

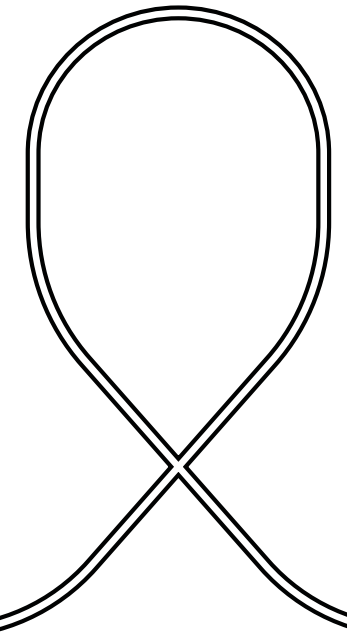


# KAFRIT IL

## ESG report 2022



## The current reality for KAFRIT IL



Over the last weeks, KAFRIT IL has faced challenges that have tested us not just as a company, but as human beings. We've experienced unimaginable loss, and now have a new responsibility to our team members, families, customers, and partners.

KAFRIT IL was born in Kibbutz Kfar-Aza, where the October 7th attacks have left every one of our people in the kibbutz feeling an unprecedented loss. We were devastated to lose our team member Dorit Bar Ilan, our Board member Aviv Kutz, and our SVP Business Development & Innovation Nadav Goldstein.

In the wake of the tragedy, we're committed to using our knowledge and resources to help our team members, families and the Kibbutz Kfar-Aza community move forward. Our focus on people has always driven our ESG commitments and goals, and today this matters more than ever, both to our people and the people of Israel. We've been sending food to families of recruited individuals, financial assistance to those who need it, and paid salaries to those who can't work.

Thanks to the collaborative culture among Kafrit Group's companies and partners, we've kept our business active and resilient, and maintained our high standards of client service. We've temporarily transferred production to our other plants, and we're releasing materials under military protection. Working together, we'll overcome these obstacles, advance our commitments to people and planet, and emerge stronger than ever.

Due to the unforeseen and ever-changing circumstances, we'll review our ESG goals during 2024.



### In memory of Nadav Goldstein SVP Business Development & Innovation

Nadav was a husband, father, beloved team member, and pioneer at Kafrit Group. For more than 20 years he pushed for innovation, challenged us to be better every day, and championed customer care. What's more, he was instrumental in defining our purpose and bringing it to life: "To unite talent and technology to drive the future of plastics, together."

This year's ESG report was inspired, co-created, and made possible thanks to Nadav's vision and dreams. So many of the goals and achievements in this report are thanks to him, and though he'll never be replaced, his influence will always be felt.

|   |           |   |           |
|---|-----------|---|-----------|
| <b>Opening statements</b>                           | <b>7</b>  | <b>Social considerations</b>                              | <b>37</b> |
| The Chairman  | 7         | Employment rights   | 37        |
| The Kafrit Group CEO                                | 8         | Equal opportunities                                       | 38        |
| The KAFRIT IL General Manager                       | 9         | Training and education                                    | 40        |
|   |           | Occupational health & safety (OH&S)                       | 41        |
| <b>About KAFRIT IL</b>                              | <b>11</b> | Value chain and human rights                              | 42        |
| From the kibbutz to the world                       | 11        | Community engagement                                      | 43        |
| KAFRIT IL in numbers                                | 12        |   |           |
| Product portfolio                                   | 13        | <b>Governance</b>   | <b>45</b> |
|   |           | Corruption risks, legal cases, and political contribution | 45        |
| <b>Kafrit Group sustainability strategy</b>         | <b>15</b> | Governmental financial assistance                         | 45        |
| Five strategic pillars for a sustainable future     | 15        | Ethical and general compliance                            | 46        |
| Multistakeholder materiality assessment             | 16        |   |           |
| United Nations Sustainable Development Goals        | 17        | <b>KAFRIT IL sustainability goals in a nutshell</b>       | <b>47</b> |
| What Kafrit Group focuses on                        | 17        |   |           |
|   |           | <b>GRI Index</b>  | <b>48</b> |
| <b>KAFRIT IL 2022 sustainability achievements</b>   | <b>18</b> | <b>Imprint</b>  | <b>53</b> |
|   |           |   |           |
| <b>Process management</b>                           | <b>21</b> |   |           |
| Responsibility, rules, and processes                | 21        |   |           |
| Stakeholder engagement                              | 22        |   |           |
| Research & Development (R&D)                        | 24        |   |           |
| Research and strategic partnerships at one glance   | 26        |   |           |
|   |           |   |           |
| <b>Environment</b>                                  | <b>29</b> |   |           |
| Usage of natural resources                          | 29        |   |           |
| Resource management and on-site environmental risks | 31        |   |           |
| Climate-relevant emissions                          | 32        |   |           |
| SCOPE 1 breakdown                                   | 34        |   |           |
| SCOPE 2 breakdown                                   | 34        |   |           |
| SCOPE 3 breakdown                                   | 34        |   |           |
| Waste management                                    | 35        |   |           |

### Interactive Report



This pdf uses links to help you navigate. You can return to the contents section any time by clicking the Kafrit "K" in the corner of each page.



## Opening statements

# The Chairman

For more than three years I've had the privilege of heading up the Kafrit Group. Established around 50 years ago by the Kibbutz Kfar-Aza, which still holds majority control today, our organization has become an industry-leading public and multinational company.

The group now comprises seven industrial companies around the world, employs over 500 people, and has a sales turnover of more than a billion NIS. Today we're proud to present our second annual ESG report, detailing our companies' strategic actions and our group's advances in sustainability.

This report comes during a significant and deeply tragic time for KAFRIT IL. The October 7th Hamas attack on Kibbutz Kfar-Aza led to casualties, evacuation, and lasting trauma for our colleagues and communities. As a business, we've shown our resilience by supporting customers with products stored in the warehouse and making plans to gradually resume work in our Israel plant.

I salute all employees of KAFRIT IL for their extraordinary perseverance in an unprecedented time, and thank the company's customers, suppliers and shareholders for their longstanding trust and partnership.

As we move forward, we'll continue to strive for improvement in every area of operation, both in Israel and across all Kafrit Group companies.



Dr. Itzick Sharir  
Chairman of the Board

Dr. Itzick Sharir  
Chairman of the Board



# The Kafrit Group CEO



Daniel Singer  
CEO of the Kafrit Group

In 2020, KAFRIT IL published its first ESG report, aligning with the world's leading companies on increased accountability in environmental, social, and governance matters. Since then, we've engaged with customers, suppliers, employees, shareholders, regulators, and the public to expand the dialogue around our business strategies. This included:

- Preparing a focused ESG implementation.
- Conducting a multi-stakeholder materiality analysis.
- Measuring corporate carbon footprints in all our companies, including KAFRIT IL.
- Investing in start-ups with potential sustainable solutions for our customers.
- Developing products that could help our customers become more eco-friendly.

During the terror attack on October 7th, the time this report was ready to be published, we all experienced horrific loss as our team members, board members, family members, and other civilians were killed or kidnapped - including children, women, and the elderly and sick. These horrendous events reminded us of the importance of our basic human values. Following the global ESG dialogue and common social values, the business community should condemn these unacceptable actions, regardless of political views or discrepancies.

The ESG journey is a responsibility and a challenge, and we're committed to implementing our strategy and increasing transparency. It's imperative that we listen to our stakeholders and understand their expectations. We should also critically assess our own performance and set up long-term goals on issues that are becoming crucial for us and many of our partners.

I'm proud to be part of the Kafrit Group. Together we challenge ourselves to raise the bar as an ongoing practice and overcome any crisis.



Daniel Singer  
CEO of the Kafrit Group

# The KAFRIT IL General Manager



Alon Kessler  
General Manager  
of KAFRIT IL

I am pleased to present to you the 2022 ESG report of KAFRIT IL. The Kafrit Group is among the leading companies in the world for masterbatches and compounds in the plastics industry, concentrates that breathe life into the products of the world's largest plastic manufacturers in the fields of automobiles, communications, medical instruments and equipment, agriculture, food packaging, and more.

Since the publication of the first report about two years ago, the issues of sustainability and corporate responsibility have become more and more central in the world, and of course also in KAFRIT IL we have made great progress in several areas as the report shows. We operate under the sustainability strategy of the Kafrit Group, and ESG considerations are a significant part of all decision points in the company.

Since the previous report, a sustainability manager has been appointed at KAFRIT IL who, together with a dedicated team and the company management, is leading the company on the long and complex journey towards more social responsibility in the areas of environment, society, and corporate governance.

In each of these areas, we see progress from the previous report, and mark a path and goals for the future to continue to improve.

I invite you to expand your acquaintance with us, and to read on the following pages about how we integrate the values of corporate responsibility in the company's business, thereby positively influencing all our stakeholders.



Alon Kessler  
General Manager of KAFRIT IL












# About KAFRIT IL

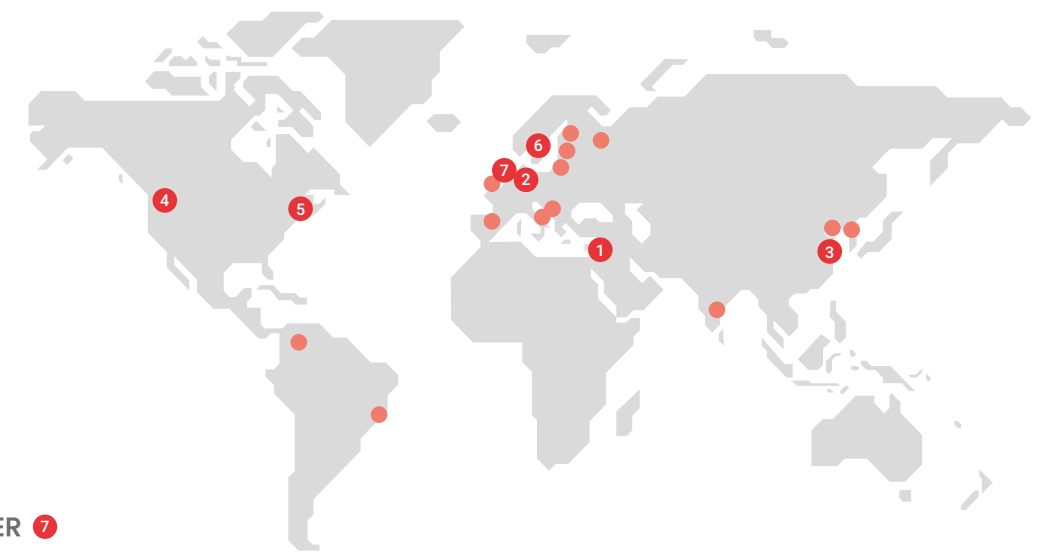
## From the kibbutz to the world

Kafrit Industries (1993) Ltd. (in the following: KAFRIT IL) is an Israeli company that specializes in the production of innovative and high quality masterbatches and compounds that are delivered to serve various applications in the plastics industry. The company was founded in the Kibbutz Kfar-Aza in 1973 and has grown over time to become a significant player in its industry.

KAFRIT IL has continuously expanded its operations by incorporating other companies into the Kafrit Group, broadening its product portfolio and market reach. Today, the Kafrit Group comprises 7 companies which are located on 3 continents, in total employing more than 500 employees.

In the reporting year, on average 158 employees work for KAFRIT IL and help foster the group's sustainability strategy by executing a tailor-made ESG roadmap locally, thereby following the group's purpose – to unite talent and technology to drive the future of plastics, together.

