up to a total of NIS 650 thousand. Further and more detailed information can be found within the Company's annual financial statements.

Discrimination Claims

In 2020, no discrimination claims were filed against the Company. In 2019, one gender-based claim was filed by a Company employee and was brought to court.

ORGANIZATIONAL ETHICS

Ethics Policy

We have long recognized the critical importance of ethical conduct which requires sound company policies, conscious decision-making and the use of discretion by all Electra employees. We are dedicated to instill ethical values in the Company's business plans and in the day-to-day operations of each of our divisions and branches.

Code of Ethics

Our Code of Ethics sets forth principles that guide our conduct as we engage with customers, suppliers, employees, competitors, authorities and institutions, community and environment. The principles encompassed in the Code of Ethics are binding for all employees and management. We believe that our commitment to ethical business practices will lead us on a continued path of achievement and success, contributing to the improvement of the business environment in which we operate.

For the Company's Code of Ethics [click here >>>](#)

Process of Framing and Formulating the Code of Ethics

Our Code of Ethics was first formulated in 2015, through collaboration with executives from various units within the Company. We have since conducted surveys among our employees, suppliers and customers regarding various ethical aspects. The Code of Ethics was updated in 2020 and its review reflects the results of these surveys.

Mechanisms and Ethical Reporting Structure

Any ethical question, dilemma, consultation or concern, may be referred to a direct supervisor, department head, departmental HR manager or to the VP of Human Resources, who is also Electra's ethics supervisor. The established reporting mechanism ensures anonymity and confidentiality and effective responses.



CORE VALUES



Dedication

Warm, flexible and personalized service, providing our customers with a sense of security and control.



Integrity

Long-term relationships with our customers and business partners.



Professionalism

Knowledge, diligence and a commitment to excellence, through the implementation of precise data and innovative measures.



Initiative

Always one step ahead for our customers.



Efficiency

A unified, agile, quick to respond, innovative and attentive company.



Innovation and technology

Cutting edge products and services, innovative and digital processes.

Integrating Ethics within the Organizational Culture

Every new employee is required to read and sign our Code of Ethics. Furthermore, an annual online training program is mandatory for all Company employees to ensure their familiarity with our policies. In addition, management and administration are committed to attend annual lectures on various ethics related issues.

We expect our employees and managers to take the necessary steps, within the framework of their authority and position, to implement and enforce the principles and rules of our Code of Ethics. When in doubt - there is no doubt.

In any situation where an employee encounters an ethical dilemma, they must review the Code of Ethics or consult their supervisors. In 2020, 770 employees signed the Company's Code of Ethics (in 2019 the code was implemented among 30% of our employees, increasing to 48% in 2020).

No ethical issues or concerns were raised during the reporting period.

Future Targets

To enable every Electra employee to uphold the principles of ethical conduct, we will continue to update the code in a consistent and ongoing manner, and review our steps and performance accordingly. In 2021, we launched a new online tutorial to serve as a refresher course for promoting employee awareness of the Company's Code of Ethics on an annual and continuous basis. An additional target for 2021 within the scope of ethics is the formulation and implementation of a Code of Ethics for our suppliers.

EMPLOYEES AND WORK ENVIRONMENT



RECOGNIZING THE VALUE OF OUR EMPLOYEES

At Electra, we believe that our employees are the foundation for the Company's current and future success. We believe that sustaining a respectful and supportive work environment contributes to our employees' quality of life, improves performance and realizes the ethical obligations we have to our workers.

In order to demonstrate our commitment to our staff and our desire to retain and promote our employees, we have created an organizational employment pool and the "Looking Forward" policy – a system of intra-organizational tenders in which employees may apply for positions within the Company. Employee evaluation processes are focused on transparency – whereas employees take an active part in their own evaluation.

Key Goals and Objectives

To foster the development of our employees, promote employees from within the organization and create potential managerial and professional opportunities.

From Electra's Code of Ethics:

"People are the heart and driving force at Electra. We are committed to provide our employees with a fair, respectful and safe work environment at all Company facilities. We encourage excellence, initiative and daring and provide our staff with practical support, tools and training. Through our day-to-day activities we demonstrate tolerance and respect for others and attention to the needs of the individual."

WORKPLACE DIVERSITY AND EQUAL OPPORTUNITY

8 DECENT WORK AND ECONOMIC GROWTH



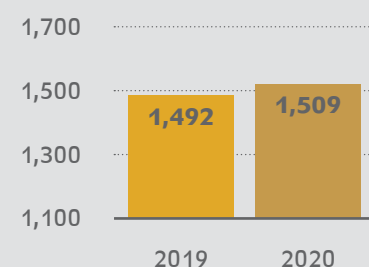
Goal 8: Fair Employment and Economic Growth

8.5 Comprehensive employment and fair work, equal pay.

Workplace diversity means fairness of opportunity. Diversity is not only an important value; but a practical policy that can enhance the organizational thought process, help to better understand cultures and consumers, develop markets and products – and optimize our response to customer needs. We believe that diversity creates an opportunity for an open, equal, rich and inclusive work environment, with an added potential for innovation, as the differences between group members are key in fostering creativity and innovative approaches.

We will continuously strive to realize the potential inherent in each and every one of our employees and to encourage the fruitful and constructive teamwork of diverse population groups from all segments of Israeli society.

Number of Employees at the Company

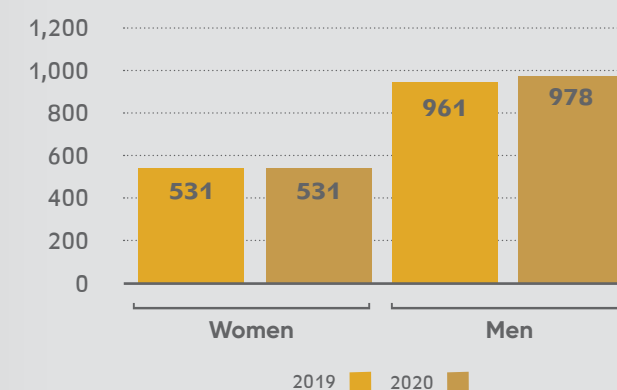


* Personnel data in this chapter are correct as of 30.10.20 unless otherwise stated.