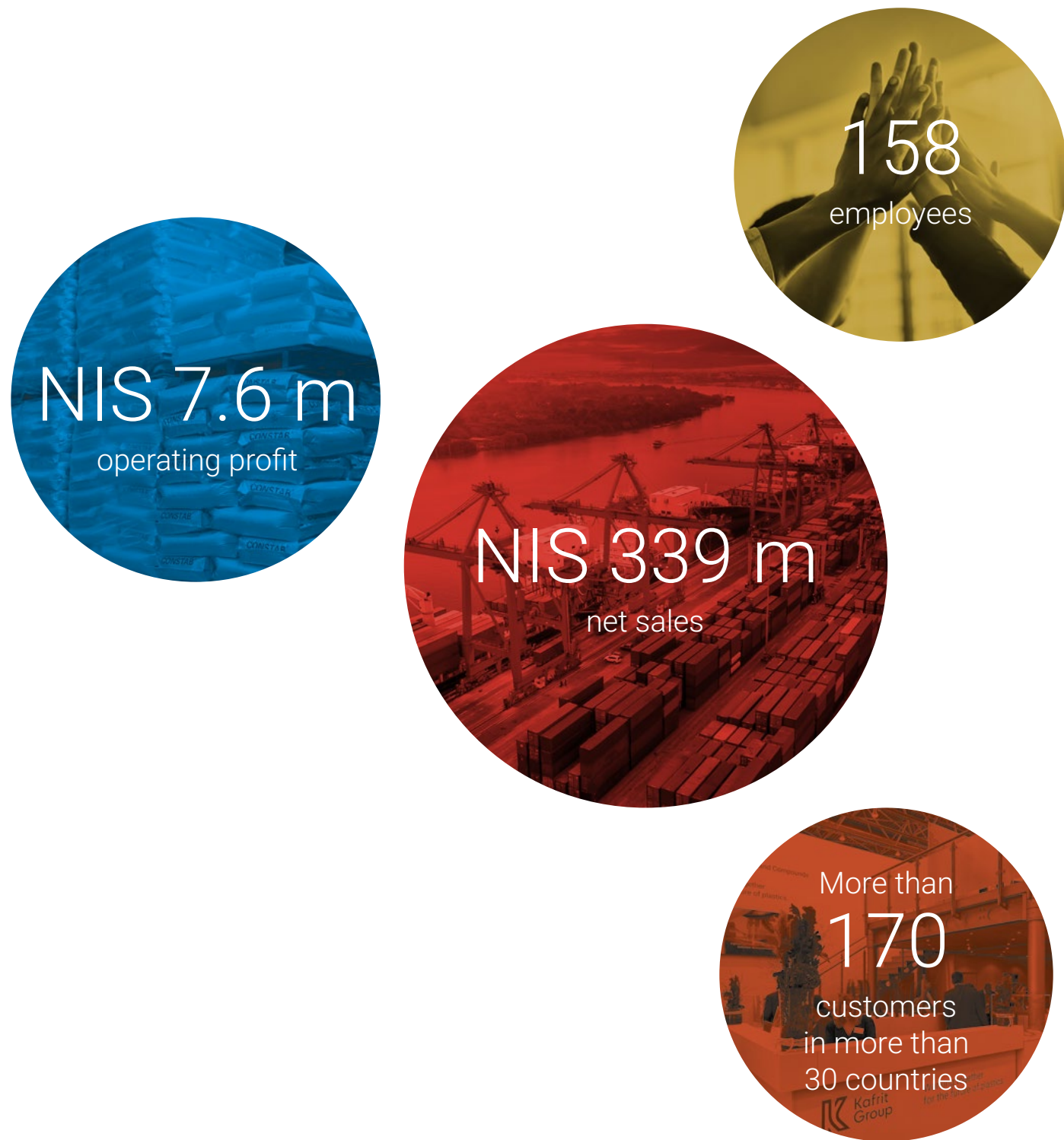
-  KAFRIT IL ①
-  CONSTAB GER ②
-  CONSTAB CN ③
-  KAFRIT NA ④
-  POLYFIL USA ⑤
-  ADDVANZE SWE ⑥
-  DELTA KUNSTSTOFFE GER ⑦



● Kafrit Group production sites    ● Agencies/Distribution






**Kafrit IL in numbers**







**Product portfolio**



The company's product portfolio comprises masterbatches and compounds serving a wide range of applications such as agricultural film to foster the idea of sustainable agriculture, packaging to protect food and reduce food waste, pipes and sheets to realize both long-lasting and economic purposes, odor neutralizers to enhance recycling, foaming technologies to save raw materials and process energy, and many other applications. KAFRIT IL's product portfolio is designed to meet every customer's specific needs without comprising the idea of sustainability.



-  **BOPP**  
Optimizing BOPP film production with CONSTAB® Masterbatches and Compounds



 **Polycarbonate and PMMA Sheets**  
For a transparent view with Kafrit IL Masterbatches and Compounds
-  **BOPE**  
Sustainable solutions for flexible packaging films with CONSTAB® CON-X® Masterbatches

 **Pipes and Sheets**  
Customized solutions with Kafrit Group Masterbatches and Compounds
-  **Functionalities: Ecozell® – Lighten up!**  
A revolutionary foaming agent to reduce material and resin consumption

 **Injection Molding, Blow Molding**  
Injecting new ideas into your products with Kafrit Group Masterbatches and Compounds
-  **Functionalities: Kafrit Group Antioxidants**  
Reliable protection for your plastic products

 **Nonwovens**  
Adding value to Fibers and Nonwovens with Kafrit Group Masterbatches
-  **Functionalities: Conpeel**  
Strong protection, easy peeling with CONSTAB CONPEEL® Compounds

 **Agricultural Film**  
Growing success with Kafrit Group Masterbatches and Compounds
-  **Polyethylene Packaging, Polypropylene Cast and Calender Films**  
Rolling to success with Kafrit Group Masterbatches and Compounds

 **Flame Retardants**  
Enlightening solutions with KAFRIT IL Masterbatches and Compounds
-  **Conductives**  
Protecting sensitive electronic components with compounds from DELTA KUNSTSTOFFE GER





# Kafrit Group sustainability strategy

## Five strategic pillars for a sustainable future

Kafrit Group's sustainability strategy is based on five key pillars which together are meant to integrate ESG considerations holistically into the group's companies. Each of these pillars plays a crucial role in ensuring a comprehensive and effective sustainability approach.

Our sustainability aspirations are that our people, products' design, and our aligned actions, together with our stakeholders, will make a better world.

| Areas of action              | Operating sustainably  | Living sustainably   | Innovating sustainably  | Business developing sustainably  |
|------------------------------|--|--|---|--|
| <b>Mission</b>               | We continuously limit the negative impact our operations have on the environment                       | We work to ensure that our people are safe and act according to our values | We help our customers to become more ecofriendly through product innovation | We balance our portfolio through relevant business development and strategic alliances |
| <b>Reporting sustainably</b> | We measure our actions, set long- and short-term goals, and work to achieve results and report on them |  |   |  |

**Operating sustainably:** This pillar focuses on integrating sustainable practices into the core operations of Kafrit Group – every day. Amongst others, this includes initiatives to reduce energy consumption, minimize waste generation, optimize water usage, and enhance the overall efficiency of the company's processes. Sustainable operations have a major impact on lowering Kafrit Group's environmental footprint, and they contribute to the conservation of resources.

**Living sustainably:** Kafrit Group actively promotes a culture of sustainability within and beyond the organization. The top priority for the whole group is occupational health & safety (OH&S) and this does not stop when leaving the group's premises. In addition, Kafrit Group supports sustainable practices among its employees such as using public transportation, working out adequately or participating in community sustainability projects.



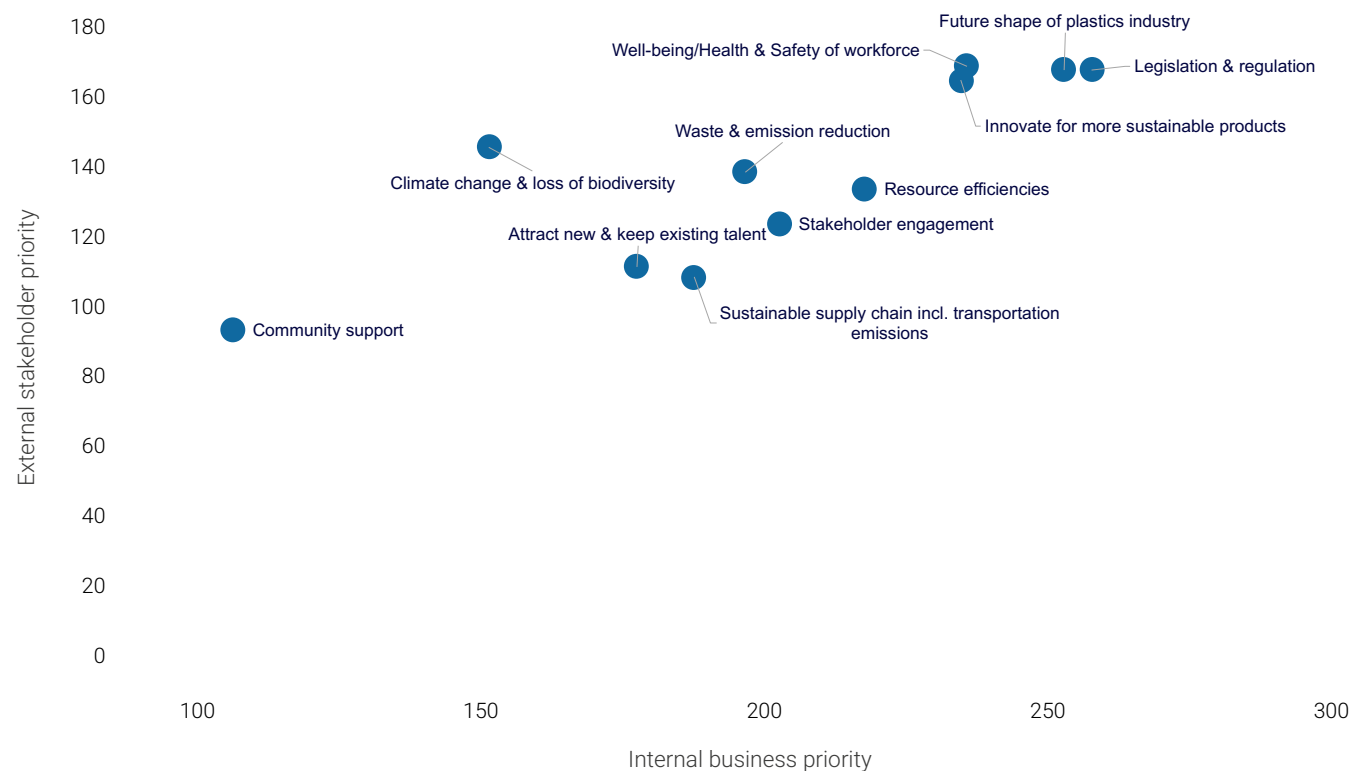
**Innovating sustainably:** Innovation plays a key role in sustainability. Kafrit Group constantly invests in research and development (R&D) to create innovative products, technologies, and solutions that are environmentally friendly and socially responsible and help our customers to become more sustainable at their end.

**Business developing sustainably:** Sustainability will be an increasingly important factor driving business growth. Kafrit Group frequently explores new markets and opportunities by aligning its products and services with the growing demand for sustainable solutions and by partnering with relevant industry players from along the value chain.

**Reporting sustainably:** Environmental, Social, and Governance (ESG) reporting is about transparently communicating the company's sustainability performance to stakeholders. Therefore, Kafrit Group invests in establishing a robust ESG reporting infrastructure that will enable the whole group to meet emerging ESG disclosure demand. This second ESG report of KAFRIT IL is to be considered in this sense.

**Multistakeholder materiality matrix**

In 2022, as a global effort, Kafrit Group for the first time executed a multistakeholder materiality assessment to define the most relevant topics to drive the company's future sustainability roadmap, both seen from an internal and from an external point of view. As a result of more than a dozen interviews, the following consolidated matrix on group-level is to be considered the guiding ESG pathway highlighting group-wide priorities such as legislation/regulation, the future shape of the plastics industry, well-being/health & safety, and innovation. Besides, waste & emission reduction, the increase of resource efficiencies, stakeholder engagement, and climate change & loss of biodiversity are dominant strategic priorities that are mainly driven by the European and Israeli perspectives. Kafrit Group will redo this multistakeholder materiality assessment in 2024.



**United Nations Sustainable Development Goals**

The 17 Sustainable Development Goals of the United Nations (UN), also known as UN-SDGs, are a universal call to action to all countries on Planet Earth with the goal to link the principle of sustainability with the economic, ecological, and social development. The UN-SDGs recognize that overcoming poverty must go hand in hand with policies and measures that promote economic growth and take into consideration social needs such as education, health, social protection, and employment opportunities while at the same time the fights against climate change and environmental protection are prioritized.

**What Kafrit Group focuses on**

Kafrit Group acknowledges all 17 UN-SDGs and considers seven of them to be those fields of action where the group can have the most meaningful impact on. These selected seven UN-SDGs guide the group's pathway to sustainability and are closely connected to all efforts done in the ESG arena.





# KAFRIT IL 2022 sustainability achievements



**-9.4%**

total fuel consumption  
2022 vs. 2019

**-11.8%**

total electricity consumption  
2022 vs. 2019

**1<sup>st</sup>**

corporate  
carbon footprint (CCF) analysis  
done for KAFRIT IL



**57%**

women  
in executive management  
(43% in 2020)

**90%**

of employees received  
manager feedback

**+100%**

Community engagement  
more than doubled between  
2020 and 2022



**0**

confirmed incidents of corruption  
or legal cases  
brought against the company

## Ethics

Ethical decision-making  
is prioritized at all levels

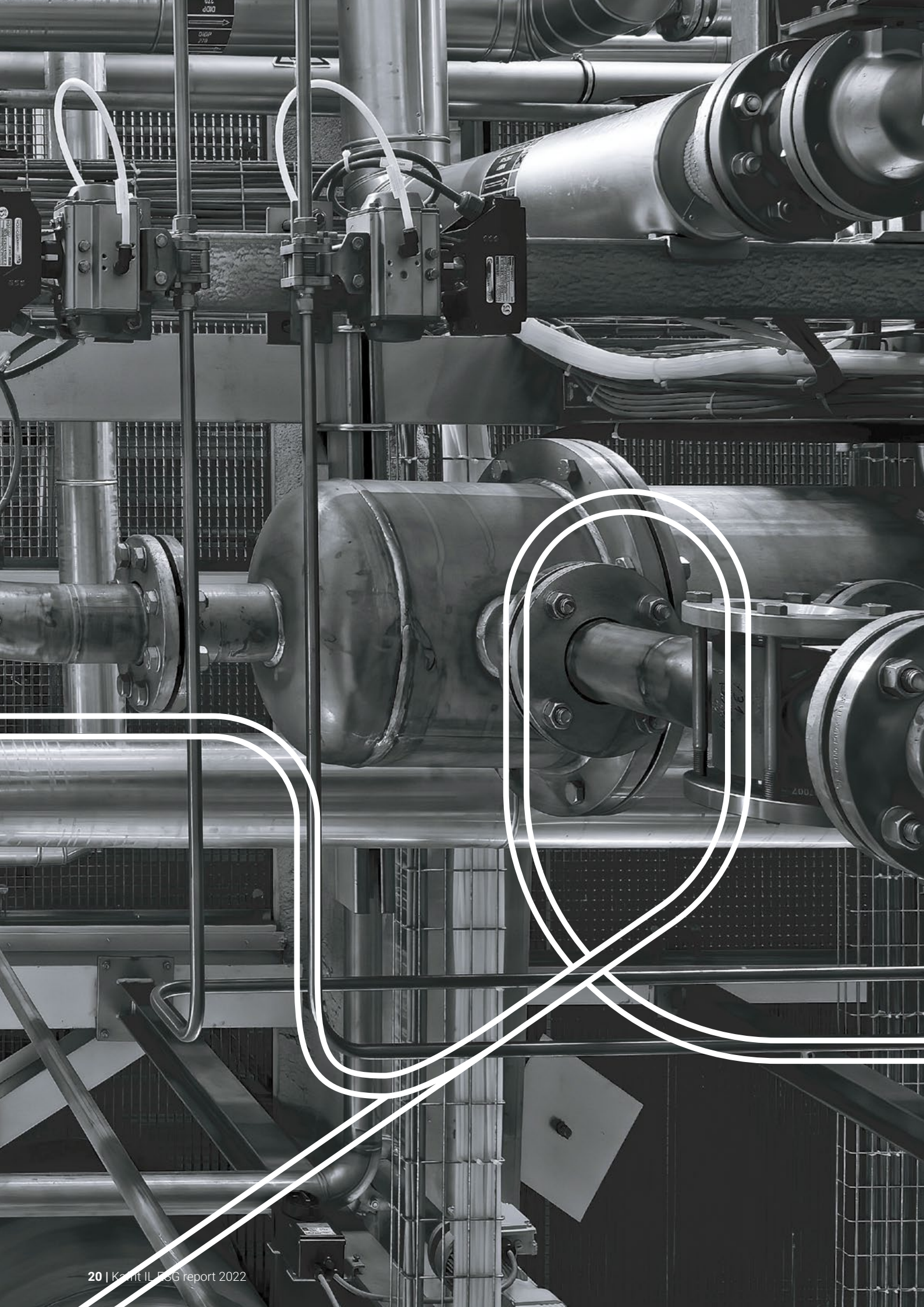
## Processes

A new CRM system and  
yearly ISOX compliance audits  
shape the business processes

# Unite talent and technology to drive the future of plastics, together.

This purpose is the driving force of our organization. The reason we do what we do, why we come to work every day. And although our group is made of many different companies around the world, our purpose unites us.





# Process management

## Responsibility, rules, and processes

Nowadays, KAFRIT IL operates in an environment in which plastics are considered rather negatively. Although plastics are a key component of almost all daily life products and despite excellent functional characteristics, companies in the plastics industry need to acknowledge the public debate and the discussions that are connected to the material. On the one hand it is the oil-based origin and the environmental impact of transforming virgin feedstock into plastics, on the other hand plastics waste is too often not managed adequately around the world, creating littering both on land and in water. Having these challenges in mind, though, current research shows that plastics are expected to stay a widely used material in the future, particularly for packaging applications. For sure, this outlook needs to be based on the three Rs that are increasingly shaping the discussion about plastics' future – reduce, reuse, recycle.

KAFRIT IL is in line with Kafrit Group's sustainability strategy and considers it as a key task to contribute to a more sustainable way of plastics production, usage, and end-of-life scenarios. This is why the company does not only publish its second ESG report, but why it has also invested significant resources during the past two years to address ESG challenges holistically, i.e., in all three dimensions. To imbed the sustainability efforts into the company's structure, KAFRIT IL's GM nominated a sustainability manager who works on a clear roadmap towards a more sustainable future with a dedicated team, supported and monitored by the group's sustainability leader. Also, KAFRIT IL's whole management team engages in the sustainability strategy and actively introduces it to all employees in the company.

For this reason, every employee is trained and needs to sign the Kafrit Group Code of Ethics and Conduct to demonstrate that everybody adheres to a common understanding of conduct and a shared set of values, including sustainability considerations.

To foster the ESG commitment and to set a basis for all future efforts, KAFRIT IL executed a corporate carbon footprint (CCF) analysis for the first time. The results of the CCF will be elaborated on in detail in the section "Climate-relevant emissions", however it is to be highlighted here that KAFRIT IL's 2022 CCF data is to be understood as starting point of the decarbonization pathway which is disclosed in more detail on pages 30–32.

The CCF assessment joins the company's ambition to execute EcoVadis assessments regularly. After two bronze medals in the past two years, the company could recently gain a silver medal due to improvements made in the sustainability management process.



**Goal: As a next step, together with other group companies, KAFRIT IL will establish a sustainable procurement process in 2024 allowing the company to monitor and evaluate the sustainability level in the value chain. This topic is of growing importance as EU legislation is going to be addressed.**



### Stakeholder engagement

Stakeholder engagement is crucial to KAFRIT IL's sustainability efforts as the company believes in the saying "do something good and talk about it". This does not mean that KAFRIT IL always knows what is good for the stakeholders, but by engaging with them and by reporting on ESG progress made, the company receives important feedback on what can be changed, improved, or executed as well.

KAFRIT IL is convinced that the sustainability journey can only be successful if all relevant stakeholders are part of it and have a say, following Kafrit Group's purpose to unite talent and technology to drive the future of plastics, together.

The table below displays all relevant stakeholders, the respective channels of engagement and those topics that are material to each of the stakeholder groups. The stakeholders were identified based on their relevance to KAFRIT IL's business operations and based on the company's commitment to the selected UN-SDGs as highlighted above.

| Stakeholder group                                | Channels of engagement   | Topics  |
|--|--|---|
| <b>Employees</b>                                 | Yearly performance reviews, ongoing intranet communication, team meetings, town hall meetings, company-wide ESG approach                         | Occupational Health & Safety (OH&S), well-being, DEI, sustainability strategy, economic development of the company, performance review, training, career development, compensation, collective bargaining |
| <b>Future employees</b>                          | Social media, company website, recruitment days, campus presence   | Occupational Health & Safety (OH&S), well-being, DEI, sustainability strategy, economic development of the company, training, career development, compensation, community engagement                      |
| <b>Customers</b>                                 | Customer satisfaction survey, social media, company website, trade fairs, conferences, factory tours, sales and technical meetings, R&D projects | Product quality, customer service, technical expertise, sustainability strategy, innovation, regulatory information   |
| <b>Suppliers</b>                                 | Social media, contractual negotiations, conferences, business reviews, R&D projects, technical meetings  | Performance review, product quality, sustainability strategy, innovation  |
| <b>Shareholders</b>                              | Quarterly reporting, company website, shareholders' general assembly   | Business performance, HR policy, CEO salary approval, sustainability strategy, Occupational Health & Safety (OH&S), innovation  |
| <b>Community</b>                                 | Community engagement activities, meetings with community leaders, social media, company website  | Sustainability strategy, employment opportunities, local support initiatives, environmental & health protection   |
| <b>Authorities and other regulatory agencies</b> | Regular communication and reporting as required by legislation   | Sustainability strategy, employment opportunities, environmental & health protection, regulation  |
| <b>Research institutions</b>                     | Campus presence, R&D projects, technical meetings, social media, company website   | Innovation, employment opportunities, technical expertise, sustainability strategy  |
| <b>Industry associations</b>                     | Collaborative initiatives, conferences, meetings   | Regulation, sustainability strategy, innovation   |
| <b>Financial partners</b>                        | Regular meetings, quarterly reporting, company website   | Sustainability strategy, ESG considerations   |
| <b>Board of Directors</b>                        | Quarterly board meetings, quarterly financial and business reporting, individual meetings  | Business performance, business strategy, HR policy, M&A approval, budget approval, sustainability strategy, Occupational Health & Safety (OH&S), innovation, compliance                                   |





### Research & Development (R&D)

Kafrit Group's goal in general as well as KAFRIT IL's ambition in particular is to provide a product portfolio offering sustainable solutions that are at the forefront of innovation. Following the group's purpose - to unite talent and technology to drive the future of plastics, together - the group employs a R&D and lab team consisting of a more than 60 men and women across the globe, most of them holding advanced science degrees. Kafrit Group's laboratories are located at different sites in close connection to production and quality control and they are equipped with sophisticated equipment.

"We closely work with industry experts, researchers, and academic leaders in Israel and abroad. Our open innovation strategy allows us to build a strong platform using vast know-how and experience from all over the world. This strategy provides us with access to extensive knowledge and the ability to develop cutting edge technologies that will create a long-term differentiated added value to our customers."

Nadav Goldstein,  
SVP Business Development & Innovation  
of the Kafrit Group

Nadav Goldstein was murdered during the Hamas terrorist attacks in the Kibbutz Kfar-Aza on 07<sup>th</sup> October 2023.

The Kafrit Group bows to Nadav and will never forget about him.

In addition, cooperation with external research institutes is a continuous activity bringing added value to the R&D process. That said, KAFRIT IL is in close partnership with well-known research institutions such as Shenkar and participates in academia and industry associations on behalf of the Israel Innovation Authority for the development of generic technologies in the field of sustainability.

Apart from partnerships with researchers, KAFRIT IL maintains strong connections with both machine manufacturers and raw material suppliers, always trying to increase the final product's benefits while simultaneously optimizing the production process. Special attention has recently been paid to start-ups and young technological companies working on serving the market with breakthrough innovation. KAFRIT IL strategically partners with various of these companies, both financially and technologically, to support the marketization of unique product solutions with high added value.