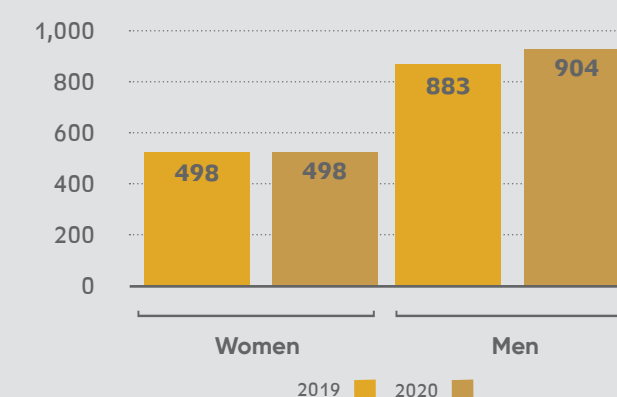
Gender Diversity

Electra constantly seeks to realize the values of equality and diversity in our work force. Accordingly, the company promotes gender-based affirmative action in our recruitment process.

Number of Full Time Employees by Gender



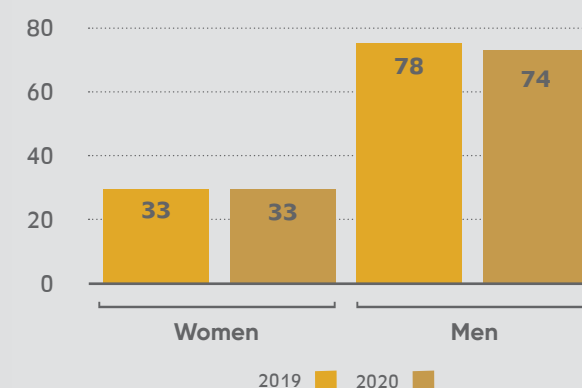
Number of Employees (non-managers) by Gender



32% of our executives are women.

We aim to increase the prevalence of women at the Company, at the executive level and overall.

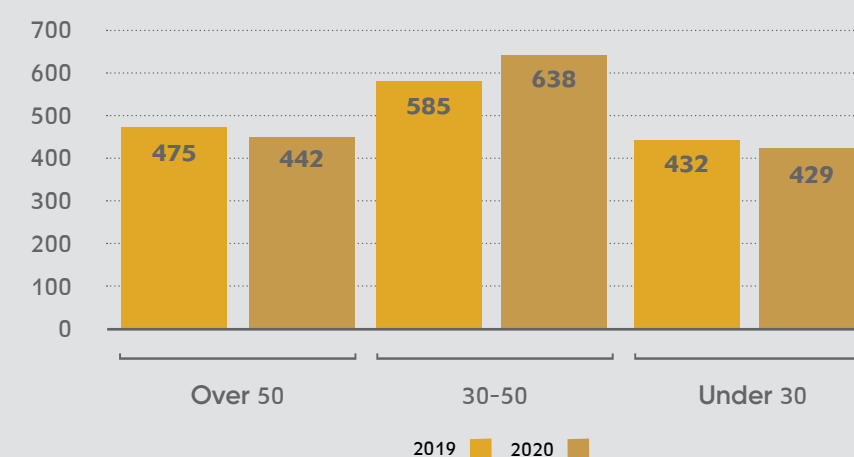
Number of Managers by Gender



Age Diversity

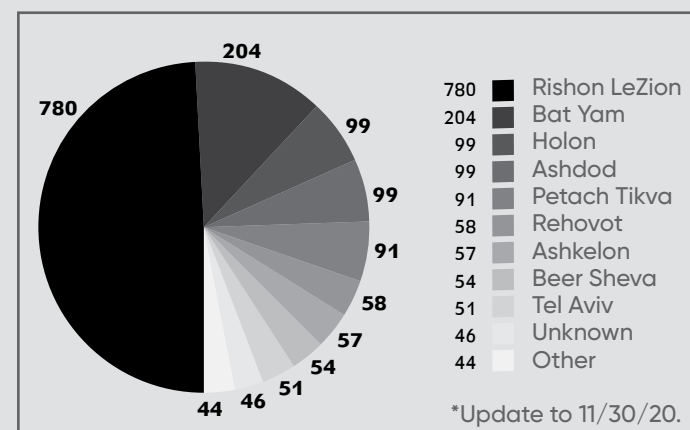
At Electra we see an extraordinary gathering of individuals of varied age and life experience, enabling a productive and diverse discourse.

Number of Employees by Age Group



Geographic Diversity

Electra and its retail segment, which includes the Shekem Electric and Mahsanei Hashmal retail chains, maintains numerous branches nationwide, enabling the employment of workers across a diverse background.



Retirement

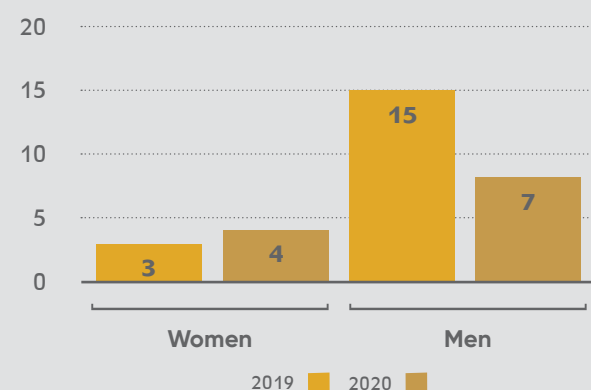
We recognize the satisfaction and pride employees gain when reaching the retirement stage after a career of hard work. We maintain regular contact with our retirees who, participate in Company retreats and enjoy gifts for the holidays, shopping benefits and employee discounts.

Upon approaching reaching retirement age (62 for women; 67 for men), employees receive funding for retirement preparatory workshops, counseling regarding social security benefits, pension rights and taxation. In addition, our retirees remain entitled to Company welfare benefits.