Highlighted as a key stakeholder already in the previous section, of course, customers have always been a crucial facilitator of KAFRIT IL's R&D efforts, too. The company is eager to drive innovation in customer-specific projects and is considered industry-wide as a knowledgeable, reliable, and innovative partner.

It is KAFRIT IL's strong belief that continuous R&D activities are not only needed to improve the mere sustainability performance of masterbatches, compounds, and the final products. Also, the company wants to actively contribute to the public debate about plastics by underlining that dedicated and passionate R&D efforts are a key lever to enhance the common understanding of why plastics do deserve their place in a future-oriented, sustainable value chain.

### Three key innovation projects

- 1 KAFRIT IL developed **bee-friendly masterbatches** that optimize bees' ability to navigate in a greenhouse. The advanced technology shields crops from harmful UV rays, promoting healthy growth and vitality, and at the same time the masterbatches enable the passage of specific UV wavelengths crucial for bee orientation and navigation, allowing them to fulfill their vital pollination role without any hindrance.
- 2 The new **cross-linking technology** is designed to improve mechanical properties and thermal stability in PE films while allowing film producers to downgauge and to move from a multi-layer film structure to a mono-layer structure with considerably improved recyclability records.
- 3 The development of the new AF 00854 LD **anti-fog masterbatch for greenhouses** is another sustainable innovation. The product extends film duration and offers better optical properties. The extended life cycle of the film will allow a longer use and therefore lead to a decrease in overall plastic consumption.

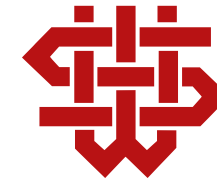
In the 2020 report, KAFRIT IL committed to focus 66% of all R&D efforts on sustainable products by 2025. The company would be on a good way to achieve this goal as 58% of all R&D projects already have a focused sustainability benefit. Nonetheless, the company's perspective on sustainable products evolved. For this reason, KAFRIT IL does not only want to classify R&D efforts, but also wants to establish PCF calculations of the company's products as measurable key element of environmental performance by 2025.

**Goal: KAFRIT IL commits to further increase the sustainable innovation ratio and to establish PCF calculations to make sustainable progress measurable by 2025.**



## Research and strategic partnerships at one glance

KAFRIT IL is proud to work with various knowledgeable partners across the industry as these partnerships foster sustainable innovation, being in line with Kafrit Group's overall sustainability strategy as outlined before on pages 13–14.



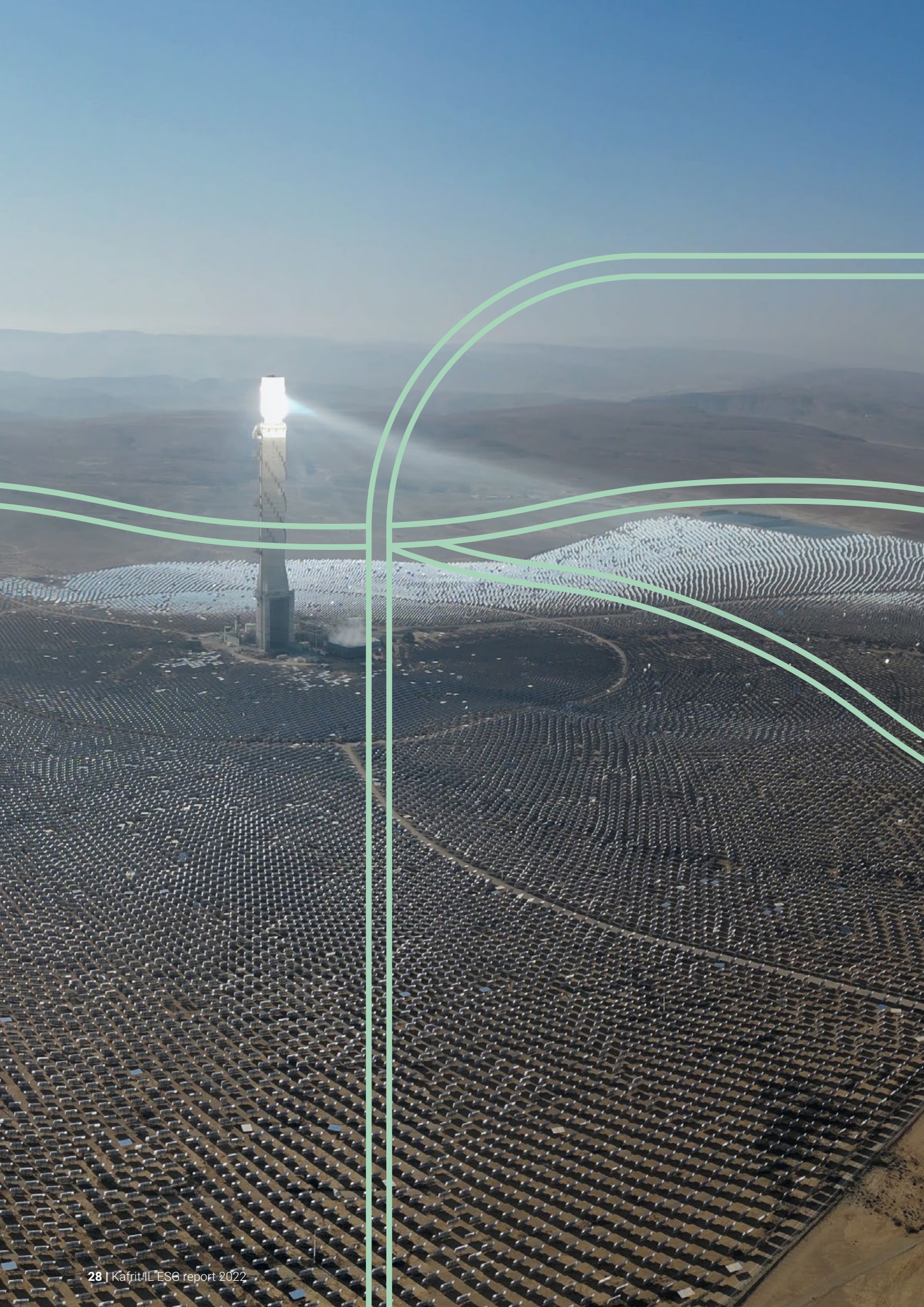
Shenkar - Engineering. Design. Art.



N3Cure





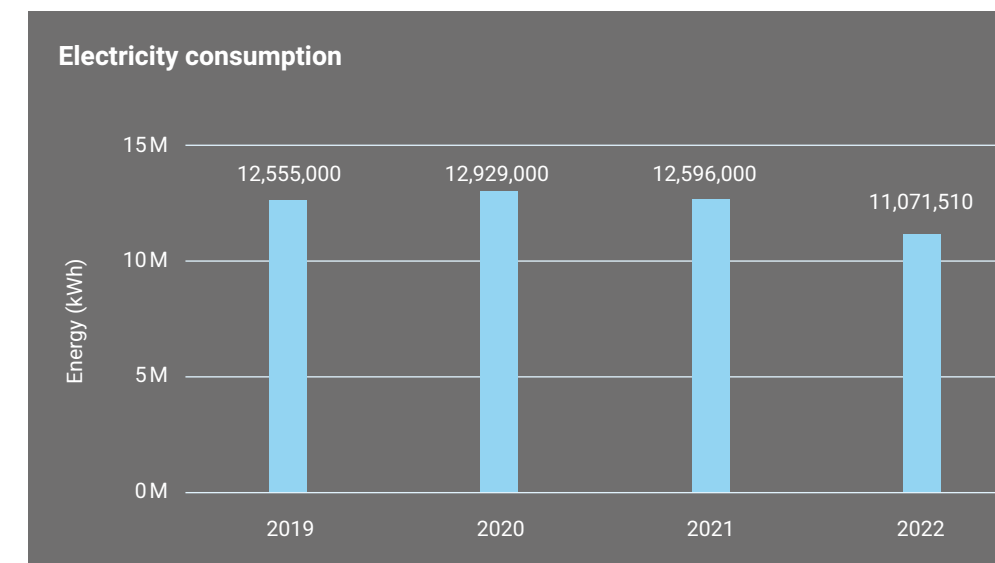


# Environment

## Usage of natural resources

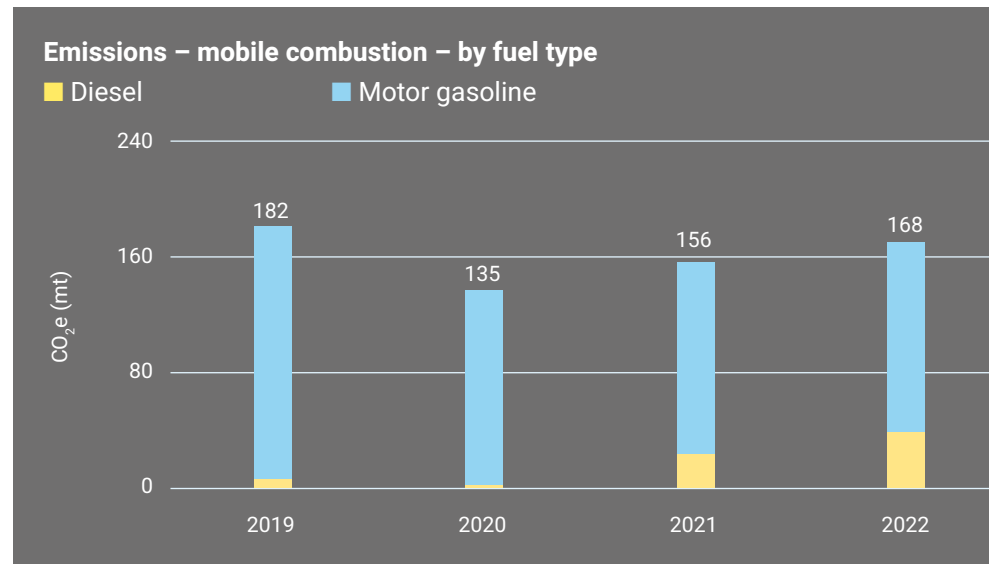
KAFRIT IL's production processes for masterbatches and compounds are resource intense. Significant amounts of electricity as well as of water are needed to manufacture the company's wide product portfolio. At the same time, fuel is consumed in significant volumes, primarily by the company-owned vehicles.

It is one of the company's most important goals to constantly reduce the usage of natural resources by increasing efficiencies. With that in mind, continuous efforts are needed to reduce the overall natural resource consumption. To name a significant milestone, in the second half of 2020 a new production line was installed to replace an old line. The new line, which went into full operation in 2021, comes with an improved resource consumption record. In the following, the usage development of the past four years will be displayed and evaluated for the mentioned natural resources.