Population Diversity

We have appointed a diversity coordinator responsible for promoting a multicultural work environment. Diversity objectives include ensuring inclusivity while maintaining the importance of religious holidays and festivals among different ethnic and religious groups, maintaining work relationships with organizations that specialize in recruitment and placement of population groups underrepresented in the employment market, making the necessary adjustments in personnel recruitment, onboarding and integration, and collaborating with academic institutions that specialize in this field.

Retirement of Employees by Gender



Promoting Employment of People with Disabilities

11 SUSTAINABLE CITIES AND COMMUNITIES



Goal 11: Sustainable Cities and Communities

11.7 Provide universal access to safe, inclusive and accessible, green and public spaces, in particular for women and children, older persons and persons with disabilities.

We utilize various channels to recruit employees with disabilities to our staff and appointed an employment coordinator dedicated to this matter. As part of the International Day of Persons with Disabilities, annually observed on December 3rd, we launched a social initiative entitled "All Good Café" - a specialty coffee cart set up at Electra's offices and staffed by employees with disabilities. This initiative promotes awareness and creates an initial interaction between managers and individuals with disabilities, a significant step in overcoming barriers and prejudice that may exist towards such groups in society. The project was successfully realized thanks to the efforts of Electra's VP of Human Resources and our Employee Experience Manager, who teamed with the "All Good" Foundation for the integration, support and guidance of disabled individuals.

Future Targets

Integrating disabled individuals.

We strive to integrate employees with disabilities by encouraging discourse and awareness, while creating an appropriate and accessible infrastructure. Our target is for employees with disabilities to constitute approximately 3% of the Company's workforce.

Our work plan for 2021 includes interactive and immersive campaigns to raise awareness of this matter among employees. This campaign includes:



Organizing a fair together with disabled individuals imparting their skills to our employees



Integrating the topic in our new employee orientation workshop



A video created in collaboration with the HR+ employment agency

The Payroll Department will issue a semi-annual control report on the subject to the VP of Human Resources and the Recruitment Manager.

An annual report will be distributed among management, and regular contact will be maintained with dedicated channels for recruiting workers with disabilities. After meeting our targets for 2021, we will strive to recruit at least 15 new employees with disabilities through the course of 2022.



All Good Café at Electra. Credit: Efrat Cohen.

Wage Equality

In 2020, the wage gap between men and women at management levels reached 22% in favor of men. Among employees, the gap reached 17%. A key goal for the upcoming year is to promote gender wage equality.

OUR EMPLOYEES COME FIRST

8 DECENT WORK AND ECONOMIC GROWTH



Goal 8: Fair Employment and Economic Growth

8.8 Protect workers' rights and promoting a safe work environment.

As a company Electra encourages open and informal communication, treating our employees on equal terms, keeping our feet on the ground, knowing each employee by name, pitching in when needed and knowing how to show our appreciation to employees for their hard work.

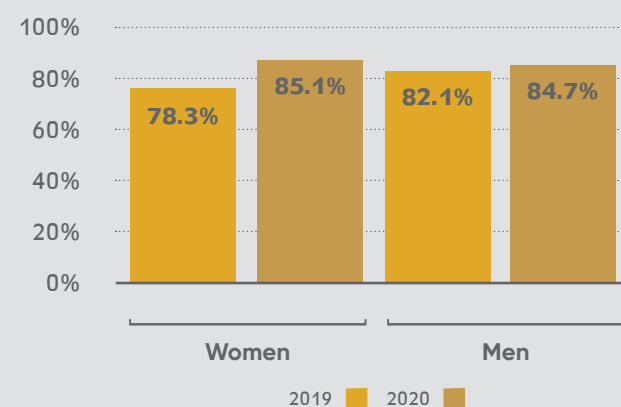
Employee Rights

We are committed to upholding the rights of our employees, in accordance with the law and all relevant agreements. In addition, we are mindful and ensure the rights of workers employed by external contractors and temporary employees.

Onboarding New Employees

The onboarding process provides new employees with comprehensive information regarding social benefits, including pension fund allocation. The process, dubbed WOW (Wonderful Onboarding Welcome) utilizes personalized and innovative digitization to make employees feel welcome in our work environment. In addition, each new employee is welcomed with a small gift waiting on their desk.

Workers Employed Under a Collective Agreement
By Gender



Employee Well-Being

Personalizing the employee experience.

We believe our passionate and driven employees deserve perks, activities and other benefits that make the experience of working with us more pleasant and appealing.

Through the course of the year we celebrate our employees' personal and family milestones with gifts for births, weddings or bar/bat mitzvahs. Moreover, we love to find ways to surprise and delight our employees for no particular reason.

Prevention of Sexual Harassment

The work environment at Electra is safe and supportive for all employees. We have established a code for responding to and preventing sexual harassment and appointed a supervisor responsible for the prevention of this behavior. In addition, all our employees and managers participate in training on the subject to enhance awareness and prevention of harassment in the workplace. The code is presented as part of new employee orientation and is regularly communicated to managers.

Prevention of Workplace Intimidation

We hold periodic training sessions for management in an effort to create a safe work environment free of intimidation. We have established a "hotline" for employee concerns or complaints.

Work-Life Balance

As part of our policy, we allow flexible working hours, shortened days for new parents, an option for paid/unpaid leave during school holidays or university exam periods. We monitor workers who accrue over 50 work hours per week and encourage the utilization of vacation days in order to ensure quality of life and work-life balance.

First and foremost, we ensure that Electra's employees are healthy, happy, and cared for.

As such, we subsidize medical screening exams and encourage physical activity and a healthy diet.

Employee Incentives and Bonuses

All Electra employees are entitled to company funded/subsidized health insurance, parenting courses, holiday gifts and differentially subsidized vacations (employees from lower socio-economic status receive more), summer camps for children, support for special events (weddings, birthdays, etc.), tuition fee reimbursement for children's higher education, and flexibility in working hours.

Moreover, employees are entitled to bonuses and other one-off payments according to their position in the Company, and in some cases to an advanced study fund as well.