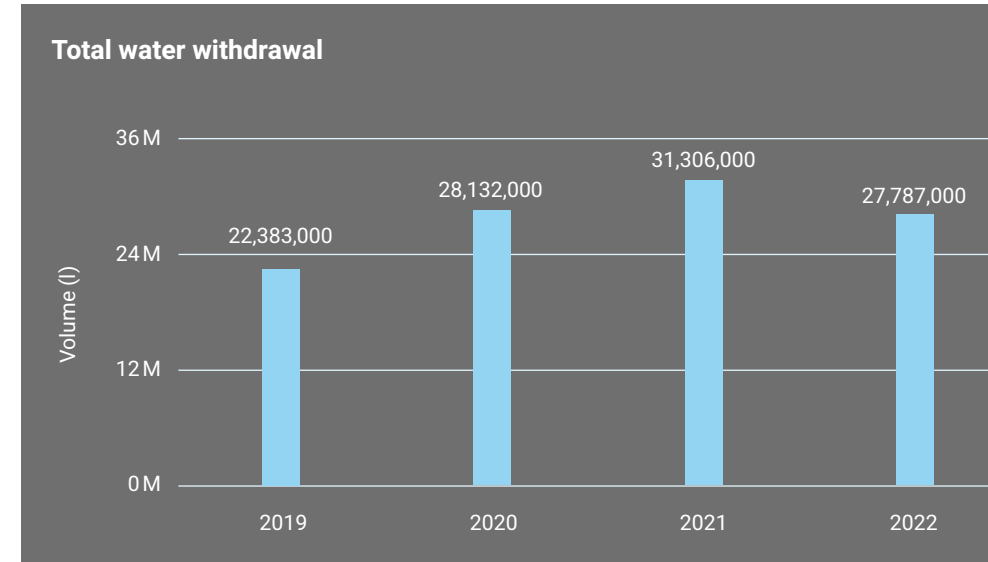


In total numbers, the recorded electricity consumption sees a decline of more than 14% in 2022 compared to a consumption peak in 2020. Regarding specific electricity consumption (= consumption in kWh per produced kg), however, KAFRIT IL must acknowledge a slight increase of 1.2% when comparing 2020 to 2022. The reason for this increase is lower capacity utilization combined with partially fixed electricity consumption.



| Year | No. of company-owned vehicles | Diesel consumption in liters – company-owned vehicles | Gasoline consumption in liters – company-owned vehicles | Total consumption in liters – company-owned vehicles |
|------|-------------------------------|---|---|--|
| 2019 | 19                            | 1,673   | 73,355  | 75,028   |
| 2020 | 27                            | 487   | 55,169  | 55,656   |
| 2021 | 29                            | 8,656   | 54,939  | 63,595   |
| 2022 | 32                            | 14,312  | 53,667  | 67,979   |

KAFRIT IL records a fuel consumption bottom in 2020 with a 25.8% decrease compared to 2019. Certainly, the COVID-19 pandemic is to be named as main driver for this low consumption. With that said, when comparing 2021/2022 to 2020 a consumption increase is to be expected and can be explained by increasing travel and commuting activities. Nevertheless, a positive fuel consumption and fuel emission development can be observed as well when comparing 2019 with 2022 (-9.4%), even though the number of company-owned cars rose from 19 to 32 cars. A more energy-efficient company fleet and increased awareness of the drivers are to be named as reasons.



KAFRIT IL's total water withdrawal sees a decline of about 1.2% in 2022 compared to 2020. Nevertheless, a rise of more than 24.1% needs to be recorded compared with the 2019 volume. When talking about specific water consumption (= consumption in l per produced kg), 2022 is even the worst year with an increase of 16.7% compared to 2020. The company considers the rising specific water consumption a serious issue and is working in several fields to improve the situation in the short term. Amongst others, KAFRIT IL will implement an improved water system and seal underground water leakages in 2023.

#### Resource management and on-site environmental risks

Along with the usage of natural resources, and like any other manufacturing industry, the masterbatch and compound production is fully dependent on raw materials which can be mainly divided into polymers and functional additives. Both polymers and functional additives are produced worldwide and not necessarily close to KAFRIT IL's premises. This is the reason why transportation activities also play a vital role when it comes to upstream and downstream transportation & distribution (T&D).

Since the raw materials are delivered either in the form of pellets, as powder or as a liquid, and as the company's products are pellets as well, KAFRIT IL recognizes the potential risk of environmental pollution and contamination. The company acts with a high degree of responsibility to mitigate these risks, amongst others by filtering the dust from the factory's chimneys, by purifying the chimney gases, and by constantly increasing awareness among the workforce to use resources efficiently without wasting them. Internal checks complete KAFRIT IL's ambition to be a clean, resource-efficient, and pellets loss-free workspace. An external certification is envisaged by the middle of the decade.





The following overview shapes investments of more than 4.2 million € between 2021-2023 that help KAFRIT IL become more resource-efficient.

| Improvement area        | Measure   | Status  |
|-------------------------|---|---------|
| <b>Air conditioners</b> | Replacement of old air conditioners                                     | Ongoing |
| <b>Water system</b>     | Increase water savings  | Ongoing |
| <b>Vehicles</b>         | Change to green cars as per Israeli regulation                          | Ongoing |
| <b>Environment</b>      | Improve dust filtration system  | Ongoing |
| <b>Packaging</b>        | Direct bagging, no interim storage; workspace improvement for employees | Ongoing |

### Climate-relevant emissions

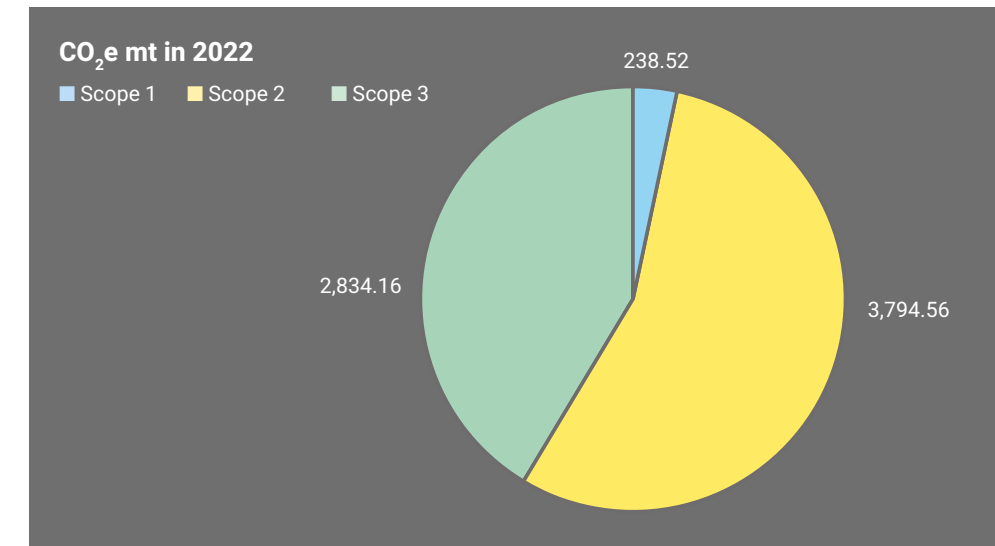
By following the Greenhouse Gas Protocol (GHG), which sets the standards for measuring and managing emissions and which is the world's most widely used greenhouse gas accounting scheme, KAFRIT IL executed a corporate carbon footprint (CCF) analysis with the help of an external agency, Fokus Zukunft GmbH & Co. KG, for the year 2022. The CCF includes all activities that arise in the course of the company's entrepreneurial activities. Therefore, the CCF considers natural resource consumption as well as travelling, commuting, waste, and consumption of process-related materials such as paper and production consumables. Finally, capital goods investments are considered as well.

In the following and according to the GHG Protocol, the reported emissions will be differentiated into SCOPE 1, SCOPE 2, and SCOPE 3 emissions. As these figures represent the first fully conducted CCF for KAFRIT IL, a holistic comparison with older emission data will not be part of this report as any result would be misleading.

KAFRIT IL's main emission sources are:

| SCOPE          | Emission category                  |
|----------------|------------------------------------|
| <b>SCOPE 1</b> | Fuel consumption                   |
|                | Gas leakages                       |
| <b>SCOPE 2</b> | Electricity                        |
| <b>SCOPE 3</b> | Fuel and energy related activities |
|                | Business travels                   |
|                | Commuting and remote working       |
|                | Waste and wastewater               |
|                | Paper consumption                  |
|                | Production consumables             |
|                | Capital goods                      |

The stated emission categories follow the cradle-to-gate perspective and occur regularly in KAFRIT IL's industry. This means, these emissions are as of today still unavoidable, however the challenge will be to constantly reduce them over time. In 2022, KAFRIT IL's total emissions account for 6,867.24 mt CO<sub>2</sub>e.



To calculate the emissions of CO<sub>2</sub>e, Fokus Zukunft GmbH & Co. KG made use of widely accepted databases and sources such as DEFRA, DEHOGA, Ecoinvent, GEMIS, Quantis and UBA.

The above described CCF approach comes with a limitation. This approach does not focus on the environmental impact caused by raw materials and T&D activities, i.e., it does not report product-related emissions. Raw material specific emission data is currently barely available from direct suppliers.

**Goal: KAFRIT IL expects these primary emission data points to become available during the next years and it is the company's goal to request them from all suppliers latest by end of 2024.**



“We are happy that we can finally report on a first full CCF analysis for KAFRIT IL's corporate emissions. These 2022 data build the basis for the company's future emission development. For sure, we have much work ahead, however it is crucial to have set a starting point.”

David Epstein,  
Purchasing and Sustainability Manager of KAFRIT IL



**SCOPE 1 breakdown**

| SCOPE                | Emission category | CO <sub>2</sub> e mt |
|----------------------|-------------------|----------------------|
| SCOPE 1              | Fuel consumption  | 168.09               |
|                      | Gas leakages      | 70.44                |
| <b>SCOPE 1 total</b> |                   | <b>238.53</b>        |

**SCOPE 2 breakdown**

| SCOPE                | Emission category | CO <sub>2</sub> e mt |
|----------------------|-------------------|----------------------|
| SCOPE 2              | Electricity       | 3,794.56             |
| <b>SCOPE 2 total</b> |                   | <b>3,794.56</b>      |

**SCOPE 3 breakdown**

| SCOPE                | Emission category                  | CO <sub>2</sub> e mt |
|----------------------|------------------------------------|----------------------|
| SCOPE 3              | Fuel and energy related activities | 907.49               |
|                      | Business travels                   | 66.57                |
|                      | Commuting and remote working       | 139.23               |
|                      | Waste and wastewater               | 270.40               |
|                      | Paper consumption                  | 5.50                 |
|                      | Production consumables             | 43.36                |
|                      | Capital goods                      | 1,401.60             |
| <b>SCOPE 3 total</b> |                                    | <b>2,834.15</b>      |

Goal: KAFRIT IL strives for a 50% reduction in total SCOPE 1 and SCOPE 2 emissions by 2030. In pursuing this goal, KAFRIT IL focuses primarily on increasing the share of electricity generated from renewable sources.

Goal: By 2030, more than 50% of the electricity consumed by KAFRIT IL shall be renewable energy.

**Waste management**

The proper handling of waste is another cornerstone of KAFRIT IL's sustainability efforts. In total, KAFRIT IL generates 260.8 mt of waste in the reporting year, 232.7 mt of it as waste diverted from disposal and 28.1 mt of it as waste directed to disposal. All generated waste is handled by appropriate external parties.

Firstly, the company tries to prevent resource inefficiencies and waste generation as much as possible. With that said, KAFRIT IL can report on 422 mt of wooden pallets that are treated and reused and as such can be counted as waste prevented.

Secondly, the company wants to constantly increase the share of waste diverted from disposal, this means of waste which is made available to re-use, recycling, and other recovery operations. In 2022, light packaging and plastic waste are sold for further processing (178.2 mt), and cardboard packaging as well as scrap metal are given to recycling (54.5 mt).

As a last option, some waste still needs to be directed toward disposal. In the reporting year, KAFRIT IL gives 10.7 mt of waste to incineration without energy recovery and 17.4 mt to landfill (residual waste, biological waste, construction, electronics, and light bulbs).



# Social considerations

## Employment rights

Employees are KAFRIT IL's most important stakeholder group. They are the ones driving the operations and business activities forward and all of them are part of the company's ESG efforts. With this in mind, it is a key priority of KAFRIT IL to ensure that all employees feel good and safe when working for the company. To realize this, KAFRIT IL's management and the workers council work together trustingly.

As the company's operations are based in Israel, the local employment rights form the basis. In addition, KAFRIT IL applies additional rules and agreements to shape and secure the employees' status.

The Kafrit Group Code of Ethics and Conduct, which is applicable to all group companies, forms the backbone for all additional employment rights. It describes a corporate culture in which various ethical business practices, occupational health & safety considerations, a ban on forced and child labor, personal integrity, and sustainability play a vital role. Also, an embedded whistleblowing policy provides all employees with the right to report on any violation of the Code of Ethics and Conduct or other company policies.

Moreover, KAFRIT IL is guided by the basic principles of the ILO (International Labor Organization). This means that freedom of association and the right to collective bargaining are pivotal rights to all employees at KAFRIT IL. 95 employees, all operatives, are covered by collective bargaining agreements in the reporting year.



"The Code of Ethics and Conduct is the one document all people in the Kafrit Group can always refer to. It shapes the way we want to work together, the way we want to treat each other, and the way we want to impact our environment as a globally operating group – sustainably and ethically sound."

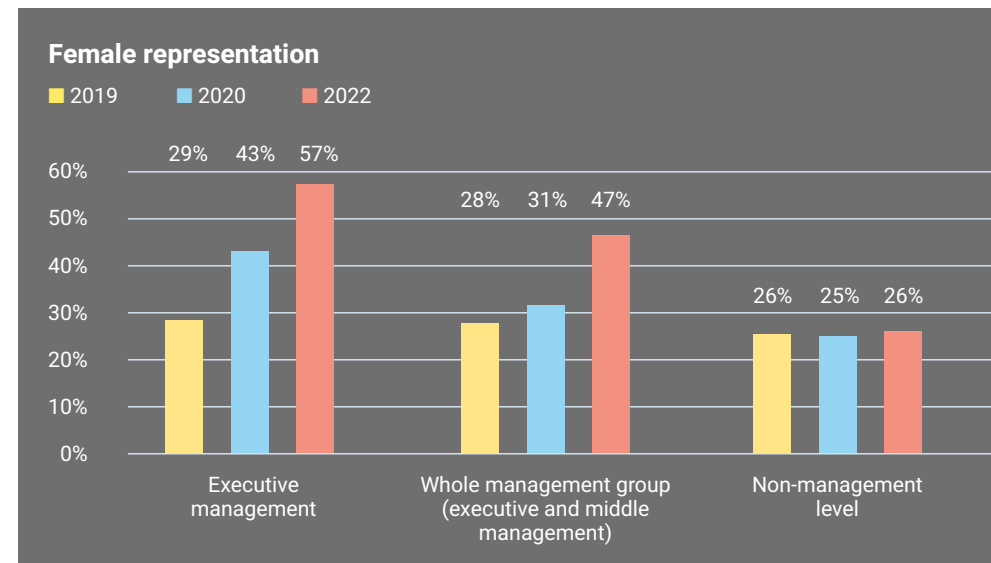
Fabian Schulte, Kafrit Group Sustainability Leader



### Equal opportunities

For KAFRIT IL, it is crucial to employ a diverse workforce as the company has made valuable experiences with mixed teams of different gender, underemployed background, and different age groups. That is why the company has invested several efforts into cultivating a workplace promoting diversity, equity, and inclusion (DEI).

In the reporting year and seen from a total perspective, 28% women and 72% men work for KAFRIT IL. When having a deeper look, female representation is differently spread among the job categories. Whereas KAFRIT IL's production personnel is solely based on men, 77% of all non-management level office employees are female. This results in about a quarter of all non-management level employees being female. On overall management level, the picture is a balanced one with 7 out of 15 managers being female (47%). When considering the executive management level only, even 4 out of 7 executive managers are female (57%). KAFRIT IL is proud to see that a certain development towards gender equity could be achieved in 2020 while at the same time existing talent could be kept and new talent could be attracted.



Also, as already reported in the 2020 ESG report, KAFRIT IL continues to recruit and employ disabled persons, women and men from underemployed populations, and retirees asking to work for certain hours.

Seen from an age group perspective, the majority of KAFRIT IL's employees are between 30 and 50 years old (59%), whereas 17% of all employees are under 30 and 24% of all employees are over 50.

Regarding compensation, it can be stated that KAFRIT IL pays a significantly higher entry level wage per working hour (lowest level) than the applicable legal minimum wage (+ 14.3%). KAFRIT IL's equal opportunities agenda also includes the fact that there is no pay gap between men and women in similar and/or parallel positions.

In terms of turnover, the company's rate increases from 22% in 2020 to 31% in 2022 (i.e., 49 employees leaving the company). KAFRIT IL is well aware of the geographical and industry-related challenges, especially for a company being based in the South of Israel, and therefore constantly seeks to positively influence the social aspects of the overall ESG program. On a positive note, KAFRIT IL succeeds in offsetting the fluctuation rate with a total of 50 new hires in the reporting period.

A final consideration for equal opportunities is parental leave. In 2022, 3 female employees of KAFRIT IL are entitled to parental leave and take parental leave, representing a 100% ratio. This underlines that the company actively promotes parental leave scenarios and makes sure all employees can return to their job.

**Goal: KAFRIT IL is proud of what has been achieved in recent years regarding gender equity and wants to continue to strive for it. Given the company's size, the nature of its business, and its geographical location, however, KAFRIT IL does not formulate a specific quota to be fulfilled. Gender equity, workforce availability, and talent must go hand in hand.**



### Training and education

Following the group's purpose, KAFRIT IL focuses on developing its talents continuously. This aspiration is embedded in several opportunities for personal and career growth, amongst others internal and external training, regular coaching and performance reviews delivered by the managers and tailormade onboarding programs.

In 2022, the company reports almost stable numbers of performance reviews, whereas training hours per employee decreased since 2019. The main reasons for this decrease are the COVID-19 pandemic with less training as well as training which has been switched to online training without centralized time recording.

| Year | Training hours per employee p.a. | % of employees receiving regular performance reviews |
|------|----------------------------------|--|
| 2019 | 14.50                            | not available  |
| 2020 | 12.30                            | 93%  |
| 2022 | 11.10                            | 90%  |

Apart from delivering training and education to the company's employees, KAFRIT IL also fosters the future of plastics engineering in Israel in general. For this reason, the company regularly awards two scholarships to students from Shenkar's polymer materials engineering department. These young scholars get exclusive insights into the plastics industry and contribute to relevant R&D projects.

**Goal: KAFRIT IL commits itself to increase training and education hours to up to 15 hours per employee p.a. by 2025. On the one hand, additional training shall be offered. On the other hand, online training hours shall be counted as well.**

### Occupational health & safety (OH&S)

This report highlights the high importance of Occupational Health & Safety (OH&S), being the key priority of Kafrit Group's sustainability strategy (see p. 10). For this reason, OH&S is the number one agenda topic at every management team meeting and PPE (personal protective equipment) is made available to everybody.

This makes KAFRIT IL one of the few companies in the Group that have already implemented ISO 45001, an occupational health and safety management system. All 158 employees are covered by this management system which was introduced and certified in summer 2019.

On top of that, the company conducts a hazard survey once a month which is executed by the safety trustees and the HSSE (Health, Safety, Security, and Environment) manager and hosts 12 Safety and Environment Committee meetings per year, which is a number that goes beyond what is required by Israeli law. Also, all employees undergo yearly hearing testing.

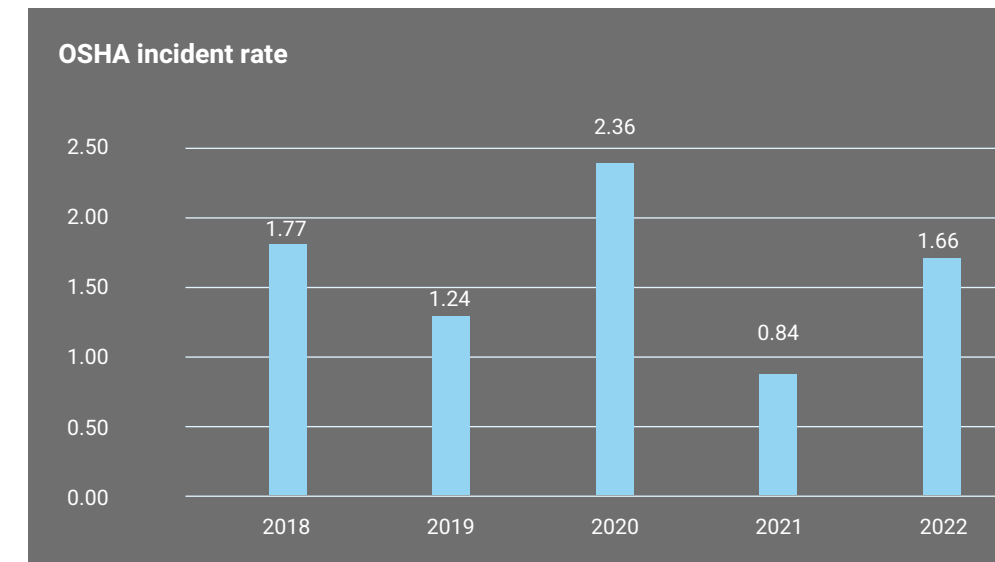
The OSHA incident rate shows a positive trend when compared to the peak in 2020. Nonetheless, 2022 has a higher incident rate than 2021. Zero OH&S incidents per year cannot be taken for granted, but KAFRIT IL and all employees work in a healthy and safe working environment every day.

To foster physical well-being and health, the company offers its associates a weekly running group. In 2022, it consisted of 21 employees.



"We do our utmost to see every employee returning home safe at the end of each day. As each accident is one too many, we invest in awareness campaigns, on-site trainings and employ a full-time HSSE manager that is fully dedicated to a healthy and safety working environment."

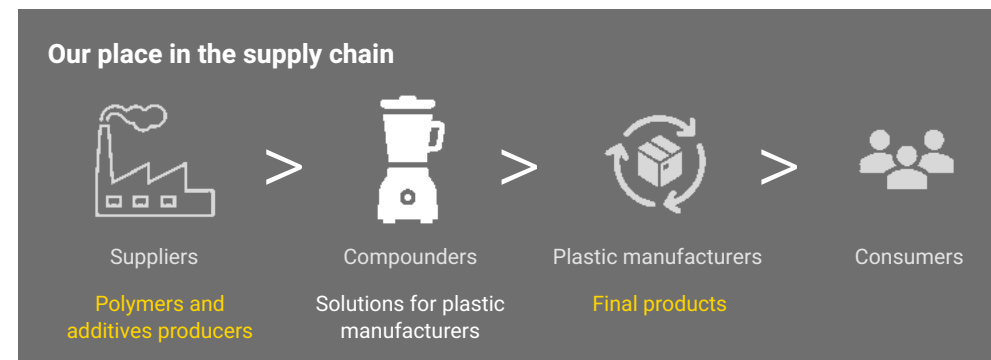
Alon Kessler, General Manager of KAFRIT IL





### Value chain and human rights

KAFRIT IL's operations are embedded into a multistage, resource- and energy-intensive value chain, starting with petrochemical processes for polymer and additive production. The production of polymers and additives happens around the globe and not necessarily in the company's neighborhood. The same is true for KAFRIT IL's customers who are also located internationally in more than 30 countries.



In detail, KAFRIT IL is supplied by Israeli, EU, and Asian suppliers, with domestic supply accounting for approximately 17%. On the sales side, the company sells most of its products to customers in Israel, the EU, Asia, and the USA. Both purchased and sold goods are transported by road and container shipping.

The masterbatch industry as well as the plastics industry in general face significant SCOPE 3 emissions. Although KAFRIT IL's raw material-related and T&D emissions are not part of this reporting as explained earlier, the company knows about the important challenge of reducing these emissions and therefore commits to requesting primary data from all suppliers (see p. 31). Based on these primary data, the company will be able to assess and reduce the environmental impacts of raw materials used and thereby over time contribute to the UN-SDG 13 Climate Action.

Following the "innovating sustainably" and "business developing sustainably" pillars of the group's overall sustainability strategy, KAFRIT IL and its R&D partners are eager to strive for sustainable product solutions being shaped by lower carbon footprints. Moreover, the company increasingly takes products' end-of-life considerations into account to make sure circular economy (CE) thinking can be incorporated and fostered.

Besides, it is a crucial part of the value chain perspective to know about upcoming legislation, currently mainly driven by the European Union being one of the key markets. KAFRIT IL foresees that deeper monitoring and control of the suppliers will be needed in the medium-term future to comply with evolving ESG legislation as suppliers' social, human rights, and environmental risks and impacts need to be observed closely. As of today, KAFRIT IL does not have relevant procedures in place that help observe its supply chain in this regard. That is why the company sets the goal to design and implement sustainable procurement processes in 2024. These processes will amongst others include risk assessment strategies, supplier questionnaires and ethical requirements.