DIALOGUE WITH OUR EMPLOYEES

Listening to Our Employees

The relationship between Electra and its employees is based on mutual respect, communication and ongoing dialogue. We are committed to communicate our business results on a quarterly basis at an event with the participation of all Company executives for a question and answer session. In addition, we hold regular feedback meetings, as well as sessions with the VP of Human Resources for all new employees and employees terminating their employment at the Company. Electra has two workers' unions: one for plant workers and one for all other employees. An amicable working relationship is maintained with both unions.

Open Door – Multiple Communication Channels

We communicate with employees through a variety of channels: email, text messages, surveys, videos and online tutorials. In addition, the telephone numbers of the CEO and the rest of the Company's executives are available to employees and customers.

Employee Satisfaction Survey

As part of the process to improve employee experience, we launched a digital satisfaction survey in 2020, to which approximately 680 employees responded (accounting for 46% of the Company's employees).

Survey results:

Over 90% of all respondents rated their overall job satisfaction at Electra as high to very high.

- Approximately 82% of those surveyed responded that they would likely or very likely recommend Electra as a workplace.
- About 80% of those surveyed responded that they see themselves assuming additional roles in the Company in the future.
- Despite the coronavirus pandemic, approximately 54% of respondents felt that they were granted opportunities for professional development during the past year.



BUSINESS CONTINUITY DURING THE CORONAVIRUS PANDEMIC

The pandemic has presented many challenges, among them the effective management of employees. Accordingly, various adjustments have been made to enable a comfortable work environment, while adhering to Ministry of Health guidelines.

We have established a work-from-home protocol with a high degree of flexibility. Employees working within our plant were divided into groups for both the shuttle commute to and from work and dining room seating areas to avoid infection. Our strict adherence to procedures proved successful in keeping COVID-19 cases low among our employees maximizing both efficiency and well-being in a period of historical challenges. Those few who contracted the virus received support and guidance until their full recovery and all returned to work.

An information hotline for social assistance is available to all our employees, as well as assistance with applying for any federal programs such as Social Security benefits. We also provided psychological services for employees throughout the course of this crisis. In addition, we maintain ongoing communication with our employees, delivering surprises directly to their homes. One such surprise was a winter care package meant to improve morale and maximize employee experience during a time of great challenges for Israeli society. Our Customer Service Division transitioned to remote work, investing in both the physical and mental infrastructure needed for this endeavor. We held training sessions, courses and instructions designed to provide employees with the confidence and tools needed for professional and efficient service. Concurrently, we have accelerated our investment in the digital service infrastructure.



Vice President, Customer Service Division:

"The transition to working from home raised concerns regarding the subsequent increase in organizational management challenges and the decrease in productivity, however there is no doubt that thanks to proper implementation the threat turned into an opportunity.

Customer satisfaction surveys indicated a significant improvement, with scores ranging 35% higher than the average during previous summer seasons."

EMPLOYEE TRAINING AND DEVELOPMENT

Employee Development Policy – A Culture of Excellence

Our Learning & Development, Training and Organizational Excellence Department believes that maintaining continuous organizational excellence enables the Company to meet its ambitious goals. We achieve these goals by establishing an organizational culture, values and practices that motivate employees to provide products and services that meet the highest standards.

Organizational Achievements for 2020

1. Creating an infrastructure of organizational excellence: Defining KPIs for Company management, and instituting a language of organizational excellence by developing evaluation and feedback processes for managers and employees.
2. Improving and adapting work interfaces and learning processes to a changing world: a process management system (talent management solutions) and the development of online courses suitable for wide-range recruitment, synchronous and informal learning and the improvement of employee training at the Company.
3. Learning Process Management – an analysis that enables us to identify every learning process within the organization directly related to the Company's success.

There are currently 24 different types of position-specific training programs available to Company employees.

In 2020, 1,633.5 training hours were accrued by 3,614 employees.

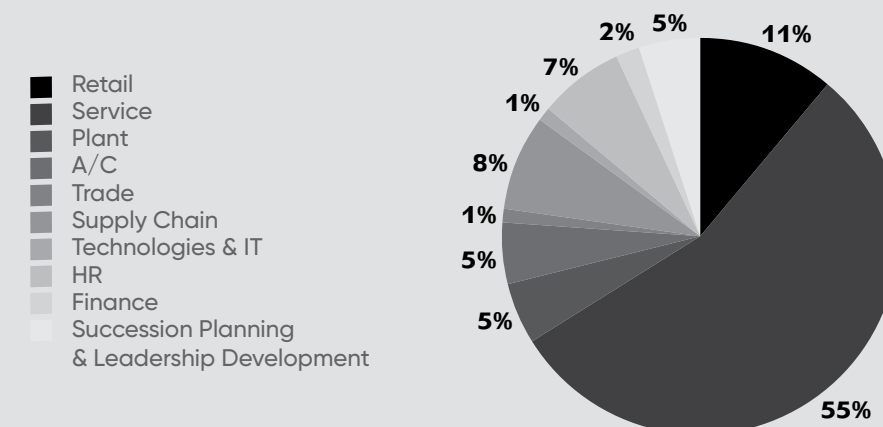
We distinguish between the different organizational levels in the learning processes:

- Senior management includes nine divisional Vice Presidents and the Company's CEO.
- Middle management includes (managers, VPs and segment supervisors (Forum 100)).
- Professional level – employees maintain a direct contact with the professional departments.
- All other employees not classified within the above mentioned categories.

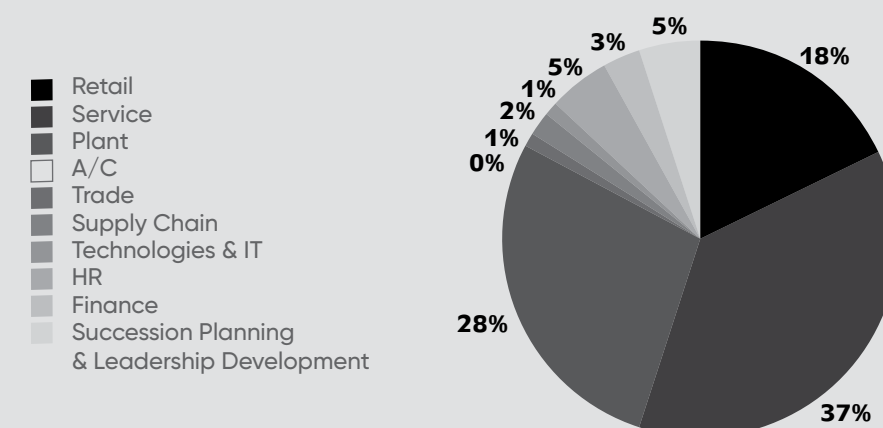
We grouped the learning & training processes performed during 2020 into the following categories: Organizational Excellence, Executive Development, Soft Skills and Enrichment Programs, Work Skills – Upskilling and Reskilling, and Mandatory training.

The following graphs represent the percentages of training hours and accrued employee training according to the various divisions during the year 2020 (the charts do not include cross-organizational training and Forum 100) and are based on the table hereinafter.

Training Hours per Division for the Year 2020



Total Trainees for the year 2020



The following table presents total training hours and total number of trainees, as well as the number of courses offered, for the year 2020:

Division	Total Training Hours 2020	Total Number of Trainees 2020	Number of Courses Accrued Annually
Retail	158	191	6
Service	778	392	6
Plant	72.5	296	1
A/C	74	6	1
Trade	7	13	Hourly Training
Supply Chain	113	19	3
Technologies & IT	7	11	Hourly Training
HR	91	49	1
Forum 100	156	928	2
Cross Organizational	105	1625	2
Finance	29	33	Hourly Training
Succession Planning & Leadership Development	73	51	2
Total	1663.5	3614	24

Organizational Excellence

Throughout the course of 2020, we established a differentiation in the evaluation and feedback process of two target groups (employees and managers) in all aspects of organizational excellence. The process includes a self-assessment, a supervisor evaluation and a personal performance review. We implemented an Enterprise Talent Management System called Cornerstone. Another system, called Blossom, was applied to operate regulatory training such as tutorials. In addition, we developed mentoring and instructional courses for middle and senior management in order to properly define Key Performance Indicators (KPIs) according to the SMART method.

Employee Training and Instruction

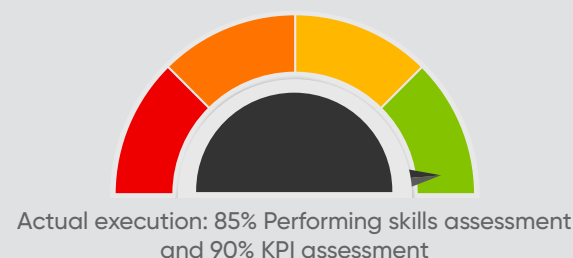
Professional training and instruction are a core element in our employee development process, from job training for new employees to advanced professional courses for experienced employees.

The programs include:

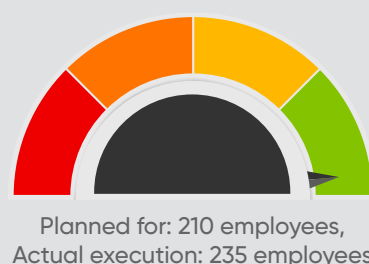
- **Personal enrichment** – cross organizational first aid training, accessibility course for content editors hosted by Access Israel, end-of-year presentations workshop for senior management, employee performance review workshop (in preparation for the annual review process) and more.
- **Skills training** – online training courses for new service representatives in our air-conditioner customer service call center, supplementary courses for new customer service representatives in our retail division, professional courses for technicians such as "cooling systems", "air-conditioning systems management", management skills development workshops for technician team leaders, professional conferences and more.
- **Reskills** – we developed a welding course for plant workers in late 2019, conducted during 2020. The course is designed to train additional workers from the plant's production line in professional welding and expand their professional skillset.

100% of the workers assigned to undergo training in 2020 have successfully completed their course program.

Annual target: 60% Skills assessment and 60% annual KPI assessment



Annual target: 15% of company employees will acquire soft skills / enrichment training



Mandatory Training

As a publicly traded company, we are required to conduct regular training for all our employees on issues such as safety, prevention of sexual harassment and information security. During 2020, for the first time, training for all employees was conducted digitally.

The Company's training completion target was 80% of all employees. In practice, we achieved a 95% completion rate in 2020.

Annual target: 80% of the company's employees will undergo mandatory training



Management Training and Development

At the onset of 2020, we established a management development program for our "Forum 100" managers. We created two different programs for 2 target management groups with the goal of designing courses specifically focused on the management skills required for each target group. In addition, for the first time in Company history, we developed a program for identifying leadership potential within our business divisions and locating candidates for succession planning.

The programs:

- **Chosen to Lead** – A prestigious and focused program for developing leadership skills and effectively driving change, intended for "Forum 100" managers – a broad influence management level within the Company. The program is designed for 9 managers (one from each division) across the Company.
- **Management Effectiveness / Learn to Lead** – A program constructed specifically for the development of management skills with an emphasis on I as a manager, I as a team leader and I and the strategic goals of the organization. The program is designed for 15 managers from across the Company.
- **Talent program, regional training** – A newly developed program for identifying leadership potential, creating a training infrastructure that will be implemented in further areas in the future. The program is designed for 12 north regional branch employees of Mahsanei Hashmal (selected out of 193 employees).

100% of employees assigned to the aforementioned training programs in 2020 successfully completed the course program.

Annual target: 3% Succession Planning & Leadership development



Future Targets

We will continue to foster a culture of excellence among our employees while focusing on the constant improvement of our systems.



In 2021, we will implement the Enterprise Talent Management System, integrating all the currently existing systems, and allowing a 360-degree professional development assessment of all Company employees.



Learning Management System (LMS) development – the launch of 2 additional online courses along with communities of practice, as well as the establishment of a professional development track for all Company employees.



Defining KPIs for 2021 – training and guidance for 70% of management.



Succession planning – implementing a regional training program for 20 branch employees with leadership potential.