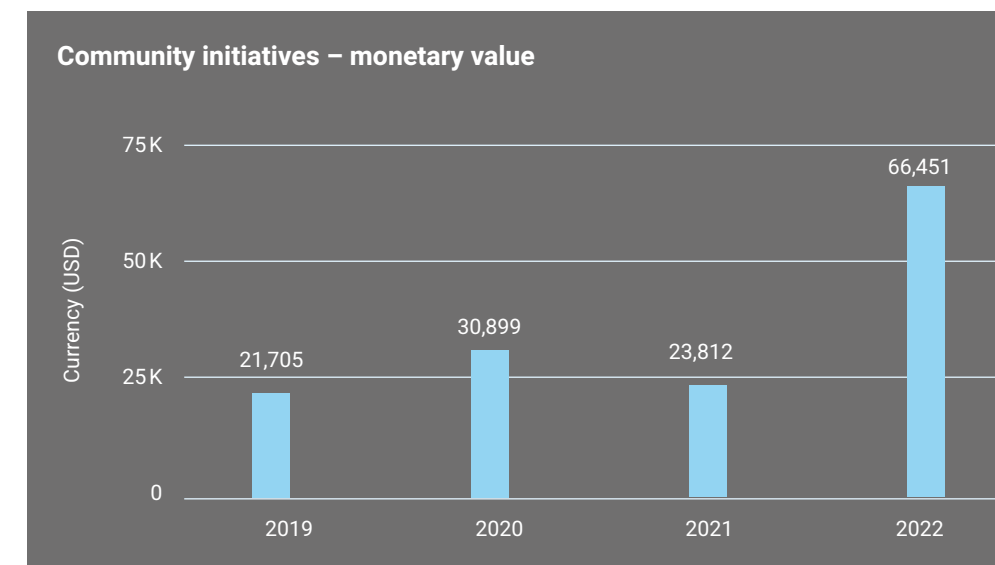
Human rights are an integral part of the group's Code of Ethics and Conduct and KAFRIT IL expects all employees, business partners, and other stakeholders to value the concept of human rights in the same way.



### Community engagement

Community engagement has always been important to KAFRIT IL because the company has strong ties to its home community, the Kibbutz Kfar-Aza, and to the regional council, Sha'ar HaNegev. That is why the company shares a long record of steady material and financial support to various community initiatives in KAFRIT IL's neighborhood.

The company is proud to report that the monetary value of all donations more than doubled between 2020 and 2022, accounting for 66,415 USD in the reporting year.



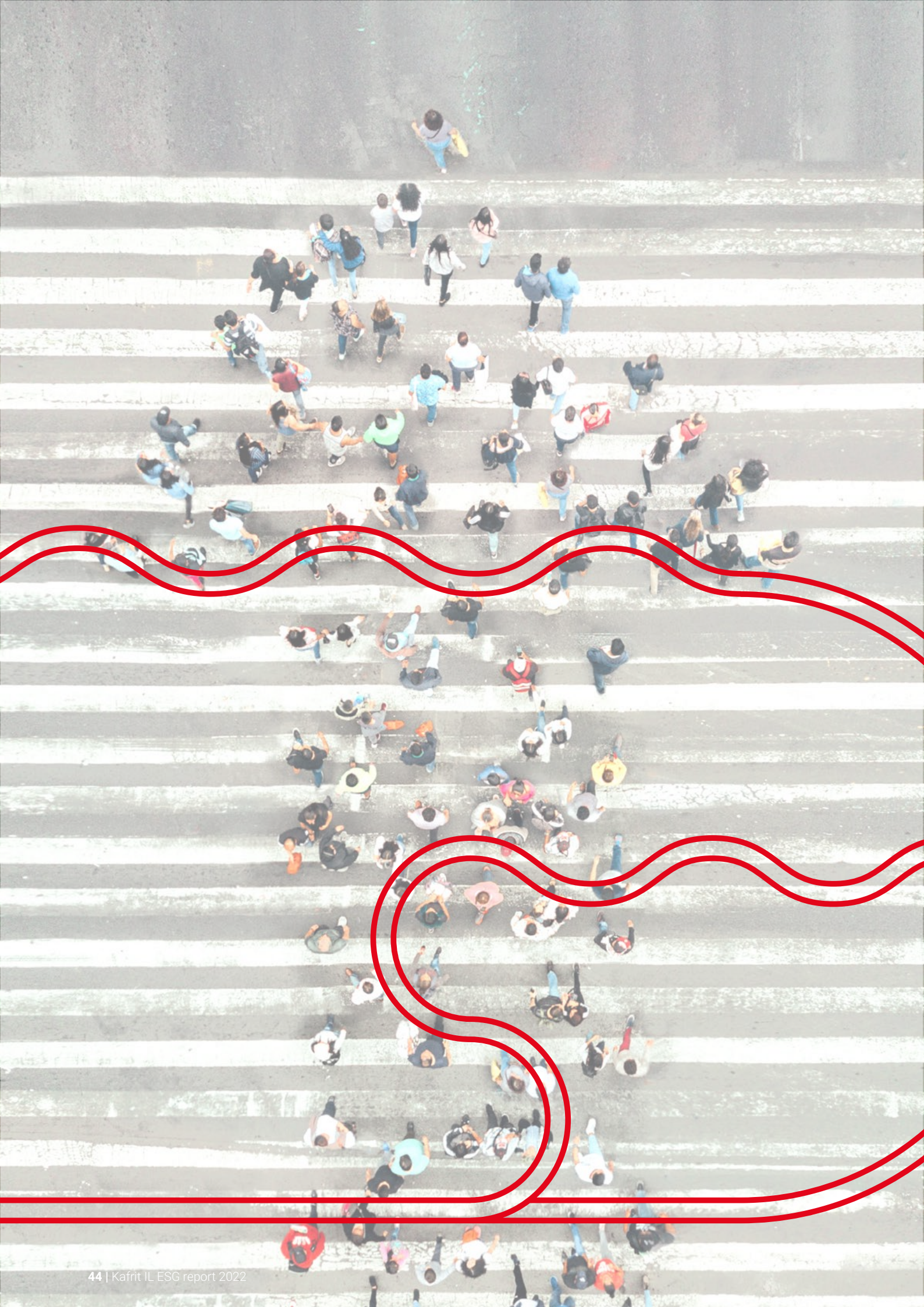
#### The following list is a detailed overview of all supported projects in 2022:

1. Support of the association "Yachdave" which operates and promotes unique services adapted to all veterans of the Sha'ar HaNegev Regional Council
2. Donation to sports club "Sha'ar HaNegev"
3. Donation to the "Chen Hanegev" educational and disability association
4. Support of the "Yad LaYeled HaMeyuchad" non-profit organization that helps youth with special needs to join the IDF
5. Contribution to a wellbeing center in a local book center
6. Donation to the "Sha'ar HaNegev" community center
7. Donation to the "Friends of disabled children" association
8. Donation to the Soroka University Medical Center in Beer-Sheva
9. Donation to the "Zvi Gershoni" scholarship foundation
10. Scholarship to study in Shenkar's polymer materials engineering department
11. Donation to a special fund "Kafrit workers"

**Goal: By 2025 KAFRIT IL will increase the overall community engagement budget, based on the 2022 value, by another 15%.**







# Governance

## **Corruption risks, discrimination incidents, legal cases, and political contribution**

KAFRIT IL does not register any confirmed corruption incident in the reporting year, therefore no employee is dismissed or disciplined, and no business partner's contract is terminated due to corruption incidents. Anti-corruption training is additionally executed every two years by the company's employees. On top of that, no discrimination incident inside the company and consequently no corrective action is reported. Also, no public legal case regarding corruption is brought against the company in 2022.

As to legal actions regarding anti-competitive behavior, violations of anti-trust, and monopoly legislation, KAFRIT IL can state that no such action was brought against the company in 2022. The same is true for cases of non-compliance with laws and regulations, and for customer privacy breaches.

Unlike the community engagement highlighted above, KAFRIT IL does not donate financial support to any political party.

## **Governmental financial assistance**

In 2022, KAFRIT IL was provided with grants and financial incentives by the Israeli Innovation Authority. Also, the company is compensated by the government for a military operation. For competitive reasons, no financial information can be disclosed in this regard.



**Ethical and general compliance**

Transparent governance and ethical business practices remain integral to KAFRIT IL's operations. The company upholds its commitment to high standards of ethics as outlined in the Kafrit Group Code of Ethics and Conduct. Ethical decision-making is prioritized at all levels of the organization, ensuring long-term value creation for all stakeholders involved.

Also, KAFRT IL continuously enhances its engagement with stakeholders, seeking feedback and input to shape its ESG initiatives. The company recognizes that involving stakeholders is crucial for the success and effectiveness of its sustainability efforts and thinks that a transformation to sustainable business operations can only succeed together with all stakeholders involved, and not without or even against them.

Moreover, KAFRIT IL's operations are subject to broad environmental regulation and the company operates under the ongoing supervision of the Israeli Environmental Protection Authorities.

The requirement to adhere to compliance rules shapes the company's business processes, too. These processes are constantly reviewed and, if needed, adapted to ensure that potential compliance violations are minimized from the beginning and can be identified immediately in case of doubt. Appropriate measures are role-based authorizations, defined approval processes, and signature regulations. Important milestones in this regard are the newly introduced CRM system and the yearly ISOX audits.

To sum it up, compliance with applicable law and adherence to the Kafrit Group Code of Ethics and Conduct form the basis for the trust which our business partners and all other stakeholders have in the company.

# KAFRIT IL sustainability goals in a nutshell



|  |   |
|--|---|
| Emission reduction                             | KAFRIT IL strives for a 50% reduction in SCOPE 1 and SCOPE 2 emissions by 2030. In pursuing this goal, KAFRIT IL focuses primarily on increasing the share of electricity generated from renewable sources. |
| Requesting primary CCF data from all suppliers | KAFRIT IL expects these primary emission data points to become available during the next years and it is the company's goal to request them from all suppliers latest by end of 2024.                       |
| Increase share of renewable electricity        | By 2030, more than 50% of the electricity consumed by KAFRIT IL shall be renewable energy.  |
| Sustainable innovation ratio                   | KAFRIT IL commits to further increase the sustainable innovation ratio and to establish PCF calculations to make sustainable progress measurable by 2025.   |



|  |   |
|--|---|
| DEI goal                                 | KAFRIT IL is proud of what has been achieved in recent years regarding gender equity and wants to continue to strive for it. Given the company's size, the nature of its business, and its geographical location, however, KAFRIT IL does not formulate a specific quota to be fulfilled. Gender equity, workforce availability, and talent must go hand in hand. |
| Community engagement – % budget increase | By 2025 KAFRIT IL will increase the overall community engagement budget, based on the 2022 value, by another 15%  |
| Training hours                           | KAFRIT IL commits itself to increase training and education hours to up to 15 hours per employee p.a. by 2025. On the one hand, additional training shall be offered. On the other hand, online training hours shall be counted as well.  |



|   |   |
|---|---|
| Establish sustainable procurement process | As a next step, together with other group companies, KAFRIT IL will establish a sustainable procurement process in 2024 allowing the company to monitor and evaluate the sustainability level in the value chain. This topic is of growing importance as EU legislation is going to be addressed. |
|---|---|