SOCIAL RESPONSIBILITY



SOCIAL ENGAGEMENT POLICY

11 SUSTAINABLE CITIES AND COMMUNITIES



Goal 11: Sustainable Cities and Communities

Electra champions social investment as an integral part of our economic strategy, and conducts ongoing activities towards this goal.

Without values, actions are aimless. Thus, our business practices are governed by six core values: Professionalism, Integrity, Dedication, Innovation, Efficiency and Initiative.

Targets and Objectives

Electra has identified community engagement as a primary organizational objective. We aim to strengthen our relationship with the community by expanding our activity with the children of the "Elem" foundation, in northern and southern Israel.



CREATING SHARED VALUE

Environmental Collaboration with Ben-Gurion University - Specialization in Climate Engineering

Collaboration between industry and academia are not prevalent in Israel, yet such partnerships can deliver significant benefits to both business and society. Universities often wish to actively involve their students in the business world, while businesses understand that in order to grow within a constantly evolving global market, they must continuously invest in research and development.

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE



Goal 9: Industry, Innovation and Infrastructure

9.5 Enhance scientific research, upgrade the technological capabilities of the industrial sector.

13 CLIMATE ACTION



Goal 13: Climate Change

13.3 Climate change awareness - Improve education, awareness-raising and human and institutional capacity on climate change mitigation, through adaptation, impact reduction and early warning.

In 2020, we entered a collaboration agreement with Ben-Gurion University, in the field of climate change education, development and academic research. As part of this collaboration, engineering students will participate in a hands-on internship at the Electra Air-Conditioning plant, and could subsequently remain at the Company, finding employment opportunities at the forthcoming Electra-Bosch plant. In addition, members of the University's faculty will offer training courses at the "Electra Academy", including courses for air-conditioning technicians on sustainability and climate engineering in Israel.

Through this initiative Electra employees will enjoy professional training administered by experts in the field, while earning academic degrees that facilitate job placement, the University will see an increased demand for degrees integrating hands-on training, which are currently lacking in the market, and the industry will gain skilled graduates with practical experience.



Zvika Shwimmer, CEO of Electra Consumer Products, with Prof. Daniel Chamovitz, President of Ben-Gurion University

Credit: Dani Machlis

CONTRIBUTIONS TO FOUNDATIONS AND NPOs

We believe we hold a great responsibility to contribute to the well-being of the various communities in our spheres of activity. In 2020, we donated NIS 179,883 in products to NPOs and people in need. In addition, we allocated a sum of approximately NIS 592,932 for donations to NPOs and foundations such as the "Elem Foundation", "Light in Israel", "Pitchon Lev", "Latet Tikva", "Aharai - Youth Leading Change" and more.

Total donations (in cash and in-kind) in 2020 amounted to NIS 722,815.

The Israel Scholarship Education Foundation (ISEF)

The Gershon Salkind "Striving for Excellence" Fund was established to encourage and facilitate higher education, and to promote values of leadership and social responsibility, by awarding academic scholarships to students in Israel's socio-economic periphery who strive to realize their potential for personal excellence. In 2020, we contributed NIS 271,812 to the scholarship fund, accounting for 35% of all donations.

Helpi Volunteering Platform

We have integrated an infrastructure for employee volunteering management.

Helpi is a digital platform that enables easy and accessible volunteering opportunities for company employees, partner organizations and the general public. Helpi's platform allows anyone to volunteer at a time and place convenient to them, and support a cause close to their heart. Volunteering is coordinated at the push of a button, and Helpi's staff provides guidance throughout the process. Helpi creates substantial value for the community, for those seeking help, and for us as a company.

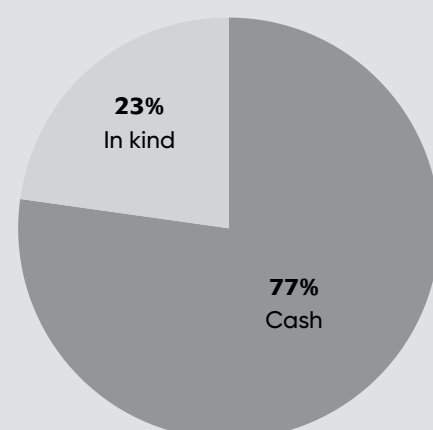
In preparation for this report, a meeting was held with Helpi to help identify material topics for Electra, as well as to strengthen the cooperation between the two companies. We maintain ongoing communication with Helpi and receive status reports on our volunteering activities several times a year.

EMPLOYEE ENGAGEMENT IN LOCAL COMMUNITY



On the Jewish New Year 5771 (September 2020), in the midst of the coronavirus crisis, our employees volunteered to pack essential food items for the "Human Life" organization in Be'er Sheva, which aids people in need.

**NIS 722,815 in Total Contributions
(Cash and In Kind)**



Our Supply Chain Division, together with the "Pitchon Lev" organization, prepared food packages for underprivileged families. "Pitchon Lev" works to break the cycle of intergenerational poverty in Israel.

SIGNIFICANT PROJECTS


In the past year, we sponsored the "Elem" Foundation. Elem is a nonprofit organization dedicated to assist troubled youth in overcoming challenges and creating a better future for themselves and their community, becoming productive members of Israeli society.



The model we developed together is an example of a successful collaboration. Elem's guiding principle is to create a personal, warm and embracing connection with youth and young adults in an open and ongoing manner. We believe that caring for at-risk youth is everyone's responsibility. In 2020, we established a particularly close relationship with the Foundation's branch in the city of Rehovot, which assists over 100 youths.

The Gorgeous Initiative



In honor of International Women's Day, we were proud to take part in a nationwide initiative that provides cosmetic and beauty products to shelters for at-risk women and girls.



**Electra,
You're Gorgeous!**

Join us on
FACEBOOK

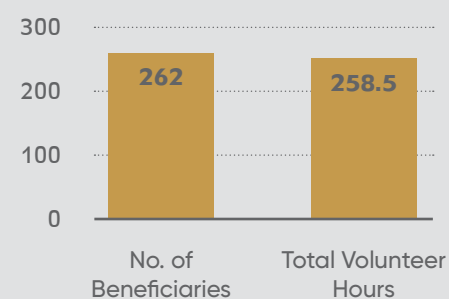
Gorgeous thanks you for your generous contribution.
With your help we prepared **1,000 personal gift-boxes** full of beauty and cosmetic products together with a loving message of empowerment. The gift-boxes were delivered to **hundreds of at-risk women and girls, from across the nation**. Thank you for joining the Gorgeous initiative as part of Women's Day 2020.
See you next year!