# GRI index

|                         |  |
|-------------------------|--|
| <b>Statement of use</b> | KAFRIT IL has reported the information cited in this GRI content index for the period January - December 31, 2022 with reference to the GRI Standards. |
|                         | GRI 1: Foundation 2021   |

| GRI standard                               | Disclosure   | Response or page(s)  |
|--|--|--|
| <b>GRI 2:<br/>General Disclosures 2021</b> | 2-1 Organizational details   | pp. 9, 10, 40  |
|  | 2-2 Entities included in the organization's sustainability reporting             | pp. 9 – 10   |
|  | 2-3 Reporting period, frequency and contact point                                | January 1 - December 31, 2022; this is KAFRIT IL's second ESG report following the 2020 report; contact information to be found in the imprint section of this report  |
|  | 2-4 Restatements of information  | not reported on  |
|  | 2-5 External assurance   | This ESG report is not subjected to a comprehensive external assurance process. However, financial and OH&S information are published regularly by the company. Also, the company performs yearly ISOX and ISO audits. |
|  | 2-6 Activities, value chain and other business relationships                     | pp. 9, 25, 40  |
|  | 2-7 Employees  | pp. 9, 35 – 39   |
|  | 2-8 Workers who are not employees  | 4 workers in the reporting year as contracted and freelance workers  |
|  | 2-9 Governance structure and composition   | Kafrit Group Board of Directors which is headed by the Chairman Dr. Itzick Sharir  |
|  | 2-10 Nomination and selection of the highest governance body                     | not reported on  |
|  | 2-11 Chair of the highest governance body  | Dr. Itzick Sharir, p. 5  |
|  | 2-12 Role of the highest governance body in overseeing the management of impacts | not reported on  |
|  | 2-13 Delegation of responsibility for managing impacts                           | See Kafrit Group management team: <a href="https://kafritgroup.com/">https://kafritgroup.com/</a>  |
|  | 2-14 Role of the highest governance body in sustainability reporting             | To oversee and enrich the Kafrit Group sustainability strategy   |
|  | 2-15 Conflicts of interest   | Conflicts of interest are part of the Kafrit Group Code of Ethics and Conduct  |
|  | 2-16 Communication of critical concerns  | Communication of critical concerns is part of the Kafrit Group Code of Ethics and Conduct (whistleblowing policy)  |

| GRI standard                                  | Disclosure   | Response or page(s)   |
|---|--|---|
| <b>GRI 2:<br/>General Disclosures 2021</b>    | 2-17 Collective knowledge of the highest governance body                             | Regular reports about Kafrit Group's sustainability strategy and implementation progress are provided to the Board of Directors |
|   | 2-18 Evaluation of the performance of the highest governance body                    | not reported on   |
|   | 2-19 Remuneration policies   | Kafrit Group has a remuneration policy that also applies to KAFRIT IL   |
|   | 2-20 Process to determine remuneration   | The process to determine remuneration is outlined in the Kafrit Group remuneration policy                                       |
|   | 2-21 Annual total compensation ratio   | not reported on   |
|   | 2-22 Statement on sustainable development strategy                                   | pp. 5 – 7   |
|   | 2-23 Policy commitments  | Stated in the Kafrit Group Code of Ethics and Conduct   |
|   | 2-24 Embedding policy commitments  | Stated in the Kafrit Group Code of Ethics and Conduct   |
|   | 2-25 Processes to remediate negative impacts   | not reported on   |
|   | 2-26 Mechanisms for seeking advice and raising concerns                              | Seeking advice and raising concerns are part of the Kafrit Group Code of Ethics and Conduct (whistleblowing policy)             |
|   | 2-27 Compliance with laws and regulations  | p. 43   |
|   | 2-28 Membership associations   | p. 25   |
|   | 2-29 Approach to stakeholder engagement  | pp. 20 – 21   |
|   | 2-30 Collective bargaining agreements  | p. 35   |
| <b>GRI 3:<br/>Material Topics 2021</b>        | 3-1 Process to determine material topics   | p. 14   |
|   | 3-2 List of material topics  | p. 14   |
|   | 3-3 Management of material topics  | p. 14   |
| <b>GRI 201:<br/>Economic Performance 2016</b> | 201-1 Direct economic value generated and distributed                                | p. 10   |
|   | 201-2 Financial implications and other risks and opportunities due to climate change | not reported on   |
|   | 201-3 Defined benefit plan obligations and other retirement plans                    | not reported on   |
|   | 201-4 Financial assistance received from government                                  | p. 43   |
| <b>GRI 202:<br/>Market Presence 2016</b>      | 202-1 Ratios of standard entry level wage by gender compared to local minimum wage   | p. 37   |
|   | 202-2 Proportion of senior management hired from the local community                 | not reported on   |



| GRI standard                                       | Disclosure  | Response or page(s)   |
|--|---|---|
| <b>GRI 203:<br/>Indirect Economic Impacts 2016</b> | 203-1 Infrastructure investments and services supported                               | not reported on   |
|  | 203-2 Significant indirect economic impacts   | p. 41   |
| <b>GRI 204:<br/>Procurement Practices 2016</b>     | 204-1 Proportion of spending on local suppliers                                       | p. 37   |
| <b>GRI 205:<br/>Anti-corruption 2016</b>           | 205-1 Operations assessed for risks related to corruption                             | p. 41   |
|  | 205-2 Communication and training about anti-corruption policies and procedures        | p. 41   |
|  | 205-3 Confirmed incidents of corruption and actions taken                             | p. 41   |
| <b>GRI 206:<br/>Anti-competitive Behavior 2016</b> | 206-1 Legal actions for anti-competitive behavior, anti-trust, and monopoly practices | p. 41   |
| <b>GRI 302:<br/>Energy 2016</b>                    | 302-1 Energy consumption within the organization                                      | p. 27 – 28  |
|  | 302-2 Energy consumption outside of the organization                                  | p. 27 – 28  |
|  | 302-3 Energy intensity  | p. 27 – 28  |
|  | 302-4 Reduction of energy consumption   | p. 27 – 28  |
|  | 302-5 Reductions in energy requirements of products and services                      | p. 27 – 28, no reduction in specific energy consumption in the reporting year                               |
| <b>GRI 303:<br/>Water and Effluents 2018</b>       | 303-1 Interactions with water as a shared resource                                    | pp. 27, 29 – 30   |
|  | 303-2 Management of water discharge-related impacts                                   | not reported on   |
|  | 303-3 Water withdrawal  | p. 29   |
|  | 303-4 Water discharge   | not reported on   |
|  | 303-5 Water consumption   | p. 29   |
| <b>GRI 305:<br/>Emissions 2016</b>                 | 305-1 Direct (Scope 1) GHG emissions  | pp. 30 – 32   |
|  | 305-2 Energy indirect (Scope 2) GHG emissions   | pp. 30 – 32   |
|  | 305-3 Other indirect (Scope 3) GHG emissions  | pp. 30 – 32   |
|  | 305-4 GHG emissions intensity   | pp. 30 – 32   |
|  | 305-5 Reduction of GHG emissions  | pp. 30 – 32   |
|  | 305-6 Emissions of ozone-depleting substances (ODS)                                   | not reported on, all emissions were calculated into CO <sub>2</sub> equivalents to allow easier comparisons |

| GRI standard   | Disclosure  | Response or page(s)   |
|--|---|---|
| <b>GRI 305:<br/>Emissions 2016</b>                         | 305-7 Nitrogen oxides (NOx), sulfur oxides (SOx), and other significant air emissions                               | not reported on, all emissions were calculated into CO <sub>2</sub> equivalents to allow easier comparisons |
| <b>GRI 306:<br/>Waste 2020</b>                             | 306-1 Waste generation and significant waste-related impacts  | p. 33   |
|  | 306-2 Management of significant waste-related impacts   | p. 33   |
|  | 306-3 Waste generated   | p. 33   |
|  | 306-4 Waste diverted from disposal  | p. 33   |
|  | 306-5 Waste directed to disposal  | p. 33   |
| <b>GRI 308:<br/>Supplier Environmental Assessment 2016</b> | 308-1 New suppliers that were screened using environmental criteria   | p. 40, screening procedure currently under construction   |
|  | 308-2 Negative environmental impacts in the supply chain and actions taken  | p. 40   |
| <b>GRI 401:<br/>Employment 2016</b>                        | 401-1 New employee hires and employee turnover  | pp. 36 – 37   |
|  | 401-2 Benefits provided to full-time employees that are not provided to temporary or part-time employees            | KAFRIT IL provides all employees with the stated benefits (pp. 33 – 34)                                     |
|  | 401-3 Parental leave  | pp. 36 – 37   |
| <b>GRI 403:<br/>Occupational Health and Safety 2018</b>    | 403-1 Occupational health and safety management system  | p. 39   |
|  | 403-2 Hazard identification, risk assessment, and incident investigation  | p. 39   |
|  | 403-3 Occupational health services  | p. 39   |
|  | 403-4 Worker participation, consultation, and communication on occupational health and safety                       | p. 39   |
|  | 403-5 Worker training on occupational health and safety   | p. 39   |
|  | 403-6 Promotion of worker health  | p. 39   |
|  | 403-7 Prevention and mitigation of occupational health and safety impacts directly linked by business relationships | p. 39   |
|  | 403-8 Workers covered by an occupational health and safety management system  | p. 39   |
|  | 403-9 Work-related injuries   | p. 39   |
|  | 403-10 Work-related ill health  | p. 39   |

| GRI standard  | Disclosure   | Response or page(s)                                     |
|---|--|---|
| <b>GRI 404:<br/>Training and Education 2016</b>                           | 404-1 Average hours of training per year per employee  | p. 38   |
|   | 404-2 Programs for upgrading employee skills and transition assistance programs                                      | p. 38   |
|   | 404-3 Percentage of employees receiving regular performance and career development reviews                           | p. 38   |
| <b>GRI 405:<br/>Diversity and Equal Opportunity 2016</b>                  | 405-1 Diversity of governance bodies and employees   | pp. 36 – 37   |
|   | 405-2 Ratio of basic salary and remuneration of women to men   | pp. 36 – 37   |
| <b>GRI 406:<br/>Non-discrimination 2016</b>                               | 406-1 Incidents of discrimination and corrective actions taken   | p. 43   |
| <b>GRI 407:<br/>Freedom of Association and Collective Bargaining 2016</b> | 407-1 Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk | p. 35   |
| <b>GRI 408:<br/>Child Labor 2016</b>                                      | 408-1 Operations and suppliers at significant risk for incidents of child labor                                      | p. 35   |
| <b>GRI 409:<br/>Forced or Compulsory Labor 2016</b>                       | 409-1 Operations and suppliers at significant risk for incidents of forced or compulsory labor                       | p. 35   |
| <b>GRI 413:<br/>Local Communities 2016</b>                                | 413-1 Operations with local community engagement, impact assessments, and development programs                       | p. 41   |
|   | 413-2 Operations with significant actual and potential negative impacts on local communities                         | not reported on   |
| <b>GRI 414:<br/>Supplier Social Assessment 2016</b>                       | 414-1 New suppliers that were screened using social criteria   | p. 40, screening procedure currently under construction |
|   | 414-2 Negative social impacts in the supply chain and actions taken  | p. 40   |
| <b>GRI 415:<br/>Public Policy 2016</b>                                    | 415-1 Political contributions  | p. 43   |
| <b>GRI 418:<br/>Customer Privacy 2016</b>                                 | 418-1 Substantiated complaints concerning breaches of customer privacy and losses of customer data                   | p. 43   |

# Imprint

Kafrit Industries (1993) Ltd.  
Kibbutz Kfar-Aza,  
M.P. Negev, 8514200, Israel  
Tel: +972 8 6809845  
Fax: +972 8 6809846  
kafrit@kafrit.co.il  
www.kafrit.com

## Pictures:

Page 1: Palex66 | Dreamstime.com

Page 6: iStockphoto/kunchainub

Page 10: KAFRIT IL

Page 12: iStockphoto/PeopleImages/thitivong

Page 14: iStockphoto/FG Trade

Page 20: Auguel Ricardo Gomez Angel/Unsplash

Page 28: Wiki Commons: Artem.G, Panorama:

Page 36: Shane Rounce/Unsplash

Page 44: iStockphoto/Orbon Alija

## Disclaimer

KAFRIT IL believes all information provided in this report is accurate and externally comprehensible. The report is based on ESG metrics from 2022 and previous years, and, where real data is not available, data provided by reliable third-party agents is used. All forward-looking statements in this report are made based on the company's current expectations, evaluations, and forecasts, and actual results may differ materially from those anticipated, in whole or in part, as a result of different factors including, but not limited to, changes in market conditions and in the competitive and business environment, regulatory changes, currency fluctuations or the occurrence of one or more of the company's risk factors. In addition, forward-looking statements are based on information in the company's possession while preparing the presentation.

The company does not undertake any obligation to update forward-looking statements made herein to reflect events and/or circumstances that may occur after this report was published.





**Kafrit Industries (1993) Ltd.**

Kibbutz Kfar-Aza,  
M.P. Negev, 8514200, Israel

Phone: +972 8 6809845 | Fax: +972 8 6809846

[kafrit@kafrit.co.il](mailto:kafrit@kafrit.co.il) | [www.kafrit.com](http://www.kafrit.com)