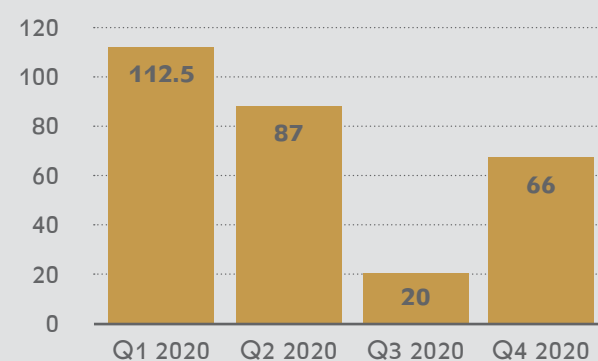
Employee Volunteering Impact

In 2020, 54 employees volunteered through the "Elem" Foundation and the Helpi platform, and our objective is to further increase this number in the upcoming years.

Organizational Impact 2020



Electra Employees Volunteer Hours



Future Targets

In wake of the coronavirus pandemic, volunteer activity has declined. However, we are determined to gradually increase the number of volunteer hours, and to maintain our close cooperation with the Helpi platform and the Elem Foundation. In 2021, we aspire to open an additional support outlet at the Elem branch in the city of Kiryat Malachi.




GRI & SASB CONTENT INDEX

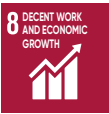














GRI INDEX (GENERAL TOPICS)

Chapter	GRI Standard Title	Core/Comp	Disclosure Number	Disclosure Title	Page/Notes	SDG's
102	Organization profile	Core	102-1	Name of the organization	6	
		Core	102-2	Activities, brands, products, and services	8	
		Core	102-3	Location of headquarters	13	
		Core	102-4	Location of operations	13	
		Core	102-5	Ownership and legal form	10	
		Core	102-6	Markets served	13,50,54	 11.7
		Core	102-7	Scale of the organization	10	
		Core	102-8	Information on employees and other workers	66,67,70	 8.5
		Core	102-9	Supply chain	40	
		Core	102-10	Significant changes to the organization and its supply chain	22	
		Core	102-11	Precautionary Principle or approach	44,61	
		Core	102-12	External initiatives	14,19	
		Core	102-13	Membership of associations	24	
	Strategy	Core	102-14	Statement from senior decision-maker	4	
		Comp	102-15	Key impacts, risks, and opportunities	61,23	
	Ethics and integrity	Core	102-16	Values, principles, standards, and norms of behavior	62	
		Comp	102-17	Mechanisms for advice and concerns about ethics	62	
	Governance	Core	102-18	Governance structure	60	
		Comp	102-20	Executive-level responsibility for economic, environmental, and social topics	VP Human Resources	
		Comp	102-21	Consulting stakeholders on economic, environmental, and social topics	17	
		Comp	102-22	Composition of the highest governance body and its committees	60	
		Comp	102-24	Nominating and selecting the highest governance body	In the financial report	
		Comp	102-25	Conflicts of interest		
		Comp	102-26	Role of highest governance body in setting purpose, values, and strategy	60	
		Comp	102-27	Collective knowledge of highest governance body	60	

Chapter	GRI Standard Title	Core/Comp	Disclosure Number	Disclosure Title	Page/Notes	SDG's
102	Governance	Comp	102-29	Identifying and managing economic, environmental, and social impacts	61	
		Comp	102-30	Effectiveness of risk management processes	61	
		Comp	102-32	Highest governance body's role in sustainability reporting	CEO	
		Comp	102-35	Remuneration policies	61	
		Comp	102-36	Process for determining remuneration	61	
		Comp	102-37	Stakeholders' involvement in remuneration	61	
	Stakeholder engagement	Core	102-40	List of stakeholder groups	17	
		Core	102-41	Collective bargaining agreements	69	
		Core	102-42	Identifying and selecting stakeholders	17	
		Core	102-43	Approach to stakeholder engagement	41,51,72,81	
		Core	102-44	Key topics and concerns raised	41,51,72,81	
	Reporting practice	Core	102-45	Entities included in the consolidated financial statements	11	
		Core	102-46	Defining report content and topic Boundaries	16	
		Core	102-47	List of material topics	16	 12.6
		Core	102-48	Restatements of information	14	
		Core	102-49	Changes in reporting	16	
		Core	102-50	Reporting period	14	
		Core	102-51	Date of most recent report	14	
		Core	102-52	Reporting cycle	14	
		Core	102-53	Contact point for questions regarding the report	92	
		Core	102-54	Claims of reporting in accordance with the GRI Standards	14	
		Core	102-55	GRI content index	86	
		Core	102-56	External assurance	NO	

GRI INDEX (SPECIFIC TOPICS)

Chapter	GRI Standard Title	Disclosure Number	Disclosure Title	Page/Notes	SDG's
103	Management Approach (required for each material aspect)	103-1	Explanation of the material topic and its Boundary	16. For more information please see the relevant chapter	
		103-2	The management approach and its components		
		103-3	Evaluation of the management approach		
Economic (200)	201 Economic performance	201-1	Direct economic value generated and distributed	11	
		201-2	Financial implications and other risks and opportunities due to climate change	30	
		201-3	Defined benefit plan obligations and other retirement plans	68	
		201-4	Financial assistance received from government	19	
	203 Indirect Economic Impacts	203-1	Infrastructure investments and services supported	81	
		203-2	Significant indirect economic impacts	81	
	204 Procurement Practices	204-1	Proportion of spending on local suppliers	40	
	205 Anti-corruption	205-3	Confirmed incidents of corruption and actions taken	60	
	206 Anti-competitive Behavior	206-1	Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	61	
Environmental (300)	301 Materials	301-2	Recycled input materials used	27,34	
		301-3	Reclaimed products and their packaging materials		
	302 Energy	302-1	Energy consumption within the organization	32,34	 8.4
		302-4	Reduction of energy consumption	32	
		302-5	Reductions in energy requirements of products and services	25	 7.3
					 9.4
					 12.2
					 13.1
	303 Water	303-1	Water withdrawal by source	34	
	306 Effluents and Waste	306-2	Waste by type and disposal method	35	 11.6
					 12.4

Chapter	GRI Standard Title	Disclosure Number	Disclosure Title	Page/Notes	SDG's
Environmental (300)	306 Effluents and Waste	306-3	Significant spills	Zero spills	
	307 Environmental Compliance	307-1	Non-compliance with environmental laws and regulations	Zero cases	
	308 Supplier Environmental Assessment	308-1	New suppliers that were screened using environmental criteria	41	 12.7
		308-2	Negative environmental impacts in the supply chain and actions taken	22	
Social (400)	401 Employment	401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	69	 8.4
	403 Occupational Health and Safety	403-1	Workers representation in formal joint management-worker health and safety committees	42	
		403-2	Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities	42	
	404 Training and Education	404-1	Average hours of training per year per employee	73	
		404-2	Programs for upgrading employee skills and transition assistance programs	75,76	
		404-3	Percentage of employees receiving regular performance and career development reviews	75	
	405 Diversity and Equal Opportunity	405-1	Diversity of governance bodies and employees	66,67,68	 8.5  11.7
		405-2	Ratio of basic salary and remuneration of women to men	69	
	406 Non-discrimination	406-1	Incidents of discrimination and corrective actions taken	61	
	408 Child Labor	408-1	Operations and suppliers at significant risk for incidents of child labor	Zero risk	
	409 Forced or Compulsory Labor	409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labor	Zero risk	
	413 Local Communities	413-1	Operations with local community engagement, impact assessments, and development programs	80,83	 9.5  13.3

GRI INDEX (SPECIFIC TOPICS)

Chapter		GRI Standard Title	Disclosure Number	Disclosure Title	Page/Notes	SDG's
Social (400)	416	Customer Health and Safety	416-2	Incidents of non-compliance concerning the health and safety impacts of products and services	Zero cases	
	417	Marketing and Labeling	417-1	Requirements for product and service information and labeling	55	
			417-2	Incidents of non-compliance concerning product and service information and labeling	Zero cases	
			417-3	Incidents of non-compliance concerning marketing communications	Zero cases	
	418	Customer Privacy	418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	46	
	419	Socioeconomic Compliance	419-1	Non-compliance with laws and regulations in the social and economic area	Zero cases	

SASB CONTENT INDEX

Topic	Accounting Metric	Category	Unit Of Measure	Notes	Code
Annual production	Activity Metric	Quantitative	Number of units	Not disclosed	CN0601-A
Product Safety	Number of recalls and total units recalled	Quantitative	Number	0	CN0601-01
	Amount of legal and regulatory fines and settlements associated with product safety	Quantitative	U.S. Dollars (\$)	\$ 0	CN0601-02
Product Lifecycle Environmental Impacts	Percentage of eligible products certified to a U.S. EPA ENERGY STAR® standard	Quantitative	Percentage (%) by revenue	100% of the products are rated in the Israeli standard 994. Approximately 88% of the air-conditioners sold by the Company in 2020 are rated 'A' on the energy consumption scale.	CN0601-03
	Percentage of eligible products certified to an Association of Home Appliance Manufacturers (AHAM) sustainability standard	Quantitative	Percentage (%) by revenue	The company is certified in similar standards in Israel but not in this standard.	CN0601-04
	Description of efforts to manage products' end-of-life impacts	Discussion and Analysis	n/a	disclosed in the Environmental Responsibility chapter	CN0601-05

This report was prepared with the assistance of Good Vision – a Corporate Responsibility Consulting Firm, a member of the Fahn Kanne & Co. Grant Thornton Group, and a GRI Organizational Stakeholder.



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Reporting Language

This report was originally published in Hebrew and is available on the Company's website: <http://www.ecp.co.il>

In the event of any discrepancy or inconsistency between the information appearing in this report and the Hebrew version of this report, the Hebrew version will prevail.

Legal Disclaimer

This Corporate Responsibility and Sustainability Report (hereinafter: "Sustainability Report", "Corporate Responsibility Report", "the Report") offers an overview of the sustainability and corporate responsibility aspects of the Electra Consumer Products Group (1970) Ltd (hereinafter: "the Group", "the Company" "ECP") operations in 2020.

The Report focuses on the integration of sustainability principles within the Group's business activity and on its economic, social and environmental values as they relate to the Group's interface with its stakeholders – employees, customers, suppliers, authorities, business partners, local communities and more.

This is the Group's first Corporate Responsibility and Sustainability Report; this report is published in conjunction with the publication of the Group's annual financial statements. This report includes references to the Company's principle subsidiaries according to its controlling share in their activities during the reporting period. Wheresoever quantitative metrics (graphs, charts, etc.) were included in the Report that do not convey the overall performance of the Group, the case was explicitly noted.

This document reflects the Company's policy which is "beyond compliance". As such, it reflects the targets, objectives and milestones the Company has decided upon and which it strives to achieve, yet has no legal obligation to meet. The information presented in this Report is relevant as of December 31, 2020. The Company has taken efforts to ensure that this document is true and accurate and, to the best of the Company's knowledge, it is true and accurate, as of such date. Nonetheless, as in any document, it may contain generalities, misstatements, errors and omissions and accordingly, the Company does not accept any liability for the accuracy or completeness thereof, nor does it permit any reliance on, or use made of, the information contained therein, by any person.

The group operates in a dynamic and changing environment. Within this framework, it enters new areas of activity, modifies certain activities and withdraws from others. In addition, the Company is under no obligation to update the information contained herein.

Accordingly, in the event of any discrepancy between the information in this Report and any information in the Company's reports published on the ISA's public disclosure system (<https://www.magna.isa.gov.il/>), the information detailed on the ISA website shall prevail. Lastly, 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.